Centrica plc
Interim Results for the six months ended 30 June 2005
(Unaudited)

Financial Overview:

- Turnover up 16% at £6.8bn.
- Operating profit*^ increased by 19% to £967m, but will be much reduced in the second half.
- Earnings*^ improvement, up 6% to £445m, is lower due to higher tax and interest charges.
- Adjusted basic earnings per share up 10% to 11.9p.
- Cash inflow from operating activities up 18% at £878m.
- Ordinary interim dividend of 3.1p per share, up 24% on first half of 2004.
- Additional £500m share buyback programme announced in June.

Operating Overview:

- Sir Roy Gardner to retire in 2006 and will take up FTSE100 chairmanship
- Commenced disposal process for the Onetel operation
- Customer losses slowed in British Gas. Rising wholesale prices forced a retail tariff increase, but a difficult second half is still forecast.
- Gas production profits up strongly on rising gas price.
- Significantly increased Centrica Storage operating profit reflects rising storage prices and improved operational performance.
- Access to 1.4 million customer relationships in Europe, and a further 500,000 once the market opens, following SPE and Oxxio deals which will complete in the second half.
- Billing system pilot commenced in British Gas.
- North America turnover increased by 68% to £1.6 billion.

Statutory Results:

- Operating profit £1,531m, after exceptional credits of £89m and credits relating to certain re-measurements of £475m (2004: £718m, after exceptional charges of £98m).
- Earnings £870m, after exceptional credits of £103m and credits relating to certain re-measurements of £322m (2004: £387m, after exceptional charges of £72m).
- Basic earnings per share 23.3p (2004: 9.1p).

"While we do understand the pressure on consumers of rising energy prices and have taken substantial action to protect our most vulnerable customers, it remains essential that we maintain the appropriate level of profitability to enable us to invest in sourcing the future energy requirements for our customers."
-- Sir Roy Gardner, Chief Executive

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

CHAIRMAN'S STATEMENT

Financially it was a successful first half, delivered against an industry background that continued to be particularly challenging.

Strategically we have demonstrated patience in the pursuit of asset acquisition and prudence in purchasing assets that show early and earnings enhancing payback. We have also made some longer term measured investments in energy exploration with a view to providing a value creative hedge in the future. We will continue to apply these capital disciplines whilst seeking opportunity to strengthen our flexible upstream portfolio. Additionally, we have deepened our involvement in continental Europe through further acquisitions in the Netherlands and Belgium and our aim remains to broaden our involvement here when opportunity permits.

The loss of customers in highly competitive markets is a key issue and is being addressed with more innovative propositions and stronger selling and marketing campaigns.

Our pricing policy is to fully recover wholesale costs from our customers, respecting both the level and volatility in the forward curve and the competitive dynamics of the market. On this occasion, we have chosen to extend the time over which we will recover our wholesale costs, believing that the curve will soften and in the knowledge that we have the opportunity to revisit our pricing again in the coming year.

Operationally the team have attacked the cost base with vigour through the development of new IT systems, increasing our offshore commitment in selected service areas and driving efficiencies in our back office business processes.

We have continued to lobby in Europe for greater transparency and market access which will both open up opportunities for Centrica and help ensure that the UK consumer pays a fair price for energy in a genuinely competitive international market. Our expanding retail position here will continue to strengthen our influence.

Returns to shareholders

The Board of directors has declared an interim dividend of 3.1p to be paid in November 2005. We previously committed to paying out 50% of our earnings in dividend this year under the UK GAAP accounting rules. Whilst the change to International Financial Reporting Standards impacts our reported earnings we will adjust our payout ratio to ensure our cash dividend reflects the commitment we made. This interim dividend is a step towards that.

We made good progress on our first share repurchase programme and by the end of June had bought back £439 million of shares for cancellation. Given the projected strong cash flow, the current financial headroom of the group and our ongoing commitment to an appropriate capital structure, in June we announced a second £500 million programme which will commence once our first programme is concluded. A proportion of this will be held in treasury to satisfy normal share scheme requirements in 2005 and 2006.

For the period 2006 and beyond the Board intends to deliver real growth per annum in the ordinary dividend per share.

Management

As announced this morning Sir Roy Gardner is joining the Board of Compass and will retire from Centrica by summer 2006 to take up the role of non-executive chairman. The Board will now search for a successor and will consider both external and internal candidates. Our aim is to complete this process in a timescale that provides a reasonable period of handover to effect a seamless transition. Sir Roy has been Centrica's Chief Executive since demerger and under his leadership and vision the company has delivered considerable value for shareholders and become firmly established as a widely respected international energy company.

