Centrica plc

Interim results for the period ended 30 June 2007

(Unaudited)

Financial overview:

- Revenue down to £8.6bn (2006: £8.7bn)
- Operating profit* up to £1,248m (2006: £692m)
- Group effective tax rate* reduced to 34% (2006: 51%) due to profits mix
- Earnings* up to £788m (2006: £277m)
- Adjusted basic earnings per share up to 21.5p (2006: 7.6p)
- Interim ordinary dividend of 3.35p/share (2006: 3.15p/share)

Operating overview:

- British Gas Residential added customers in second quarter following two price cuts
- British Gas Residential profits boosted by first quarter peak
- Investment in improving customer service and increasing efficiency
- Gas production and development operating profits* down 83%; I&C contracts profitable
- British Gas Business operating profits* up £37m to £48m
- British Gas Services record first half with strong operational performance
- North American underlying performance strong; impacted by exchange rate movements
- Invested £220 million in UK upstream gas and power assets

"Lower commodity prices have enabled us to reduce retail prices twice for our UK residential customers and to return British Gas Residential to more sustainable profit levels after the first quarter peak. We remain focussed on improving customer service, reducing cost and increasing efficiency across the business so that we can remain competitive in an uncertain commodity price environment. By achieving this we will be able to continue to secure future energy supplies for our customers and invest in our growth businesses."
Sam Laidlaw, Chief Executive

Statutory results:

The statutory results include exceptional items and certain re-measurements which are explained in the Group financial summary and disclosed in note 4.

- Operating profit £1,622m (2006: £157m)
- Earnings £1,006m (2006: Loss of £60m)
- Basic earnings per ordinary share 27.4p (2006: Basic loss per ordinary share 1.7p)

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

Chairman's Statement

Performance review

The Group produced strong results in the first half of the year against the backdrop of lower wholesale gas and power prices. This was due to low customer demand caused by the mild winter and new supplies of gas to the UK. These additional supplies came through the new pipelines from Norway and The Netherlands, which were completed late in 2006, underpinned by long term gas contracts entered into by British Gas.

British Gas was the first of the major UK suppliers to pass on the benefit of lower wholesale prices to customers through tariff cuts announced in February and April. This more competitive pricing was a key factor in British Gas once again beginning to add to its customer base.

The profitability of the UK residential business reached a high point in the first quarter of the year before the price reductions could take effect. These profits partially offset the low returns incurred in previous years when retail price rises failed to keep pace with rapidly escalating wholesale prices. We currently anticipate that the second half of the year will be more in line with our stated aim of delivering long term sustainable margins.

Improving customer service in British Gas remains a top priority. We made some progress towards the end of the first half and additional investment is being made to further improve our service levels. The Board is clear that delivering excellent customer service is fundamental to the long term health of the business.

Upstream, Centrica Energy suffered the downside of the falling commodity prices with a marked reduction in gas production profits. However, the unusual nature of the profit mix, with the much heavier weighting towards the lower taxed retail profits, meant that the Group tax rate in the first half was low. We do not currently expect this to be repeated in the second half.

The Group also delivered strong performance from the growth businesses of British Gas Business, British Gas Services and North America, all of which produced significant operating profit growth.

In the first half management's rigorous approach to efficiency and cost control continued. Headcount in the UK has been reduced by over 1,000 and British Gas is part way through its restructuring programme designed to increase control and accountability and deliver a significant reduction in its operating cost base.

Dividend

In line with our policy of paying an interim dividend equivalent to 30% of the prior year's full year dividend, the board of Directors has declared an interim dividend of 3.35 pence per share to be paid in November 2007.

Board changes

Early in the year we finalised the structure of our executive management team with Phil Bentley taking on the role of Managing Director of British Gas Residential and Business, Jake Ulrich adding Europe to his responsibilities as Managing Director of our upstream activities and Nick Luff joining Centrica from P&O as Group Finance Director. I believe that under the leadership of Sam Laidlaw this creates a strong and well balanced team to take the business forward and deliver on the priorities.

Our employees

Our employees are our most important asset and have worked hard to support the change in systems, working practices, organisation and management within the Company and I thank them all for their loyalty, hard work and dedication. It is a credit to them that British Gas

Business and British Gas Services have both been named amongst the 50 best companies to work for in the UK.

The future

As we move into the second half we will retain our focus on the priorities. British Gas Residential will concentrate on improving the quality of its customer service. Here and across the wider business we will continue to apply a rigorous approach to cost control. It also remains a priority to reduce our exposure to short-term commodity price movements by adding further assets and contracts for both gas and power to the portfolio. In doing this we will maintain financial discipline and continue to monitor balance sheet efficiency, with shareholder value remaining at the top of the agenda.

The results in the first six months have been due to exceptional circumstances and will not be repeated in the second half. Forward commodity prices for the coming winter have become more challenging in recent weeks, but we believe the combination of our competitive price levels and continued management endeavour will provide the foundations for customer retention and more sustainable profits.

Roger Carr, Chairman **2 August 2007**

Operating profit, interest, tax and earnings numbers are stated, throughout the commentary, before exceptional items and certain re-measurements where applicable – see note 2 for definitions. The Directors believe this measure assists with better understanding the underlying performance of the Group. The equivalent amounts after exceptional items and certain re-measurements are reflected in note 3 and are reconciled at Group level in the Group Income Statement. Certain re-measurements and exceptional items are described in note 4. Adjusted earnings and adjusted basic earnings per share are reconciled to their statutory equivalents in note 8.

All current financial results listed are for the 6 months ended 30 June 2007. All references to 'the prior-period', 'the prior-year', '2006' and 'last year' mean the 6 months ended 30 June 2006 unless otherwise specified.

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

Chief Executive's Review

Overview of the first half 2007

Centrica performed well through the first half of 2007. Wholesale gas and electricity prices were significantly lower through the first six months due to both reduced demand and increased supply. Demand was lower as the UK experienced an unusually mild winter and gas supply increased as significant incremental gas flowed to the UK through two new pipelines from Norway and The Netherlands underpinned by contracts with British Gas.

British Gas Residential led the industry in passing on the lower wholesale energy costs to customers, with price cuts in March of 17% in gas and 11% in electricity and further reductions in April of 3% in gas and 6% in electricity. In March we also launched our Essentials tariff as the only social tariff initiative, providing some relief for vulnerable customers from energy bills. These measures drew a very positive reaction from consumers. In the second quarter we gained 46,000 customers accounts and we have seen continued growth in July. The low wholesale prices in the first two months which enabled us to reduce prices resulted in high margins in British Gas during this time. Following our price reductions margins returned to more sustainable levels.

In March we completed the migration of the final customer accounts to the new billing system. During the migration we experienced some degradation in previously high levels of customer service and improving this has been our key priority during the first half. Our cost reductions will be slightly delayed as we invest an additional one-off £60 million during the year to achieve this. Our investment is beginning to make a positive difference. The time taken to respond to customer contacts is reducing and the number of customer complaints is falling. We have still some way to go but the progress to date is encouraging.

British Gas Business delivered an exceptional result in the first half as profit margins increased against the backdrop of the lower commodity prices. We also continued to renew over 95% of SME contract customers and reduced churn in the tariff book to below 5%. This and the differentiated service model we have created through dedicated account managers enabled us to continue to grow the customer base.

In British Gas Services, following the reorganisation in 2006, we significantly improved our operational and customer service levels in the first half of 2007 and maintain our strong growth in customer product holdings. This resulted in a record first half operating profit*.

In April we launched British Gas New Energy to address the rapidly escalating demand for products and services to help residential and business customers improve their energy efficiency and reduce their impact on climate change. This builds on our position as the energy supplier with the lowest carbon-intensity power generation fleet in the UK.

Centrica Energy was also materially affected by the low wholesale gas price environment. This resulted in a fall in gas production volumes and a lower achieved price compared with the prior period. This reduction in profit* was partially offset by a significant improvement in the profitability of the industrial and commercial gas sales contracts. We also separated out power generation profits* where we benefited from higher spark spreads. During the period we invested £220 million in the ongoing construction of our power station at Langage and the wind farms at Lynn and Inner Dowsing, and in developing our current gas fields and securing further gas exploration acreage.

In Centrica Storage we completed the sale of all of the SBU (Standard Bundled Unit) capacity for the 2007/08 storage year. Our ongoing investment in the infrastructure at the Rough storage field also enabled us to develop an innovative non-asset specific virtual storage product. At the end of June the Rough field was 84% full.

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

Internationally we continued to make progress in our North American business. Here our growing Commercial and Industrial (C&I) Energy business moved close to break-even for the first time, Upstream and Wholesale Energy doubled its contribution and the services business continued to expand. The North American reported sterling result was held back by weakening local currencies. In Europe we grew our customer bases in both Belgium and The Netherlands, with both businesses becoming firmly profitable and maintained our presence in Spain, taking advantage of opportunities in an evolving energy market.

Business outlook

Overall we expect 2007 to be a strong year for Centrica with a significant shift in profit* contributions from upstream to downstream. However the wholesale gas prices for the coming winter are high and there is still uncertainty over the level of price volatility and customer demand due to unpredictable weather patterns.

British Gas Residential's very strong performance in the first half of the year is not expected to be repeated in the second half. Given our tariff reductions and the forward market for gas and power, we expect margins in the second half of the year to be more reflective of our long term ambitions. Although we made real progress on customer service in the first half of 2007, our number one priority remains to return to among the best in the industry. Achieving this objective, coupled with our competitive pricing position, will ultimately assist us in maintaining the recent stability we have created in the size of our customer base.

In Centrica Energy the current forward commodity prices are consistent with higher production volumes which would bring the volume of gas produced for the year close to 2006 levels. In contrast, if sustained, the higher prices would move the industrial and commercial gas sales contracts into a loss position in the second half. We will continue to work on developing our gas and power asset base with the most immediate focus being on the power station at Langage and the wind farms at Lynn and Inner Dowsing, which combined, represent an investment of over £700 million on low carbon-intensity generation.

The growth businesses are continuing to perform strongly. We expect British Gas Business to continue its improved performance as it continues to grow its customer base through sales and contract renewals and further differentiates its service proposition by completing the roll-out of dedicated account managers. British Gas Services will concentrate on building on the high quality service levels it has developed to drive further growth in customer numbers whilst controlling operating costs, leading to a strong second half.

In Centrica Storage we will continue to invest in the capability of the Rough storage field to further enhance rates of injection and withdrawal. Further success here will enable us to continue to design more innovative storage solutions for our customers.