During the year, we have taken steps to strengthen the upstream expertise at Board level. On 1 January 2005, Jake Ulrich, managing director of Centrica Energy, took up his role as an executive member of the board as announced in December 2004.

In July we announced the appointment of Andrew Mackenzie as a non-executive director of the company, effective 1 September 2005. Andrew, who is currently CEO of the Industrial Minerals Division of Rio Tinto and previously held a number of senior management positions with BP, brings with him considerable experience in the oil and gas industry which will be invaluable as we continue the development of our international energy portfolio.

A number of organisational changes have also been effected at the senior management level In British Gas. The responsibilities for energy and home services have been split, allowing Mark Clare and his team to concentrate on the challenges for the energy business posed by the commodity price environment, to progress the cost reduction initiatives and to complete the implementation of the transformation programme. Chris Weston will now lead the British Gas Home Services team to continue to exploit this growth opportunity to the full. Mark and Chris will work closely together to ensure home services remains a competitive advantage for our energy business. Phil Bentley has been appointed managing director of Europe in addition to his existing role as Group Finance Director. As part of these changes the title of Deputy CEO was dissolved.

Our employees

I would like to recognise once again the ongoing commitment of our employees. When the external environment is toughest the internal team needs to be most resilient. Over the last six months our staff have continued to perform to the highest standards. I would like to express my appreciation for their enthusiasm and commitment.

Outlook

We will remain focused on cost reduction and patient in our investment programme in a period of unprecedented market turbulence. Retail prices will continue to be driven industry-wide by external forces within the wholesale market beyond our control. Management will intensify cost reduction activity with a view to minimising these price movements for our customers wherever possible.

In the delivery of our investment plans we believe that value added opportunities will be available from time to time and we will rigorously apply our investment parameters in the appraisal of each situation.

The second half of 2005 will be challenging but management are committed to the pursuit and delivery of our business objectives

Roger Carr
Chairman **15 September 2005**

Earnings and operating profit numbers are stated, throughout the commentary, before exceptional items and certain re-measurements where applicable – see page 21 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 4 and are reconciled at group level in the group profit and loss account. Certain re-measurements are described in note 5 with exceptional items described in note 6. Adjusted earnings and adjusted basic earnings per share are reconciled to their statutory equivalents in note 10.

The prior year results have been restated to comply with the adopted International Financial Reporting Standards which exclude IAS32 and IAS39. All current financial results listed are for the 6 months ended 30 June 2005. All references to ‘the prior period’, ‘2004’ and ‘last year’ mean the 6 months ended 30 June 2004 unless otherwise specified.

CHIEF EXECUTIVE'S REVIEW

Overview of the first half

Once again Centrica delivered a strong set of results in a difficult period for energy retailers in the UK caused by the continuously rising forward wholesale cost of energy during the first half. Market gas and electricity prices were 32% and 30% respectively above those for the same period in 2004. The retail tariff increases in late 2004 caused further short-term erosion of our customer base. However our unique assets and upstream hedging abilities enabled us to continue to deliver an improved operating profit during one of the most challenging periods since Centrica was formed.

In British Gas, with a growing direct salesforce and an innovative product portfolio, we increased our weekly energy customer account sales to record levels. We continued to focus on delivering a more competitive cost structure, with improved systems and processes enabling us to reduce staffing levels through greater efficiency. Our Home Services business improved both the top and bottom lines and progressed the roll-out of the engineer deployment technology.

Centrica Energy negotiated an innovative coal-linked power purchase agreement with International Power to increase the diversity of our power sourcing portfolio. We began the tender process for the construction of a power station at a fully consented site at Langage in Devon while we await clarity on the second phase of the Emissions Trading Scheme. We saw first gas delivered ahead of schedule from our 2004 Horne and Wren gas field acquisition, in time to take advantage of the short-term high gas price. We also put further pieces of our LNG strategy in place, with an agreement to take 3.4BCM of import capacity at the Isle of Grain expansion from 2008 and our involvement in the proposed Canvey Island project, and we delivered our first green power from the Glens of Foudland windfarm.

Centrica Storage delivered an excellent result. The investment in the asset continued to pay back with the Rough field producing almost perfect operational performance for the whole of the period. This was also reflected in the speed at which future year storage was sold forward at higher prices.