Internationally in North America we expect to see further growth in our C&I Energy business. We also forecast the normal seasonal uplift in the services business which should post full year profits ahead of 2006. However, at a retail level the competitive nature of the Texas market is likely to provide challenges in the second half. In Europe the businesses in Belgium, The Netherlands and Spain continue to trade solidly and are expected to have a strong second half.

Overall the outlook for Centrica is good across the Group. However, the wholesale commodity market remains the key uncertainty and current forward prices for the coming winter are high. It is therefore clear that the very strong results of the first half will not be repeated in the second, where more sustainable profitability is likely to be achieved. We will continue to focus on improving customer service and delivering greater efficiencies from our operations to enable us to remain competitive in all our key markets and invest for the future.

Sam Laidlaw, Chief Executive **2 August 2007**

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

Group Financial Summary

Group revenue from continuing operations was down 1.6% at £8.6 billion (2006: £8.7 billion) driven primarily by decreases in British Gas Residential and Industrial and commercial which both had lower customer numbers and consumption. This was partially offset by increases across the growth businesses and the first recognised external revenues from our Power generation segment.

Group operating profit* from continuing operations was up 80% at £1,248 million (2006: £692 million), with the strong growth in British Gas Residential, British Gas Business, Industrial and commercial and British Gas Services partially offset by reduced profits* from Gas production and development due to lower volumes and prices.

Group earnings* on a continuing basis were up by 184% to £788 million (2006: £277 million). As well as the increase in operating profits*, earnings* benefited from a lower interest charge as net debt reduced and a reduction in the Group tax rate* to 34% (2006: 51%) due to the significantly lower proportional contribution from high tax rate upstream gas production. The statutory earnings for the period were £1,006 million (2006: loss of £60 million). The reconciling items between Group earnings* and the statutory earnings are exceptional items and certain re-measurements that are explained below.

Group net cash inflow from operating activities was significantly higher at £1,261 million (2006: outflow of £96 million) primarily due to improved profitability and lower seasonal working capital outflows. The net cash outflow from investing activities reduced slightly to £342 million (2006: £381 million) as the cash outflow for the purchase of Statfjord in early 2006 was replaced by the cash outflow for the development of Langage power station and the wind farms at Lynn and Inner Dowsing. The net cash outflow from financing activities increased to £424 million (2006: £187 million) as only £67 million of additional debt was raised in the first half 2007 compared with £408 million in 2006.

The improved cash generation in the first half resulted in the Group's net recourse debt level at 30 June 2007 reducing to £942 million (30 June 2006: £1,926 million). Net interest* expense was £48 million (2006: £123 million).

During the period net assets increased to £2,726 million from £1,642 million as at 31 December 2006. In addition to the retained earnings, net assets were increased by actuarial gains on the Group's defined benefit pension schemes and by positive movements on the mark-to-market of the Group's financial instruments.

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 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 period, 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 £374 million (2006: net charges of £493 million), primarily from marking-to-market some contracts relating to our energy procurement activities. As gas and power were delivered under these contracts, the net out-of-the-money mark-to-market positions were unwound generating a net credit to the Income Statement in the period of £309 million (2006: net charge of £173

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million). As the forward prices reduced in 2007 the portfolio of contracts fair valued under IAS 39 reported a net credit on revaluation of £75 million (2006: charge of £290 million). The remaining £10 million charge (2006: charge of £30 million) reflects the proprietary trading positions relating to cross-border capacity and storage contracts. The £67 million charge (2006: £34 million credit) to interest income relates to the re-measurement of the publicly traded units of The Consumers' Waterheater Income Fund.

British Gas Residential

During the first half the UK experienced lower and more stable commodity prices as the new pipelines which opened at the end of 2006 continued to deliver incremental gas to the UK and warm weather reduced consumption across both gas and power.

In March we were the first supplier to pass through the benefits of the lower commodity prices to customers, with a 17% cut in gas prices and an 11% cut in electricity prices. We then announced a second price reduction in April of 3% in gas and 6% in electricity. These reductions lowered the average annual customer dual fuel bill by over £200 and delivered more sustainable margins from April to June.

Following significant customer account losses in the first three months in response to 2006 price increases, we added 46,000 customer accounts to our energy customer base in the second quarter. We now have 15.8 million customer accounts.

In March we transferred the final customers onto the new billing system and we concentrated in this period on rectifying issues with the system. The improvements we make to the system will enhance customer service, and whilst we have some way to go, we have progressively strengthened our performance in this area. In July we answered inbound customer service telephone calls in 60 seconds on average, 48% faster than in January, and complaint levels have fallen by 25 per cent between April and June.

Revenue for the period decreased by 13% to £3,497 million (2006: £4,038 million) with the effect of the 2006 price increases more than offset by lower customer numbers, the two price reductions during the period and significantly reduced consumption levels.

More than offsetting the revenue decrease, the lower wholesale energy prices combined with lower customer numbers and consumption reduced the total cost of commodity by £1,174 million to £1,612 million. The Energy Efficiency Commitment (EEC) cost of £43 million (2006: £45 million), which is a mandatory cost of supply, is now reported within gross margin rather than operating expenses, with the comparative figures for 2006 restated accordingly.

Operating costs decreased to £413 million (2006: £443 million) as we continued to transform the business and maintain tight control over cost-to-serve. We invested in customer service in the first half which we believe will help ensure the continued success of the business and deliver lower operating costs in the future.

Operating profit* for the period increased to £533 million (2006: £143 million loss), with the majority of this delivered in the first three months, before the retail price reductions.

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

For the six months ended 30 June	H1 2007	H1 2006	Δ%	FY 2006
Customer numbers (period end):				
Residential gas ('000)	10,004	10,749	(7)	10,263
Residential electricity ('000)	5,817	5,870	(0.9)	5,759
Total ('000)	15,821	16,619	(4.8)	16,022
Estimated market share (%):				
Residential gas^	46	52	(6ppt)	49
Residential electricity	22	23	(1ppt)	22
Average consumption:				
Residential gas (therms)	293	361	(19)	569
Residential electricity (kWh)	1,955	2,129	(8)	4,069
Total consumption:				
Residential gas (mmth)	2,966	3,962	(25)	6,120
Residential electricity (TWh)	11.2	12.6	(11)	23.8
Transportation & distribution costs (£m):				
Residential gas	606	639	(5)	1,110
Residential electricity	268	254	6	511
Total	874	893	(2.1)	1,621
Energy Efficiency Commitment (£m):				
EEC	43	45	(4.4)	90
Operating costs (£m):				
British Gas Residential	413	443	(7)	939
Revenue (£m):				
Residential gas	2,447	2,884	(15)	4,832
Residential electricity	1,050	1,154	(9)	2,280
Total	**3,497**	**4,038**	**(13)**	**7,112**
Operating profit/(loss) (£m)*				
British Gas Residential	**533**	**(143)**	**nm**	**95**
Operating margin (%)				
British Gas Residential	15	(3.5)	19ppt	1.3

^ Gas market share for 2007 is based on the new market size of 21,567,261, as used by ofgem in its Domestic Market Retail Report – June 2007.

British Gas Business

British Gas Business also benefited from the falling wholesale prices for both gas and electricity. During the period we increased our total supply points by 4.4% to 956,000 (2006: 916,000). We held gross churn among tariff customers below 5%, renewed over 95% of our SME contract customers and continued to acquire further SME and large corporate customers.

Revenue increased by 8% to £1,267 million (2006: £1,169 million) due to higher average selling prices, higher customer numbers in both fuels and higher average consumption in electricity driven by a higher proportion of large corporate customers. This was partially offset by lower average consumption in gas as a result of warm weather in the first half.

Operating profit* was up £37 million to £48 million (2006: £11 million) as margins increased in both the tariff and contract book as the wholesale commodity price softened and remained low during the period. This result also included an advantageous short term electricity procurement contract which rolls off in 2008.

During the first half we transferred 268,000 customers to a new gas billing system which provides greater control over our tariff pricing decisions. We continued to train more dedicated account managers and the differentiated service level they provide is already having a positive impact on customer satisfaction.

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

For the six months ended 30 June	H1 2007	H1 2006	Δ%	FY 2006
Customer supply points (period end):				
Gas (‘000)	408	397	2.8	400
Electricity (‘000)	548	519	6	532
Total (‘000)	956	916	4.4	932
Average consumption:				
Gas (therms)	2,137	2,311	(8)	3,990
Electricity (kWh)	15,416	14,875	3.6	29,844
Total consumption:				
Gas (mmth)	859	915	(6)	1,597
Electricity (TWh)	8.3	7.8	6	15.9
Transportation & distribution costs (£m):				
Gas	85	78	9	149
Electricity	142	124	15	261
Total	227	202	12	410
Revenue (£m):				
Gas	596	623	(4.3)	1,115
Electricity	671	546	23	1,188
Total	**1,267**	**1,169**	**8**	**2,303**
Operating profit (£m)*				
British Gas Business	**48**	**11**	**Nm**	**87**
Operating margin (%)				
British Gas Business	3.8	0.9	2.9ppt	3.8

British Gas Services

British Gas Services performed very well in the first half. The changes we made during 2006 in the business significantly enhanced customer service and drove improved engineer deployment efficiency and systems stability, providing both additional flexibility in managing workload and a strong platform for growth.

The number of customer product relationships grew by 6% to 7.4 million (2006: 6.9 million) underpinned by the improved customer service, more effective cross-selling and increased marketing activity to heighten customer awareness of the breadth of the product range. We also launched our On-demand service and carried out 86,000 jobs during the period. This growth, combined with structural changes to pricing to more accurately reflect our cost-to-serve and an increase in the number of central heating installations, resulted in revenue increasing by 18% to £616 million (2006: £521 million).

Operating profit* increased by 43% to £63 million (2006: £44 million) due to the product growth and the increasing percentage of newer higher margin, care products. In addition, profitability in the central heating installation business grew as the number of installations, including those for the Scottish Executive, increased 31% to 55,000 (2006: 42,000).

During the first half we largely completed the transfer to the new National Distribution Centre which is now providing national coverage for parts distribution. We also made good progress on the restructuring announced at the end of last year with 350 jobs removed from the business and a further 100 roles identified for removal.

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

For the six months ended 30 June	H1 2007	H1 2006	Δ%	FY 2006
Customer product holdings (period end):				
Central heating service contracts ('000)	4,444	4,337	2.5	4,392
Kitchen appliances care (no. of customers) ('000)	405	376	8	387
Plumbing and drains care ('000)	1,452	1,330	9	1,384
Home electrical care ('000)	1,072	904	18	986
Total holdings ('000)	7,373	6,947	6	7,149
Central heating installations ('000)	55	42	31	91
Revenue (£m):				
Central heating service contracts	336	298	13	614
Central heating installations	161	114	41	264
Other	119	109	9	226
Total	**616**	**521**	**18**	**1,104**
Engineering staff employed	9,151	8,531	7	8,676
Operating profit (£m)*				
British Gas Services	**63**	**44**	43	**102**
Operating margin (%)				
British Gas Services	10	8	2 ppt	9

Centrica Energy

The commodity price environment was very different to the same period last year. Wholesale month-ahead gas prices fell by 58% to 24.85p/therm (2006: 58.61p/therm) due to increased gas supply, primarily through the Langeled and BBL pipelines which came on-line late in 2006 and lower gas demand as a result of warm weather. The reduction in the wholesale gas price also reduced wholesale electricity prices by 48% to £26.38/MWh (2006: £50.29/MWh).

This lower wholesale price environment also affected the economics of our gas production business, resulting in lower volumes and a reduction in the price achieved. This was partially offset by improved profitability in the industrial and commercial contracts resulting in overall operating profit* being down 42% to £337 million (2006: £579 million).

The segmental reporting disclosure for Centrica Energy now includes the results from our UK power generation assets as a separate segment, with sales from this segment to the downstream business based on market prices for power. The operating costs of Centrica Energy that were previously held within the Industrial sales and wholesaling segment have been allocated across the appropriate business areas. As the power stations were accounted for on a different basis in 2006, prior period figures have not been restated and no result is reported for the Power generation segment for 2006.

Gas production and development

Gas production and development includes all of the activities relating to producing gas and exploring for and developing gas production opportunities. It contains both our fully owned and the Group's share of joint venture assets.

Operating profit* was down 83% to £123 million (2006: £704 million) impacted by both price and volume reductions. The weighted average sales price for gas fell 60% to 23.7p/therm (2006: 59.2p/therm) driven by both the fall in market gas prices and our renegotiation of the Morecambe pricing formula with Her Majesty's Revenue and Customs to month-ahead prices. We produced 1,054mmth of gas, 23% less than last year (2006: 1,364mmth) primarily due to our decision to switch off the Morecambe fields when it proved more economic to buy gas in the wholesale markets. This was partially offset by an 11% increase in oil and condensate

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production volumes mainly due to the full-period effect of our acquisition in June 2006 of an increased share in the Statfjord field. Total hydrocarbon volumes have reduced 19% to 20.2 Mboe (2006: 25.0 Mboe).

During the period we invested £88 million in maintaining and developing our upstream portfolio of assets. Of this, £14 million was invested in the depressurisation of the Statfjord field to increase the level of gas reserves and £34 million on the development of the Maria field.

During the period we continued to create opportunities to develop a diverse portfolio of future gas supplies. Our increased presence in Norway, through our office in Stavanger, enabled us to win a share in four gas exploration blocks in Norway and we acquired a further two blocks during the period. In April we gained a further block in Trinidad in addition to blocks already held in the UK, Egypt and Nigeria.

Industrial and commercial

The Industrial and commercial segment contains the results from the large long-term legacy gas sales contracts. These delivered a profit* of £148 million as the weighted average selling price increased by 19% and the cost of gas reduced significantly year-on-year. The volume of gas delivered reduced by 31% as three contracts ended in September 2006 and customers took less gas under the remaining contracts due to the availability of low price wholesale market gas.

Power generation

This segment contains the results from all of the generation assets including the Spalding power station which is recognised on the Group Balance Sheet. Total operating profit* for the period was £47 million.

We generated 11.6TWh of power in the period (2006: 6.4TWh) from our 4.1GW fleet of gas-fired power stations, up 81% on the prior year as spark spreads increased. For periods during the first half some of our gas fired stations generated baseload power, displacing competitors' coal stations in the merit order, resulting in the overall load factor increasing to 66% (2006: 36%).

During the first half we generated 78GWh from our 71MW fleet of wind farms and invested £52 million in the ongoing development of the two 90MW wind farms at Lynn and Inner Dowsing. The onshore cabling is now complete and one quarter of the foundations are in place. First power from this project is expected in the third quarter of 2008. In January we submitted a planning application for the 250MW Round Two Lincs offshore wind farm. In July, we acquired a 50% ownership in the 72MW Braes of Doune wind farm from Airtricity for £42 million.

We have progressed the groundworks for the 885MW gas-fired plant at Langage in Devon, in which we are investing £400 million, and expect to commence commercial operations in the first quarter of 2009. We also continued our feasibility study for the potential development on Teesside of an Integrated Gasification Combined Cycle (IGCC) power station with the ability to sequestrate carbon.

Energy procurement

In May we bought additional gas import capacity at the Isle of Grain allowing us to import 2.4BCM per annum for 19 years from 2010/11. This increases our total capacity at the Isle of Grain terminal to 5.8BCM per year. In March we submitted an appeal to the rejection of our planning application for the construction of an LNG terminal at Canvey Island.

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

For the six months ended 30 June	H1 2007	H1 2006	Δ%	FY 2006
Gas production and development:				
Gas production volumes (mmth)				
Morecambe	742	937	(21)	1,207
Other	312	427	(27)	709
Total	1,054	1,364	(23)	1,916
Average gas sales price (p/therm)	23.7	59.2	(60)	53.1
Oil and condensate production volumes (Mboe)	3.0	2.7	11	5.6
Average oil and condensate sales price (£/boe)	33.1	34.9	(5)	33.8
Revenue (£m)	366	931	(61)	1,291
External revenue (£m)	137	152	(10)	323
Operating costs (£m):				
Volume related production costs	128	151	(15)	262
Other production costs	115	76	51	170
Total	243	227	7	432
Operating profit (£m)*	123	704	(83)	864
Power generation:				
Power generated (GWh)	11,723	6,488	81	14,567
Operating profit (£m)*	47	n/a	n/a	n/a
Industrial & commercial:				
External sales volumes (mmth)	1,058	1,532	(31)	2,667
Average sales price (p/therm)	36.3	30.5	19	31.3
Revenue (£m)	395	484	(18)	883
Operating profit (£m)*	148	n/a	n/a	n/a
Industrial sales & wholesale:				
Operating (loss) (£m)*	n/a	(132)	n/a	(210)
Accord:				
Operating profit (£m)*	19	7	nm	32
Centrica Energy operating profit (£m)*	**337**	**579**	(42)	**686**

Centrica Storage

Centrica Storage had a strong first half. Operating profit* was up 38% at £128 million (2006: £93 million) in line with the increase in the average Standard Bundled Unit (SBU) price for the period, up 31% to 61.5p (2006: 47.1p).

By the end of January we sold all SBUs for the storage year commencing 1 May 2007 at an average price of 53.4p, down 19% on 2006/07. This reflected the narrowing of the summer/winter spread for forward gas prices due to an improving UK gas supply position as new import infrastructure has come on-stream.

Operationally the Rough field performed well, with continued investment delivering injection and production availability of more than 99%. At the end of June, Rough was 84% full.

We also launched V Store '07, a new virtual storage product enabled by the investment made in both the injection and withdrawal capability at the Rough field. V Store '07 units have the equivalent rights to SBUs but delivery of the gas is to the National Balancing Point and is not affected by the performance of the Rough field.

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

For the six months ended 30 June	H1 2007	H1 2006	Δ%	FY 2006
Average SBU price (calendar year) (pence)	61.5	47.1	31	56.5
Revenue (£m):				
Standard SBUs	139	107	30	254
Extra space	17	13	31	30
Gas sales	28	25	12	58
Other	12	6	100	16
Total	**196**	**151**	**30**	**358**
External revenue (£m)	162	126	29	294
Cost of gas (£m)	29	28	3.6	58
Operating profit (£m)*	128	93	38	228

Centrica North America

Our North American business, which trades as Direct Energy, had a good first half. However, the reported results were impacted by the weakness of the local currencies of US and Canadian dollars against sterling year-on-year. Although sterling reported revenue was broadly unchanged at £2.10 billion (2006: £2.09 billion), in local currency revenue was up 11%, with particularly strong growth in Commercial and Industrial Energy. Operating profit* was up 18% in local currency, with the sterling reported result being up 9% to £132 million (2006: £121 million).

During the first half we restructured Direct Energy into four pan-North American lines of business. The description of each segment is included in the commentary for the period. This enables greater focus on common customer classes and efficiencies of scale through shared operations. The business reports for the first time on this basis below.

Mass Markets Energy

This segment comprises natural gas and electricity sales to residential and small commercial customers across North America.

Here we suffered from difficult trading conditions during the first half, as customer numbers fell due to increased competitive pressures in our Texas business and the expiry of five-year electricity contracts in Ontario signed at market opening in 2002. The impact of these was felt towards the end of the first half and both issues will be more significant in the second half.

Revenue was slightly up in local currency terms but, after an exchange rate impact of £142 million, ended down 9% at £1,339 million (2006: £1,468 million). Operating profit* was up 7% in local currency but, once translated, was 1% down at £88 million (2006: £89 million). Profit growth in our organic business in Texas was offset by lower profits in the north eastern states and our incumbent Texas businesses with the transfer from Price-to-Beat to fully competitive market pricing structure.

Commercial and Industrial Energy

The C&I Energy segment comprises natural gas and electricity sales to medium and large-sized businesses, public institutions and government.

Revenue here was up 31% to £483 million (2006: £370 million) despite adverse exchange movements of £47 million, with volumes up 19% and 55% in gas and electricity respectively. The operating loss* was significantly reduced to £1 million (2006: loss* of £6 million) with improving profits in our more mature Canadian business offset by the costs of the rapid growth in the north eastern US.

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

Home and Business Services

This segment comprises both home and business services across North America and the financial results of The Consumers' Waterheater Income Fund which continue to be fully consolidated.

A 2% decrease in revenue in local currency, primarily due to the US housing market downturn, after exchange rate movements translated into a decrease of 10% to £191 million (2006: £213 million). The acquisition in January of Mabe, a provider of cover for white goods, enabled us to launch an appliance protection and repair business across Canada. In the US, our residential new construction business weathered the severe housing market downturn well and is gaining market share. Our business services operation was close to break-even in the first half, following the restructuring at the end of 2006. Overall this resulted in operating profit of £25 million in what is traditionally the weaker half of the year (2006: £28 million, including the £7 million gain on the sale of the income fund units).