We made further inroads in Europe and are now beginning to build a scale business in the Benelux region. Early in June we agreed the acquisition of Oxxio in Holland, a company based on an innovative low-cost model which has organically built a customer base of over half a million. At the end of June, in partnership with Gaz de France, we agreed to purchase a stake in SPE, Belgium's second largest power generator. In merging this with Luminus, we will own 25.5% of a well integrated business.

We continued to move ahead in North America with a year-on-year increase in operating profit. We integrated our Alberta customer acquisition, grew our customer numbers in the key state of Texas and made rapid progress in our commercial supply operation, the continued success of which is central to the future of the North American business.

In summary, it was another extremely challenging six months but I believe we delivered well in the period and laid further strong foundations for future growth.

Group financial summary

Group turnover was up 16% at £6.8 billion (2004: £5.8 billion). The absolute growth came primarily from North America with the 2004 acquisition of ATCO and the increase in the Business Markets revenue, although there were also strong contributions from British Gas Business, Home Services and Onetel.

Group operating profit* from continuing operations was up 19% at £967 million (2004: £816 million), with a particularly good result from the gas production business, before Petroleum Revenue Tax (PRT), benefiting from higher gas prices. Centrica Storage, Home Services and North America all contributed strongly. This 19% increase in operating profit* translated to a 6% rise in earnings* from continuing operations to £445 million (2004: £421 million) after a higher tax charge, including PRT, due mainly to the higher gas production profitability and higher interest payments. Adjusted basic earnings per share was up by 10% at 11.9 pence (2004: 10.8 pence) reflecting the positive impact of the share consolidation in 2004 and the ongoing share buyback programme.

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

Net cash inflow from continuing operating activities was up by 33% at £878 million (2004: £661 million). Higher operating profit before depreciation was almost offset by higher PRT paid with the year-on-year difference primarily driven by a higher decrease in working capital. This was due to the increase in margin received from trading counterparties, resulting in lower receivables. Net increase in cash and cash equivalents was 63% higher at £448 million (2004: £275 million). Acquisition expenditure fell to £95 million (2004: £170 million), mainly representing contingent consideration for the AEP customer acquisition in 2002. This was more than offset by the receipts from disposals of £100 million (2004: £3 million) reflecting the disposal of British Gas Connections Limited. Net capital expenditure remained broadly flat at £203 million (2004: £190 million).

Restated under IFRS, net debt rose to £864 million (31 December 2004: £725 million) including the £488 million of non-recourse debt in respect of the Consumers' Waterheater Income Fund. This increase was primarily due to the adoption of IAS32 on 1 January 2005 which dictated the recognition of the minority unit holding in the Waterheater Fund as debt. Net interest payable was £75 million (2004: £59 million) and included lease payments of £54 million in respect of the Humber and Spalding finance leases. Net assets rose by 8% from 31 December 2004, to £2.5 billion.

The group's ongoing pension deficit, net of the deferred tax asset, increased from 1 January 2005 by £96 million to £589 million due mainly to a decrease in the discount rate on the liabilities being offset only partially by an increase in the asset values.

The taxation charge** of £446 million, including PRT, represents an effective 50% rate on profits* (2004: £327 million, representing an effective rate of 43%). The year-on-year movement in the effective rate reflects the higher PRT charge and greater proportion of gas production profits, which attract a 40% corporation tax rate, offset by the recognition of some deferred tax assets during 2005, which were unrecognised at the last year-end.

Certain re-measurements

The statutory operating results benefited from certain re-measurements of £476 million in the six months, primarily from marking to market, under the new IFRS rules, some contracts relating to our energy procurement activities. On conversion to IFRS on 1 January, a net out of the money position was charged against reserves. As gas and power has been delivered, the related contracts have been partially executed and the net positions have unwound, generating a credit through the income statement in the period of £83 million. The remaining £393 million reflects the impact of higher future energy prices on the remaining contracts and on new contracts signed during the period. We have reported this separately because we do not believe that it reflects underlying business performance.