Upstream and Wholesale Energy

This segment consists of our upstream and midstream activities. These are upstream gas, power generation, gas storage and transportation leases, wholesale power and gas transactions, wind power purchase agreements and proprietary trading.

As indicated at the end of 2006, we have increased resources in this area to build on our existing downstream procurement expertise and have generated new profit streams to build a more balanced North America business portfolio. This business delivered operating profit* of £20 million, up 100% on last year (2006: £10 million).

For the period ended 30 June	H1 2007	H1 2006	Δ%	FY 2006
Customer numbers (period end):				
Mass Markets Energy ('000)	3,187	3,444	(7)	3,386
Home and Business Services ('000)	2,000	1,871	7	1,964
Volumes:				
Gas production (mmth)	150	149	0.7	304
Electricity generation (GWh)	2,549	2,258	13	4,450
C&I Gas sales (mmth)	356	300	19	557
C&I Electricity sales (GWh)	6,553	4,240	55	11,221
Revenue (£m):				
Mass Market Energy	1,339	1,468	(9)	2,765
Commercial and Industrial Energy	483	370	31	847
Home and Business Services	191	213	(10)	425
Upstream and Wholesale Energy	82	37	122	60
Total	**2,095**	**2,088**	**0.3**	**4,097**
Operating profit/(loss) (£m)*:				
Mass Market Energy	88	89	(1.1)	156
Commercial and Industrial Energy	(1)	(6)	nm	(12)
Home and Business Services	25	28	(11)	60
Upstream and Wholesale Energy	20	10	100	19
Total	**132**	**121**	9	**223**
Operating margin (%)*				
Total North America	6	6	0 ppt	5

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

Europe

During the year our European segment performed well, delivering a £11 million operating profit* (2006: operating loss* £4 million).

In Belgium we transferred 500,000 Wallonian residential customers into our SPE business on 1 January 2007 to increase our total customer base to 1.5 million. We also made several key appointments to consolidate the management team and drive future growth.

In The Netherlands, we grew our customer base through our Oxxio brand and now supply 669,000 customer accounts. We continued the roll out of smart meters and have worked with the regulator to ensure Oxxio's meters are compatible with future industry standards.

Our Spanish operation rebranded during the period to Centrica Energia. As market conditions improved we successfully re-entered the electricity supply market and have already contracted 0.5TWh of annual consumption. We also continued to grow our portfolio of energy managed on behalf of "special regime" generators to 500MW.

In Germany we started selling energy to the commercial supply market through Centrica Energie GmbH, based in Dusseldorf. This is in direct response to positive developments in the legal and regulatory framework for competition in German energy markets.

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

Independent review report to Centrica plc on the financial information for the six months ended 30 June 2007

Introduction

We have been instructed by the Company to review the consolidated financial information for the six months ended 30 June 2007 which comprises the Group interim Balance Sheet as at 30 June 2007 and the related Group interim statements of Income, Cash Flows and Recognised Income and Expense for the six months then ended and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

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

This interim report has been prepared in accordance with the basis set out in Note 2.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

PricewaterhouseCoopers LLP
Chartered Accountants
1 Embankment Place
London
WC2N 6RH
2 August 2007

Notes

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

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

Group Income Statement

Six months ended 30 June	Notes	2007 Results for the period before exceptional items and certain re-measurements (i) £m	2007 Exceptional items and certain re-measurements (i) £m	2007 Results for the period £m	2006 (as restated) (ii) Results for the period before exceptional items and certain re-measurements (i) £m	2006 (as restated) (ii) Exceptional items and certain re-measurements (i) £m	2006 (as restated) (ii) Results for the period £m
Continuing operations							
Group revenue	3	**8,592**	**–**	**8,592**	8,728	–	8,728
Cost of sales (ii)		**(6,219)**	**–**	**(6,219)**	(6,893)	–	(6,893)
Re-measurement of energy contracts (i)	3,4	**–**	**379**	**379**	–	(493)	(493)
Gross profit		**2,373**	**379**	**2,752**	1,835	(493)	1,342
Operating costs before exceptional items (ii)		**(1,135)**	**–**	**(1,135)**	(1,143)	–	(1,143)
Rough storage incident	4	**–**	**–**	**–**	–	(42)	(42)
Systems write-down	4	**–**	**–**	**–**	–	–	–
Business restructuring costs	4	**–**	**–**	**–**	–	–	–
Operating costs (ii)		**(1,135)**	**–**	**(1,135)**	(1,143)	(42)	(1,185)
Share of profits / (losses) in joint ventures and associates, net of interest and taxation (i)		**10**	**(5)**	**5**	–	–	–
Group operating profit	3	**1,248**	**374**	**1,622**	692	(535)	157
Interest income (i)	5	**83**	**–**	**83**	77	34	111
Interest expense (i)	5	**(131)**	**(67)**	**(198)**	(200)	–	(200)
Net interest (expense) / income		**(48)**	**(67)**	**(115)**	(123)	34	(89)
Profit from continuing operations before taxation		**1,200**	**307**	**1,507**	569	(501)	68
Taxation on profit from continuing operations	6	**(411)**	**(89)**	**(500)**	(291)	164	(127)
Profit / (loss) from continuing operations after taxation		**789**	**218**	**1,007**	278	(337)	(59)
Loss on disposal of discontinued operations		**–**	**–**	**–**	–	–	–
Discontinued operations		**–**	**–**	**–**	–	–	–
Profit / (loss) for the period		**789**	**218**	**1,007**	278	(337)	(59)
Attributable to:							
Equity holders of the parent		**788**	**218**	**1,006**	277	(337)	(60)
Minority interests		**1**	**–**	**1**	1	–	1
		789	**218**	**1,007**	278	(337)	(59)
		Pence		**Pence**	Pence		Pence
Earnings / (loss) per ordinary share							
From continuing and discontinued operations:							
Basic	8			**27.4**			(1.7)
Adjusted basic	8	21.5			7.6		
Diluted	8			**27.0**			(1.7)
From continuing operations:							
Basic	8			**27.4**			(1.7)
Adjusted basic	8	21.5			7.6		
Diluted	8			**27.0**			(1.7)
Prior year final dividend per share	7			**8.00**			7.40
Interim dividend per share	7			**3.35**			3.15

(i) Certain re-measurements (notes 2 and 4) 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. 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.

(ii) Restated to present costs incurred under the Energy Efficiency Commitment programme in cost of sales. Note 2 details the change of accounting presentation.

Group Income Statement

Year ended 31 December	Notes	2006 (as restated) [ii] 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	3	16,450	–	16,450
Cost of sales [ii]		(12,739)	–	(12,739)
Re-measurement of energy contracts [i]	3,4	–	(916)	(916)
Gross profit		3,711	(916)	2,795
Operating costs before exceptional items [ii]		(2,272)	–	(2,272)
Rough storage incident	4	–	(48)	(48)
Systems write-down	4	–	(196)	(196)
Business restructuring costs	4	–	(87)	(87)
Operating costs [ii]		(2,272)	(331)	(2,603)
Share of profits / (losses) in joint ventures and associates, net of interest and taxation [i]		3	(15)	(12)
Group operating profit	3	1,442	(1,262)	180
Interest income [i]	5	103	37	140
Interest expense [i]	5	(286)	–	(286)
Net interest (expense) / income		(183)	37	(146)
Profit from continuing operations before taxation		1,259	(1,225)	34
Taxation on profit from continuing operations	6	(543)	363	(180)
Profit / (loss) from continuing operations after taxation		716	(862)	(146)
Loss on disposal of discontinued operations		(8)	–	(8)
Discontinued operations		(8)	–	(8)
Profit / (loss) for the year		708	(862)	(154)
Attributable to:				
Equity holders of the parent		707	(862)	(155)
Minority interests		1	–	1
		708	(862)	(154)
		Pence		Pence
Earnings / (loss) per ordinary share				
From continuing and discontinued operations:				
Basic	8			(4.3)
Adjusted basic	8	19.4		
Diluted	8			(4.3)
From continuing operations:				
Basic	8			(4.1)
Adjusted basic	8	19.6		
Diluted	8			(4.1)
Final dividend proposed per share	7			8.00

(i) Certain re-measurements (notes 2 and 4) 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. 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.

(ii) Restated to present costs incurred under the Energy Efficiency Commitment programme in cost of sales. Note 2 details the change of accounting presentation.

Group Balance Sheet

	Notes	**30 June 2007 £m**	30 June 2006 £m	*31 December 2006 £m*
Non-current assets				
Goodwill		**1,086**	1,136	*1,055*
Other intangible assets		**447**	617	*422*
Property, plant and equipment		**3,699**	3,745	*3,679*
Interests in joint ventures and associates		**228**	236	*220*
Deferred tax assets		**59**	376	*226*
Trade and other receivables		**19**	19	*16*
Derivative financial instruments	9	**14**	55	*17*
Other financial assets		**38**	39	*37*
Retirement benefit assets	15	**130**	–	–
		5,720	6,223	*5,672*
Current assets				
Inventories		**229**	218	*270*
Current tax assets		**19**	3	*98*
Trade and other receivables		**2,855**	2,921	*3,590*
Derivative financial instruments	9	**658**	1,251	*760*
Other financial assets		**90**	46	*49*
Cash and cash equivalents	10	**1,130**	586	*640*
		4,981	5,025	*5,407*
Total assets		**10,701**	11,248	*11,079*
Current liabilities				
Trade and other payables		**(2,317)**	(2,281)	*(3,291)*
Current tax liabilities		**(411)**	(484)	*(180)*
Bank overdrafts and loans	11	**(91)**	(808)	*(181)*
Derivative financial instruments	9	**(1,264)**	(1,559)	*(1,737)*
Provisions for other liabilities and charges		**(89)**	(105)	*(130)*
		(4,172)	(5,237)	*(5,519)*
Net current assets / (liabilities)		**809**	(212)	*(112)*
Non-current liabilities				
Trade and other payables		**(34)**	(56)	*(55)*
Bank loans and other borrowings	11	**(2,695)**	(2,313)	*(2,555)*
Derivative financial instruments	9	**(56)**	(56)	*(220)*
Deferred tax liabilities		**(384)**	(485)	*(241)*
Retirement benefit obligations	15	**(57)**	(537)	*(296)*
Provisions for other liabilities and charges		**(577)**	(555)	*(551)*
		(3,803)	(4,002)	*(3,918)*
Net assets		**2,726**	2,009	*1,642*
Equity				
Called up share capital	12	**227**	226	*226*
Share premium account		**678**	657	*657*
Merger reserve		**467**	467	*467*
Capital redemption reserve		**16**	16	*16*
Other reserves		**1,280**	586	*219*
Shareholders' equity		**2,668**	1,952	*1,585*
Minority interests in equity		**58**	57	*57*
Total minority interests and shareholders' equity		**2,726**	2,009	*1,642*

Group Statement of Recognised Income and Expense

	Notes	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m	*Year ended 31 December 2006 £m*
Profit / (loss) for the period		**1,007**	(59)	*(154)*
Losses on cash flow hedges		**(90)**	(268)	*(645)*
Exchange differences on translation of foreign operations net of hedging		**6**	(9)	*(23)*
Actuarial gains on defined benefit pension schemes	15	**340**	231	*475*
Gains on revaluation of available for sale assets		**1**	–	*–*
Tax on items taken directly to equity		**(68)**	27	*73*
Net income / (expense) recognised directly in equity		**189**	(19)	*(120)*
Transferred to income and expense on cash flow hedges		**237**	(174)	*(294)*
Tax on items transferred from equity		**(83)**	57	*96*
Transfers		**154**	(117)	*(198)*
Total recognised income and expense for the period		**1,350**	(195)	*(472)*
Attributable to:				
Equity holders of the parent		**1,349**	(196)	*(473)*
Minority interests		**1**	1	*1*
		1,350	(195)	*(472)*

Group Cash Flow Statement

	Notes	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m	*Year ended 31 December 2006 £m*
Operating cash flows before movements in working capital	13	**1,552**	947	*1,965*
Decrease / (increase) in inventories		**43**	(23)	*(83)*
Decrease / (increase) in receivables		**723**	431	*(260)*
Decrease in payables		**(964)**	(1,227)	*(149)*
Cash generated from continuing operations	13	**1,354**	128	*1,473*
Interest received		**9**	7	*13*
Interest paid		**(1)**	(6)	*(9)*
Tax paid		**(33)**	(164)	*(627)*
Payments relating to exceptional charges		**(68)**	(61)	*(113)*
Net cash flow from operating activities	13	**1,261**	(96)	*737*
Purchase of interests in subsidiary undertakings and businesses net of cash and cash equivalents acquired		**(32)**	(92)	*(97)*
Disposal of interests in subsidiary undertakings and businesses net of cash and cash equivalents disposed		**1**	20	*(6)*
Purchase of intangible assets		**(58)**	(50)	*(144)*
Disposal of intangible assets		**2**	–	*13*
Purchase of property, plant and equipment	13	**(302)**	(285)	*(537)*
Disposal of property, plant and equipment		**79**	18	*18*
Investments in joint ventures and associates		**(2)**	(14)	*(16)*
Disposal of interests in associates and other investments		**–**	–	*4*
Interest received		**12**	17	*40*
Net (purchase) / sale of other financial assets		**(42)**	5	*5*
Net cash flow from investing activities		**(342)**	(381)	*(720)*
Re-purchase of ordinary share capital		**–**	(23)	*(23)*
Issue of ordinary share capital		**15**	42	*56*
Interest paid in respect of finance leases		**(28)**	(19)	*(43)*
Other interest paid		**(57)**	(104)	*(151)*
Distribution to unit holders of The Consumers' Waterheater Income Fund		**(14)**	(13)	*(27)*
Interest paid		**(99)**	(136)	*(221)*
Cash inflow from additional debt		**67**	408	*897*
Cash outflow from payment of capital element of finance leases		**(9)**	(13)	*(21)*
Cash outflow from repayment of other debt		**(104)**	(154)	*(880)*
Net cash flow from (decrease) / increase in debt		**(46)**	241	*(4)*
Realised net foreign exchange loss on cash settlement of derivative contracts		**–**	(42)	*(21)*
Equity dividends paid	7	**(294)**	(269)	*(384)*
Net cash flow from financing activities		**(424)**	(187)	*(597)*
Net increase / (decrease) in cash and cash equivalents		**495**	(664)	*(580)*
Cash and cash equivalents at 1 January [(i)]		**592**	1,177	*1,177*
Effect of foreign exchange rate changes		**1**	(2)	*(5)*
Cash and cash equivalents at end of period [(i)]		**1,088**	511	*592*

(i) Cash and cash equivalents are stated net of overdrafts of £42 million (30 June 2006: £75 million, 31 December 2006: £48 million).

1. General information

Centrica plc is a Company domiciled and incorporated in the United Kingdom under the Companies Act 1985.

The interim consolidated Financial Statements of the Group for the six months ended 30 June 2007 were authorised for issue in accordance with a resolution of the Board of Directors on 2 August 2007.

2. Basis of preparation and accounting policies

Basis of preparation

The financial information contained in this report is unaudited. The Income Statement, Statement of Recognised Income and Expense and Cash Flow Statement for the interim period to 30 June 2007, the Balance Sheet as at 30 June 2007 and related notes have been reviewed by the auditors and their report to the Company is set out on page 16. The information shown for the year ended 31 December 2006 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and has been extracted from the statutory accounts for the year ended on that date, which have been filed with the Registrar of Companies. The report of the auditors on the statutory accounts for the year ended 31 December 2006 was unqualified and did not contain a statement under Section 237 of the Companies Act 1985.

The interim consolidated Financial Statements do not include all the information and disclosures required in the annual Financial Statements, and should be read in conjunction with the Group's annual Financial Statements for the year ended 31 December 2006.

Significant accounting policies

The interim consolidated Financial Statements have been prepared on the basis of accounting policies set out in the Group's annual Financial Statements for the year ended 31 December 2006, except for the change in presentation of costs relating to the Energy Efficiency Commitment as noted under Change of accounting presentation below and the change to reportable segments as noted under Change to reported segments below, and in accordance with the Listing Rules of the Financial Services Authority.

The Group's Income Statement and Segmental analysis 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.

As part of its energy procurement activities the Group enters into a range of commodity contracts designed to achieve security of energy supply. These contracts comprise both purchases and sales and cover a wide range of volumes, prices and timescales. The majority of the underlying supply comes from high volume long-term contracts which are complemented by shorter-term arrangements. These short-term contracts are entered into for the purpose of balancing energy supplies and customer demand and to optimise the price paid by the Group. Short-term demand can vary significantly as a result of factors such as weather, power generation profiles and short-term movements in market prices.

Many of the energy procurement contracts are held for the purpose of receipt or delivery of commodities in accordance with the Group's purchase, sale or usage requirements and are therefore out of the scope of IAS 39, Financial Instruments: Recognition and Measurement. However, a number of contracts are considered to be derivative financial instruments and are required to be fair valued under IAS 39, primarily because their terms include the ability to trade elements of the contracted volumes on a net-settled basis.

The Group has shown the fair value adjustments arising on these contracts separately in the certain re-measurements column of the Group's Income Statement. This is because the intention of management is, subject to short-term demand balancing, to use these energy supplies to meet customer demand. Accordingly management believe the ultimate net charge to cost of sales will be consistent with the price of energy agreed in these contracts and that the fair value adjustments will reverse as the energy is supplied over the life of the contract. This makes the fair value re-measurements very different in nature from costs arising from the physical delivery of energy in the period.

At the balance sheet date the fair value represents the difference between the prices agreed in the respective contracts and the actual or anticipated market price of acquiring the same amount of energy on the open market. The movement in the fair value taken to certain re-measurements in the Income Statement represents the unwind of the contracted volume delivered or consumed during the period, combined with the change in fair value of future contracted energy as a result of movements in forward energy prices during the period.

2. Basis of preparation and accounting policies continued

These adjustments represent the significant majority of the items included in certain re-measurements. In addition to these, however, the Group has identified a number of comparable contractual arrangements where the difference between the price which the Group expects to pay or receive under a contract and the market price is required to be fair valued by IAS 39. These additional items relate to cross-border transportation or transmission capacity, storage capacity and contracts relating to the sale of energy by-products, on which economic value has been created which is not wholly recognised under the requirements of IAS 39. For these arrangements the related fair value adjustments are also included under certain re-measurements.

These arrangements are managed separately from proprietary energy trading activities where trades are entered into speculatively for the purpose of making profits in their own right. These proprietary trades are included in the results before certain re-measurements.

Certain re-measurements included within interest comprise re-measurement of the publicly traded units of The Consumers' Waterheater Income Fund.

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, 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 misstatement could, in the opinion of the Directors, individually or collectively, affect the true and fair presentation of the Financial Statements.

IFRS 7, Financial Instruments: Disclosures, IAS 1, Amendments to Capital Disclosures and IFRS 4, Insurance Contracts revised implementation guidance are mandatory for the first time for the financial year ending 31 December 2007. This interim report contains only interim consolidated Financial Statements and selected notes. The full IFRS 7 disclosures including the sensitivity to market risk and capital disclosures required by the amendment of IAS 1 will be given in the annual Financial Statements for the year ending 31 December 2007.

Change of accounting presentation

Costs incurred by British Gas Residential under the Energy Efficiency Commitment programme are presented as part of cost of sales. Previously such costs were presented as operating costs. The change in presentation better reflects the nature of the costs as a direct cost incurred in supplying energy to domestic customers. The impact of the change in presentation is to report £43 million of costs for the six months ended 30 June 2007 within cost of sales. The impact on the comparatives for the six month period ended 30 June 2006 is to reclassify £45 million from operating costs to cost of sales, and for the year ended 31 December 2006 is to reclassify £90 million from operating costs to cost of sales.

Change to reported segments

In 2007, the Group changed its reportable segments creating a Power generation reportable segment and an Industrial and commercial reportable segment. Prior to 2007, these two segments were reported together as Industrial sales and wholesaling.

The new Power generation segment comprises the Group's UK generation assets including the Spalding power station, associated emissions activity, as well as flexible volume power procurement contracts. Beginning in 2007, sales of generated power from Centrica Energy to other Group segments is transferred and reported at fair value. Prior to 2007, the sale of generated power from Centrica Energy to other Group segments was transferred and reported at cost. As a result of the change, Power generation and Industrial and commercial are now reported separately. Consequently, the basis on which operating costs are allocated to other Group segments has also changed.

Prior period comparatives have not been restated as it is impracticable to provide this information on an equivalent basis. For the purpose of comparison, had the Group continued with its previous basis of segmental reporting with inter-segment transfers of power reported on a cost basis, and operating costs allocated to segments with reference to the cost methodology, the Power generation and Industrial and commercial segments together would have reported gross segmental revenues of £493 million, inter-segment revenue of £96 million and externally reported segment revenue of £397 million and an operating profit, before exceptional items and certain re-measurements, of £128 million (£234 million after exceptional items and certain re-measurements) for the six months ended 30 June 2007. In addition, for the six months ended 30 June 2007, British Gas Residential would have reported an increase to operating profit of £53 million, British Gas Business would have reported an increase in operating profit of £4 million, Gas production and development would have reported an increase in operating profit of £9 million and Accord energy trading would have reported an increase in operating profit of £1 million, all before exceptional items and certain re-measurements.