2005 second half

The overriding challenge for the entire industry in the second half of the year will be the level and volatility of wholesale commodity prices. At the end of June the average forward price for gas for the second half of the year was 63% above the same period in 2004 and 43% above the market price for the first half of 2005; for electricity it was 68% and 50% respectively. This has inevitably led to a further round of tariff increases and will generate greater customer churn across the retail industry. During this period of supply tightness and the correspondingly high input commodity costs, managing the balance between market share and short-term margin is a key challenge for the industry. The September price increase in British Gas is not forecast to recover the full increase in commodity costs in the balance of the year. This could have a material impact on the second half operating margin in the residential energy business. We will be concentrating on minimising the effect of the price rise on the level of customer churn which has traditionally spiked upwards in response to adverse publicity surrounding a movement in retail tariffs. The risk, however, of further material erosion in the customer base remains.

While the retail energy margin is under extreme pressure, our upstream gas business provides a valuable hedge against the impact of higher input costs on British Gas. This has enabled us to minimise the short-term retail tariff increases while maintaining a strong 2005 aggregate UK energy operating margin and, based on our view of the forward curve, we currently expect to deliver earnings* per share towards the lower end of market expectations. There remains, however, considerable risk and volatility

* including joint ventures and associates net of interest and taxation, and before exceptional items and certain re-measurements
** excluding tax on share of profits in joint ventures and associates, and before exceptional items and certain re-measurements

in the wholesale energy markets in the fourth quarter. Within this, due to the profit mix this year, the effective tax rate for the full year, including PRT, is currently forecast to be around 55%.

We will continue to try to minimise the impact on our customers of further wholesale price rises. Cost control within our business will continue to be a major theme for the rest of 2005 and beyond. To this end, we commenced the pilot of our new billing system in August and expect to commence full roll-out towards the end of the year. We will seek to deliver further innovation in our energy customer offering by using our upstream capabilities and creating even stronger links with the other product ranges of home services and telecoms. In Home Services we will complete the roll-out of the new engineer deployment system and will continue to assess other profitable product areas in which to deploy our resources.

In British Gas Business the second half will be equally challenging. The major contract renewal round in October is likely to see even greater competition with suppliers facing the difficulty of needing to pass through the recent rise in input costs while trying to manage renewal rates. We will continue to look for other opportunities to enhance and differentiate our customer offering by leveraging the expertise of the British Gas engineer base.

We will continue to explore opportunities to add to our gas and power portfolio both in the UK and beyond. We expect this to include a range of equity and contractual positions. As demonstrated in the first half of the year we will consider further gas exploration possibilities which provide strong forecast returns in the current pricing environment.

In Centrica Storage we will continue our programme of investment in the asset. This type of well focused preventative maintenance is essential in securing the reliability and performance of the storage field. All space for the second half of 2005 has been forward sold at an average price almost 20% above that of the first half and so, in the absence of any unplanned field outages, we would expect the operating result to be stronger.

In telecoms the recent Ofcom strategic review has the potential to deliver the level playing field required to make the indirect reseller model sustainable and profitable. Although the ability to offer a telecoms solution to our customers remains important, as part of focusing our capital and resources on energy and related home services we have now commenced the process to dispose of the Onetel business.

Centrica North America will build further on the strong base it now has in commercial energy supply. We intend to grow this business beyond its current footprint which is centred on Ontario and Texas. Further product bundling between services and energy will become possible as we complete the integration of the RSG acquisition. Cost control will also be a key focus in North America as we drive greater efficiencies in our Texas business by fully integrating the support structures for the organic and incumbent businesses.

Expansion in continental Europe is an increasing focus for Centrica. There have been some encouraging signs on the road to full competition. The recent IPO of GdF, the EU competition inquiry into energy markets through the Director General of Competition, the market review through the Director General of Transportation and Energy and the publication of the energy white paper in Spain are all indications of a growing shift towards deregulation. Full competition, however, should be a prerequisite to further consolidation within the industry. Centrica remains committed to growth in this region and we will actively pursue value-adding opportunities to build out from our base in Benelux.

The near-term outlook is challenging. Concerns about wholesale energy costs will continue to dominate. At these levels, the second half of this year and the start of 2006 will be particularly difficult for British Gas and so we must ensure our customer service and proposition remain strong and make rapid progress with our cost reduction activities. We are confident, however, that wholesale gas prices will fall over the medium term as sources of supply increase and that Centrica will be well placed to take advantage of the lower, more stable, commodity cost environment.

Sir Roy Gardner
Chief Executive **15 September 2005**

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

SEGMENTAL BUSINESS COMMENTARY

British Gas Residential

Turnover rose by 2.2% to £3.7 billion (2004: £3.6 billion) due mainly to growth in the Home Services business and the effect of higher retail energy tariffs partially offset by the lower customer numbers. Operating profit*, however, fell by 13% to £224 million (2004: £258 million), with the £24 million increase in Energy Efficiency Commitment (EEC) spend and one-off provisions of £36 million covering industry reconciliation processes, partially offset by the growth in Home Services.