3. Segmental analysis

a) Revenue	Six months ended 30 June 2007 Gross segment revenue £m	Less inter-segment revenue £m	Group revenue £m	Six months ended 30 June 2006 Gross segment revenue £m	Less inter-segment revenue £m	Group revenue £m
Continuing operations:						
British Gas Residential	**3,497**	**–**	**3,497**	4,038	–	4,038
British Gas Business	**1,267**	**–**	**1,267**	1,169	–	1,169
British Gas Services	**616**	**–**	**616**	521	–	521
Gas production and development	**366**	**(229)**	**137**	931	(779)	152
Power generation (i)	**525**	**(305)**	**220**	–	–	–
Industrial and commercial (i)	**395**	**–**	**395**	–	–	–
Industrial sales and wholesaling (i), (ii)	**–**	**–**	**–**	569	(85)	484
Accord energy trading (iii)	**26**	**–**	**26**	9	–	9
Centrica Energy	**1,312**	**(534)**	**778**	1,509	(864)	645
Centrica Storage	**196**	**(34)**	**162**	151	(25)	126
North American Energy and Related Services	**2,095**	**–**	**2,095**	2,088	–	2,088
European Energy	**177**	**–**	**177**	141	–	141
Other operations	**–**	**–**	**–**	–	–	–
	9,160	**(568)**	**8,592**	9,617	(889)	8,728

	Year ended 31 December 2006 Gross segment revenue £m	*Less inter-segment revenue £m*	*Group revenue £m*
Continuing operations:			
British Gas Residential	*7,112*	–	*7,112*
British Gas Business	*2,303*	–	*2,303*
British Gas Services	*1,104*	–	*1,104*
Gas production and development	*1,291*	*(968)*	*323*
Power generation (i)	–	–	–
Industrial and commercial (i)	–	–	–
Industrial sales and wholesaling (i)	*1,035*	*(152)*	*883*
Accord energy trading (iii)	*39*	–	*39*
Centrica Energy	*2,365*	*(1,120)*	*1,245*
Centrica Storage	*358*	*(64)*	*294*
North American Energy and Related Services	*4,097*	–	*4,097*
European Energy	*295*	–	*295*
Other operations	–	–	–
	17,634	*(1,184)*	*16,450*

(i) In 2007, the Group changed its reportable segments creating a Power generation reportable segment and an Industrial and commercial reportable segment. Prior to 2007, these two segments were reported together as Industrial sales and wholesaling. The change to reported segments is detailed in note 2.

(ii) Industrial sales and wholesaling gross segment and inter-segment revenue for the 6 months ended 30 June 2006 has been presented in the current period on a consistent basis with the presentation of inter-segment revenue for the year ended 31 December 2006. The presentation of inter-segment revenue for the year ended 31 December 2006 is detailed in note 4 of the Group's annual Financial Statements for the year ended 31 December 2006.

(iii) The revenue presented for Accord energy trading comprises net gains and losses (both realised and unrealised / fair value changes) from trading in physical and financial energy contracts. Included within its net gains and losses is £7 million arising on fees charged to other Group segments (30 June 2006: £8 million, 31 December 2006: £18 million).

3. Segmental analysis continued

b) Operating profit / (loss)	Operating profit / (loss) before exceptional items and certain re-measurements			Operating profit / (loss) after exceptional items and certain re-measurements		
	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	*Year ended 31 December 2006 £m*	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m	*Year ended 31 December 2006 £m*
Continuing operations:						
British Gas Residential	**533**	(143)	*95*	**636**	(452)	*(843)*
British Gas Business	**48**	11	*87*	**181**	(115)	*(321)*
British Gas Services	**63**	44	*102*	**63**	44	*36*
Gas production and development	**123**	704	*864*	**123**	718	*896*
Power generation (i)	**47**	–	*–*	**46**	–	*–*
Industrial and commercial (i)	**148**	–	*–*	**254**	–	*–*
Industrial sales and wholesaling (i)	**–**	(132)	*(210)*	**–**	30	*230*
Accord energy trading	**19**	7	*32*	**16**	4	*38*
Centrica Energy	**337**	579	*686*	**439**	752	*1,164*
Centrica Storage	**128**	93	*228*	**127**	69	*206*
North American Energy and Related Services	**132**	121	*223*	**175**	(110)	*(41)*
European Energy	**11**	(4)	*7*	**6**	(4)	*(8)*
Other operations	**(4)**	(9)	*14*	**(5)**	(27)	*(13)*
	1,248	692	*1,442*	**1,622**	157	*180*
Discontinued operations:						
Onetel	**–**	–	*(11)*	**–**	–	*(11)*
	–	–	*(11)*	**–**	–	*(11)*

	Exceptional items (notes 2 and 4)			Certain re-measurements (notes 2 and 4)		
	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	*Year ended 31 December 2006 £m*	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m	*Year ended 31 December 2006 £m*
Continuing operations:						
British Gas Residential	**–**	–	*(214)*	**103**	(309)	*(724)*
British Gas Business	**–**	–	*–*	**133**	(126)	*(408)*
British Gas Services	**–**	–	*(66)*	**–**	–	*–*
Gas production and development	**–**	–	*–*	**–**	14	*32*
Power generation (i)	**–**	–	*–*	**(1)**	–	*–*
Industrial and commercial (i)	**–**	–	*–*	**106**	–	*–*
Industrial sales and wholesaling (i)	**–**	–	*–*	**–**	162	*440*
Accord energy trading	**–**	–	*–*	**(3)**	(3)	*6*
Centrica Energy	**–**	–	*–*	**102**	173	*478*
Centrica Storage	**–**	(24)	*(24)*	**(1)**	–	*2*
North American Energy and Related Services	**–**	–	*–*	**43**	(231)	*(264)*
European Energy	**–**	–	*–*	**(5)**	–	*(15)*
Other operations	**–**	(18)	*(27)*	**(1)**	–	*–*
	–	(42)	*(331)*	**374**	(493)	*(931)*

(i) In 2007, the Group changed its reportable segments creating a Power generation reportable segment and an Industrial and commercial reportable segment. Prior to 2007, these two segments were reported together as Industrial sales and wholesaling. The change to reported segments is detailed in note 2.

4. Exceptional items and certain re-measurements

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	*Year ended 31 December 2006 £m*
a) Exceptional items			
Rough storage incident (i)	**–**	(42)	*(48)*
Systems write-down (ii)	**–**	–	*(196)*
Business restructuring costs (iii)	**–**	–	*(87)*
Total exceptional items before taxation	**–**	(42)	*(331)*
b) Certain re-measurements			
Certain re-measurements recognised in relation to energy contracts			
Net gains / (losses) arising on delivery of contracts	**309**	(173)	*(287)*
Net gains / (losses) arising on market price movements and new contracts	**80**	(290)	*(623)*
Net losses arising on proprietary trades in relation to cross-border transportation or capacity contracts	**(10)**	(30)	*(6)*
Net re-measurement of energy contracts included within gross profit	**379**	(493)	*(916)*
Net losses arising on re-measurement of joint ventures' energy contracts (iv)	**(5)**	–	*(15)*
Net re-measurement included within Group operating profit	**374**	(493)	*(931)*
(Losses) / gains arising on re-measurement of the publicly traded units of The Consumers' Waterheater Income Fund (iv)	**(67)**	34	*37*
Total certain re-measurements before taxation	**307**	(459)	*(894)*

(i) Centrica Storage operations at Rough suffered a major interruption caused by a fire in February 2006. Our investment in new emergency shutdown systems and prompt management action mitigated the damage to ensure no loss of life. Following a full assessment of the work needed to restore operations, the costs of the incident resulted in an exceptional charge before taxation of £48 million in 2006 (30 June 2006: £42 million) of which £24 million was recognised within Other operations (30 June 2006: £18 million). A tax credit of £14 million (30 June 2006: £12 million) was recognised in respect of the charge.

(ii) Systems write-down costs in 2006 comprised the write-down of certain major systems developments following a review of their existing and required future functionality. The cost comprises write-downs in British Gas Residential (£178 million) and British Gas Services (£18 million). A tax credit of £59 million was recognised in respect of these costs.

(iii) Business restructuring costs in 2006 comprised £67 million resulting from staff reductions at the corporate centre (£3 million), British Gas Residential (£16 million) and British Gas Services (£48 million) and £20 million related to the closure of the head office of British Gas Residential. A tax credit of £20 million was recognised in respect of these costs.

(iv) Certain re-measurements included within Group operating profit also include the Group's share of certain re-measurements relating to the energy procurement activities of joint ventures. 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.

5. Net interest

	Six months ended 30 June 2007			Six months ended 30 June 2006		
	Interest expense £m	**Interest income £m**	**Total £m**	Interest expense £m	Interest income £m	Total £m
Cost of servicing net debt (excluding non-recourse debt)						
Interest income	**–**	**34**	**34**	–	22	22
Interest expense on bank overdrafts and loans (i)	**(44)**	**–**	**(44)**	(114)	–	(114)
Interest expense on finance leases (including tolling agreements)	**(24)**	**–**	**(24)**	(24)	–	(24)
Fair value (losses) / gains on hedges	**(12)**	**9**	**(3)**	(13)	14	1
Fair value (losses) / gains on other derivatives	**(21)**	**9**	**(12)**	(24)	24	–
	(101)	**52**	**(49)**	(175)	60	(115)
Interest arising on non-recourse debt						
Interest expense on non-recourse debt	**(6)**	**–**	**(6)**	(5)	–	(5)
Distributions to unit holders of The Consumers' Waterheater Income Fund	**(14)**	**–**	**(14)**	(13)	–	(13)
Fair value (losses) / gains arising on units of The Consumers' Waterheater Income Fund	**(67)**	**–**	**(67)**	–	34	34
	(87)	**–**	**(87)**	(18)	34	16
Other interest						
Notional interest arising on discounted items	**(10)**	**26**	**16**	(7)	12	5
Interest on supplier early payment arrangements	**–**	**5**	**5**	–	5	5
	(10)	**31**	**21**	(7)	17	10
Net interest (expense) / income	**(198)**	**83**	**(115)**	(200)	111	(89)

	Year ended 31 December 2006		
	Interest expense £m	*Interest income £m*	*Total £m*
Cost of servicing net debt (excluding non-recourse debt)			
Interest income	*–*	*38*	*38*
Interest expense on bank overdrafts and loans (i)	*(175)*	*–*	*(175)*
Interest expense on finance leases (including tolling agreements)	*(47)*	*–*	*(47)*
Fair value (losses) / gains on hedges	*(1)*	*3*	*2*
Fair value (losses) / gains on other derivatives	*(8)*	*25*	*17*
	(231)	*66*	*(165)*
Interest arising on non-recourse debt			
Interest expense on non-recourse debt	*(13)*	*–*	*(13)*
Distributions to unit holders of The Consumers' Waterheater Income Fund	*(27)*	*–*	*(27)*
Fair value gains arising on units of The Consumers' Waterheater Income Fund	*–*	*37*	*37*
	(40)	*37*	*(3)*
Other interest			
Notional interest arising on discounted items	*(15)*	*26*	*11*
Interest on supplier early payment arrangements	*–*	*11*	*11*
	(15)	*37*	*22*
Net interest (expense) / income	*(286)*	*140*	*(146)*

(i) Includes £nil (30 June 2006: £69 million, 31 December 2006: £66 million) interest payable on borrowings related to a bank's interest in Centrica Gas Production LP, a limited partnership, which was formed during 2005. The bank ceased to be a limited partner during 2006 and the arrangement with the bank was brought to an end on 11 August 2006.

6. Taxation

Analysis of taxation on profit for the period	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m	*Year ended 31 December 2006 £m*
UK corporation tax (including adjustments in respect of prior years)	**324**	66	*290*
UK petroleum revenue tax	**55**	202	*227*
Foreign tax (including adjustments in respect of prior years)	**32**	23	*26*
Taxation on profit before exceptional items and certain re-measurements	**411**	291	*543*
Tax on exceptional items	**–**	(12)	*(93)*
Tax on certain re-measurements	**89**	(152)	*(270)*
Total taxation on profit from continuing operations	**500**	127	*180*

7. Dividends

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	*Year ended 31 December 2006 £m*
Prior year final dividend of 8.00 pence (2006: 7.40 pence) per ordinary share	**294**	269	*269*
Prior year interim dividend of 3.15 pence per ordinary share	**–**	–	*115*
	294	269	*384*

The prior year final dividend was paid on 13 June 2007.

An interim dividend of 3.35 pence per ordinary share will be paid on 14 November 2007. The anticipated distribution amounts to £123 million.

8. Earnings per ordinary share

a) Continuing and discontinued operations	**Six months ended 30 June 2007**		Six months ended 30 June 2006		*Year ended 31 December 2006*	
	£m	**Pence per ordinary share**	£m	Pence per ordinary share	*£m*	*Pence per ordinary share*
Earnings / (loss) – basic	**1,006**	**27.4**	(60)	(1.7)	*(155)*	*(4.3)*
Net exceptional items after tax (notes 2 and 4)	**–**	**–**	30	0.8	*238*	*6.6*
Certain re-measurement (gains) / losses after tax (notes 2 and 4)	**(218)**	**(5.9)**	307	8.5	*624*	*17.1*
Earnings – adjusted basic	**788**	**21.5**	277	7.6	*707*	*19.4*
Earnings / (loss) – diluted	**1,006**	**27.0**	(60)	(1.7)	*(155)*	*(4.3)*

b) Continuing operations	**Six months ended 30 June 2007**		Six months ended 30 June 2006		*Year ended 31 December 2006*	
	£m	**Pence per ordinary share**	£m	Pence per ordinary share	*£m*	*Pence per ordinary share*
Earnings / (loss) – basic	**1,006**	**27.4**	(60)	(1.7)	*(147)*	*(4.1)*
Net exceptional items after tax (notes 2 and 4)	**–**	**–**	30	0.8	*238*	*6.6*
Certain re-measurement (gains) / losses after tax (notes 2 and 4)	**(218)**	**(5.9)**	307	8.5	*624*	*17.1*
Earnings – adjusted basic	**788**	**21.5**	277	7.6	*715*	*19.6*
Earnings / (loss) – diluted	**1,006**	**27.0**	(60)	(1.7)	*(147)*	*(4.1)*

8. Earnings per ordinary share continued

c) Discontinued operations	Six months ended 30 June 2007 £m	Six months ended 30 June 2007 Pence per ordinary share	Six months ended 30 June 2006 £m	Six months ended 30 June 2006 Pence per ordinary share	Year ended 31 December 2006 £m	Year ended 31 December 2006 Pence per ordinary share
Earnings / (loss) – basic	**–**	**–**	–	–	*(8)*	*(0.2)*
Earnings / (loss) – diluted	**–**	**–**	–	–	*(8)*	*(0.2)*

Certain re-measurements (notes 2 and 4) included within operating profit comprise re-measurement arising on our energy procurement activities and re-measurement of other comparable contracts that relate to cross-border transportation or capacity contracts. 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.

The weighted average number of shares used in the calculation of earnings per ordinary share was as follows:

	30 June 2007 million shares	30 June 2006 million shares	*31 December 2006 million shares*
Weighted average number of shares used in the calculation of basic earnings per ordinary share	**3,667**	3,627	*3,643*
Weighted average number of shares used in the calculation of diluted earnings per ordinary share	**3,723**	3,627	*3,643*

At 30 June 2006 and 31 December 2006, no outstanding awards or options were considered to be potentially dilutive because they would have decreased the loss per share.

9. Derivative financial instruments

Exposure to commodity price risk, counterparty credit risk, interest rate risk, currency risk and liquidity risk arises in the normal course of the Group's business. Derivative financial instruments are entered into to reduce exposure to fluctuations in commodity prices, interest rates and foreign exchange rates. Derivative financial instruments are also entered into for trading purposes. Detailed disclosures explaining the nature of the risks that the Group is exposed to, and the financial instruments entered into by the Group, are provided in the Annual Report and Accounts for the year ended 31 December 2006. There have been no significant changes to the nature of the Group's derivative contracts which have been accounted for in accordance with IAS 39 in the six months ended 30 June 2007. The fair values recorded in the Financial Statements only concern those contracts entered into which are within the scope of IAS 39 and should not be construed as a measure of the Group's exposure to cash flow risk resulting from changes in commodity prices.

10. Cash and cash equivalents

	30 June 2007 £m	30 June 2006 £m	*31 December 2006 £m*
Cash at bank, in transit and in hand	**61**	46	*29*
Short-term deposits	**1,069**	540	*611*
Cash and cash equivalents	**1,130**	586	*640*

Cash and cash equivalents includes £39 million (30 June 2006: £39 million, 31 December 2006: £38 million) held by the Group's insurance subsidiary undertakings, and £15 million (30 June 2006: £17 million, 31 December 2006: £17 million) held by The Consumers' Waterheater Income Fund. These amounts are not readily available to be used for other purposes within the Group.

11. Bank overdrafts, loans and other borrowings

	30 June 2007		30 June 2006		*31 December 2006*	
Amounts falling due:	**Current £m**	**Non-current £m**	Current £m	Non-current £m	*Current £m*	*Non-current £m*
a) Recourse borrowings						
Bank overdrafts and loans	**52**	**102**	310	300	*56*	*108*
Other borrowings:						
Bonds	**–**	**1,235**	–	678	*–*	*1,181*
Commercial paper	**–**	**–**	475	–	*100*	*–*
Obligations under finance leases (including power station tolling arrangements)	**25**	**771**	23	794	*25*	*783*
	77	**2,108**	808	1,772	*181*	*2,072*
b) Non-recourse borrowings						
Non-recourse bank overdrafts and loans (i)	**14**	**–**	–	–	*–*	*–*
Canadian dollar bonds (i)	**–**	**233**	–	242	*–*	*218*
Units of The Consumers' Waterheater Income Fund (ii)	**–**	**354**	–	299	*–*	*265*
	91	**2,695**	808	2,313	*181*	*2,555*

(i) Non-recourse bank overdrafts and loans are held by, and Canadian dollar bonds are issued by, The Consumers' Waterheater Income Fund (the Fund), which is consolidated by the Group. The debt is secured solely on the assets of the Fund and its subsidiaries, without recourse to the Group.

(ii) Units of the Fund are traded on the Toronto Stock Exchange and are treated as debt in the Group's interim consolidated Financial Statements.

12. Called up share capital

	Six months ended 30 June 2007		Six months ended 30 June 2006		*Year ended 31 December 2006*	
	£m	**Number**	£m	Number	*£m*	*Number*
1 January	**226**	**3,662,721,068**	224	3,623,982,266	*224*	*3,623,982,266*
Repurchased	**–**	**–**	(1)	(8,950,000)	*(1)*	*(8,950,000)*
Issued under employee share schemes	**1**	**13,541,236**	3	39,535,981	*3*	*47,688,802*
End of period	**227**	**3,676,262,304**	226	3,654,568,247	*226*	*3,662,721,068*

The closing price of a Centrica ordinary share on 30 June 2007 was 388.50 pence (30 June 2006: 285.25 pence, 31 December 2006: 354.50 pence). The nominal value of a Centrica ordinary share for both the current and prior periods is $6^{14}/_{81}$ pence. The share repurchase programme is currently suspended.

13. Notes to the Group Cash Flow Statement

a) Reconciliation of Group operating profit to net cash flow from operating activities	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m	*Year ended 31 December 2006 £m*
Continuing operations			
Group operating profit including share of result of joint ventures and associates	**1,622**	157	*180*
Less share of (profits) / losses of joint ventures and associates	**(5)**	–	*12*
Group operating profit before share of joint ventures and associates	**1,617**	157	*192*
Add back:			
Amortisation of intangible assets	**41**	26	*73*
Depreciation of property, plant and equipment	**247**	246	*506*
Systems write-down	**–**	–	*196*
Employee share scheme costs	**13**	11	*23*
(Profit) / loss on sale of businesses	**(2)**	1	*(3)*
Loss / (profit) on sale of property, plant and equipment, and other intangible assets	**5**	(10)	*(17)*
Movement in provisions	**12**	26	*84*
Re-measurement of energy contracts (i)	**(381)**	490	*911*
Operating cash flows before movements in working capital	**1,552**	947	*1,965*
Decrease / (increase) in inventories	**43**	(23)	*(83)*
Decrease / (increase) in receivables	**723**	431	*(260)*
Decrease in payables	**(964)**	(1,227)	*(149)*
Cash generated from continuing operations	**1,354**	128	*1,473*
Income taxes paid	**(66)**	(119)	*(311)*
Net petroleum revenue tax refunded / (paid)	**33**	(45)	*(316)*
Net interest received	**8**	1	*4*
Payments relating to exceptional charges	**(68)**	(61)	*(113)*
Net cash flow from continuing operating activities	**1,261**	(96)	*737*

(i) Includes net £2 million (30 June 2006: £3 million, 31 December 2006: £5 million) of unrealised losses arising from re-measurement of contracts, including those relating to proprietary trading and North American storage activities.

b) Purchase of property, plant and equipment

Cash outflows of £302 million (30 June 2006: £285 million, 31 December 2006: £537 million) on the purchase of property, plant and equipment relate to additions of £48 million (30 June 2006: £58 million, 31 December 2006: £91 million) within plant, equipment and vehicles, £140 million (30 June 2006: £23 million, 31 December 2006: £140 million) within power generation and £114 million (30 June 2006: £204 million, 31 December 2006: £306 million) within storage, exploration and production.

14. Acquisitions

On 8 February 2007, the Group's subsidiary The Consumers' Waterheater Income Fund acquired the water heater rental business of Toronto Hydro Energy Services Inc. for cash consideration of C$41 million (£18 million). The fair value of net assets acquired comprised £10 million for water heater fixed assets and £8 million for intangible assets representing acquired contractual customer relationships.

On 22 January 2007, the Group acquired the home appliance service assets of Mabe Canada Inc. for consideration of C$7 million (£3 million) in cash.

During the period the Group paid £11 million of contingent and deferred consideration, £10 million representing the final contingent payment relating to the acquisition of CPL/WTU in 2002 and £1 million representing a deferred payment relating to the acquisition of Wainstones Power Limited in 2004.

15. Pensions

Substantially all of the Group's UK employees at 30 June 2007 were members of one of the three main schemes: the Centrica Pension Scheme, the Centrica Engineers' Pension Scheme and the Centrica Management Pension Scheme (together the approved pension schemes). These schemes are defined benefit schemes and are tax-approved funded arrangements subject to independent valuations at least every three years, on the basis of which the independent qualified actuary certifies the rate of employers' contributions which, together with the specified contributions payable by the employees and proceeds from the schemes' assets, are expected to be sufficient to fund the benefits payable under the schemes.

The Centrica Unapproved Pension Scheme is an unfunded arrangement which provides benefits to certain employees whose benefits under the main schemes would otherwise be limited by the earnings cap. The Group also has a commitment to provide pension and post retirement benefits to certain employees of Direct Energy Marketing Limited (Canada).

The latest full actuarial valuation for the approved pension schemes was carried out at 31 March 2006, is substantially complete and is expected to be approved in the second half of 2007. The latest full actuarial valuations were carried out at 6 April 2005 for the Unapproved Pension Scheme and at 14 June 2005 for the Direct Energy Marketing Limited pension plan. These have been updated to 30 June 2007 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	**30 June 2007 %**	30 June 2006 %	*31 December 2006 %*
Rate of increase in employee earnings	**4.30**	4.45	*4.00*
Rate of increase in pensions in payment and deferred pensions	**3.30**	2.95	*3.00*
Discount rate	**5.65**	5.20	*5.00*
Inflation assumption	**3.30**	2.95	*3.00*

Demographic assumptions remain unchanged from 31 December 2006.

The fair value of the assets and the present value of the liabilities in the schemes at the balance sheet date were:

	30 June 2007 £m	30 June 2006 £m	*31 December 2006 £m*
UK equities	**1,586**	1,346	*1,486*
Non-UK equities	**943**	763	*857*
Fixed-interest bonds	**301**	287	*312*
Interest-linked bonds	**253**	204	*213*
Property	**67**	75	*68*
Cash and other assets	**80**	55	*52*
Total fair value of plan assets	**3,230**	2,730	*2,988*
Present value of defined benefit obligation	**(3,157)**	(3,277)	*(3,284)*
Net asset / (liability) recognised in the Balance Sheet [(i)]	**73**	(547)	*(296)*
Associated deferred tax (liability) / asset recognised in the Balance Sheet	**(22)**	164	*89*
Net pension asset / (liability)	**51**	(383)	*(207)*
Net asset / (liability) recognised in the Balance Sheet comprises:			
Surpluses	**130**	–	–
Deficits [(i)]	**(57)**	(547)	*(296)*
	73	(547)	*(296)*

(i) At 30 June 2006, £10 million relates to loss on curtailment included within exceptional restructuring costs arising in 2005 that was included in restructuring provisions within the Balance Sheet.

15. Pensions continued

Included within schemes' liabilities above are £30 million (30 June 2006: £32 million, 31 December 2006: £27 million) relating to unfunded pension arrangements. Included within non-current other financial assets are £30 million (30 June 2006: £31 million, 31 December 2006: £29 million) of investments, held by the Law Debenture Trust on behalf of the Company, as security in respect of the Centrica Unapproved Pension Scheme.

The amounts recognised in the Income Statement and in the Statement of Recognised Income and Expense are set out below:

Analysis of the amount charged / (credited) to operating profit	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m	*Year ended 31 December 2006 £m*
Current service cost	**70**	72	*143*
Plan amendment (i)	**–**	–	*(20)*
Loss on curtailment	**–**	10	*18*
Net charge to operating profit	**70**	82	*141*

(i) The schemes' rules were amended from 1 April 2006 to allow employees to commute a larger amount of their pension to a cash lump sum on retirement, in line with changes to the Finance Act. Accordingly, the assumptions made in calculating the Group's defined benefit pension obligation were revised in 2006, and a gain of £20 million was recognised in Group operating profit before exceptional items and certain re-measurements.

Analysis of the amount (credited) / charged to notional interest	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m	*Year ended 31 December 2006 £m*
Expected return on pension scheme assets	**(108)**	(94)	*(194)*
Interest on pension scheme liabilities	**82**	82	*168*
Net credit to notional interest	**(26)**	(12)	*(26)*

Analysis of the actuarial gain / (loss) recognised in the Statement of Recognised Income and Expense	**Six months ended 30 June 2007 £m**	Six months ended 30 June 2006 £m	*Year ended 31 December 2006 £m*
Actual return less expected return on pension scheme assets	**70**	(30)	*95*
Experience (losses) / gains arising on the scheme liabilities	**(17)**	(5)	*145*
Changes in assumptions underlying the present value of the scheme liabilities	**287**	266	*235*
Actuarial gain to be recognised in the Statement of Recognised Income and Expense before adjustment for tax	**340**	231	*475*

The expected return on pension scheme assets is based on market expectations, at the beginning of each year. The expected return on pension scheme assets remains unchanged at 30 June of each year presented. Expected rates of return at 31 December 2006 and 31 December 2005 are provided in the Annual Report and Accounts for the year ended 31 December 2006. The overall expected rate of return on assets is a weighted average based on the actual plan assets held and the respective expected returns on separate asset classes. The returns on separate asset classes were derived as follows: the expected rate of return on equities is based on the expected median return over a 10-year period, as calculated by the independent company actuary. The median return over a period longer than 10 years was not expected to be materially dissimilar. The expected rate of return on bonds was measured directly from actual market yields for UK gilts and corporate bond stocks. The rate takes into account the actual mixture of UK gilts, UK corporate bonds and overseas bonds held at the balance sheet date. The expected rate of return on property takes into account capital growth and makes allowance for expenses, rental growth and depreciation. The expected rate of return on cash is comparable to current bank interest rates.

16. Commitments and contingencies

a) **Commitments in relation to the acquisition of property, plant and equipment:**	**30 June 2007 £m**	30 June 2006 £m	*31 December 2006 £m*
Construction of a power station at Langage	**205**	273	*219*
Construction of Lynn and Inner Dowsing wind farms	**162**	–	*99*
Redevelopment of Statfjord field	**59**	89	*72*
Exploration activity in Nigeria	**14**	14	*14*
Various field developments	**5**	45	*43*
Acquisition of Braes of Doune wind farm (i)	**42**	–	*42*
Acquisition of other property, plant and equipment	**61**	87	*15*
	548	508	*504*

(i) Other financial assets include £42 million (30 June 2006: £nil, 31 December 2006: £nil) restricted from general use pending successful testing and handover of the Group's stake in the Braes of Doune wind farm. Note 18 provides additional detail in respect of this payment.

b) Other commitments

During the period the Group entered into an information technology data centre outsourcing arrangement resulting in a financial commitment under the 10-year services contract of £154 million.

Detailed disclosures of the Group's financial commitments in relation to the acquisition of intangible assets, commodity purchase contracts and other similar commitments are provided in the Annual Report and Accounts for the year ended 31 December 2006. There have been no significant changes to the nature of these commitments in the six months ended 30 June 2007.

c) Contingent assets and liabilities

There have been no material changes to contingent assets and liabilities since the last reporting date.

17. Related party transactions

During the period the Group entered into the following transactions with Barrow Offshore Wind Limited (Barrow) (a related party that is not a member of the Group): purchase of goods and services for £5 million (30 June 2006: £4 million, 31 December 2006: £8 million) and other transactions for £1 million (30 June 2006: £1 million, 31 December 2006: £1 million). At 30 June 2007, the Group had the following balances outstanding with Barrow: amounts owed from Barrow of £25 million (30 June 2006: £2 million, 31 December 2006: £23 million) and amounts owed to Barrow of £2 million (30 June 2006: £2 million, 31 December 2006: £3 million).

18. Events after the balance sheet date

On 12 July 2007 the Group acquired a 50% stake in the equity of Braes of Doune Wind Farm (Scotland) Limited for £42 million in cash. The Group's interest in the Braes of Doune wind farm will be accounted for as a joint venture.

Disclaimers

This announcement does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Centrica plc 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 a presentation on its 2007 Interim Results for analysts and institutional investors at 9.30am (BST) on Thursday 2 August 2007. The presentation and slides will be webcast live from 9.30am at www.centrica.com/investors.

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

From the UK	0845 245 3471
From overseas	+44 1452 561 394

The call title is "Centrica 2007 Interim Results Announcement" and the pass-code is 4808925.

An archived webcast and full transcript of the presentation and the question and answer session will be available on the website on Monday 6 August 2007.

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Financial Calendar

Ex-dividend date for 2007 interim dividend	26 September 2007
Record date for 2007 interim dividend	28 September 2007
2007 interim dividend payment date	14 November 2007
Pre-close Trading Update	14 December 2007

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