We made good progress with the transformation programme during the first half. We are already seeing positive results from the cross-selling functionality with 46% of our account sales now coming from inbound calls (2004: 44%) and the conversion rate of the inbound channel rising by 21%. The main billing platform completed full systems testing and the pilot began in August with an initial 50,000 accounts migrated to the live system. The total invested to date is £370 million, with £9 million spent during the first half of which £2 million was expensed.

Energy

Turnover was flat at £3.2 billion (2004: £3.2 billion) with the effect of the price rise in September 2004 almost entirely offset by a reduction in the number of customers and lower consumption patterns. A £24 million rise in EEC spend to £62 million along with additional provisioning to account for an imbalance in gas usage, led to a 24% fall in operating profit to £165 million (2004: £217 million).

The demand-weighted month ahead market price of gas for the first half was 32.0p/therm, 25% up on the prior year with electricity at £28.3/MWh, 27% higher than 2004. British Gas' weighted average cost of gas (WACOG) rose by 23% to 29.69p/therm, reflecting the benefits from the portfolio of legacy purchase contracts. The weighted average cost of electricity (WACOE) was £34.5/MWh, 25% above last year, reflecting the higher price of the fuel gas for the power station portfolio required to meet the peak shape requirements of the residential customer base.

On average the first half of 2005 was colder than the prior year but the actual temperature pattern reduced overall energy consumption with a net negative impact to gross margin of £31 million.

We lost net 505,000 energy accounts in the first half with the rate of losses fluctuating over the period. This, along with the accounts lost in the second half of 2004, reduced gross margin by £53 million against the prior period. More recently the rate of losses has slowed significantly. Average overall weekly net losses for July and August were 3,500, with electricity posting an average weekly net gain.

As part of the ongoing transformation of the cost base of the business and enabled by the new systems infrastructure, in February we announced the removal of 410 roles and in July our intention to remove 2,000 back office roles and to replace them with a smaller number of roles located in India.

The industry reconciliation process for total energy usage by supplier left us with a gap between the quantity we billed to our customers and the quantity the system operator deemed us to have used. In the first half we made a provision for an extra cost of £36 million compared to the same period in 2004. We continue to seek ways to improve the accuracy of the reconciliation methodology.

* 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 2005	H1 2004	Δ%	FY 2004
Customer numbers (period end) (000):				
Residential gas	11,362	12,294	(8%)	11,771
Residential electricity	5,854	6,191	(5%)	5,950
Estimated market share (%):				
Residential gas	55	60	(5 ppts)	57
Residential electricity	23	24	(1 ppt)	23
Average consumption:				
Residential gas (therms)	352	373	(6%)	637
Residential electricity (kWh)	2,049	2,104	(2.6%)	4,186
Weighted average sales price:				
Residential gas (p/therm)	57.61	50.21	15%	53.16
Residential electricity (p/kWh)	7.19	6.55	10%	6.76
Weighted average unit costs:				
Residential gas (WACOG, p/therm)	29.69	24.06	23%	25.31
Residential electricity (WACOE, p/kWh)	3.45	2.75	25%	2.91
Transportation & distribution costs (£m):				
Residential gas	618	704	(12%)	1,256
Residential electricity	232	244	(4.9%)	489
Total	**850**	**948**	**(10%)**	**1,745**
Turnover (£m):				
Residential gas	2,355	2,337	0.8%	4,170
Residential electricity	864	846	2.1%	1,731
Total	**3,219**	**3,183**	**1.1%**	**5,901**
Operating profit (£m)*				
Residential energy	165	217	(24%)	242
Operating margin (%)				
Residential energy	5	7	(2 ppts)	4.1
British Gas product holding**				
Average British Gas products per customer (period end):	1.66	1.64	1.2%	1.66

** British Gas brand

Home Services

Home Services delivered another strong period of growth. Turnover was up by 10% at £496 million (2004: £452 million) as the total number of product relationships grew by 6% to 6.7 million. Operating profit* rose by 44% to £59 million (2004: £41 million), once again displaying the scalability of this business model. The first half operating margin widened to 12% (2004: 9%) driven by strong customer growth in the newer products of plumbing and drains care, home electrical care and kitchen appliance care. We progressed the roll-out of the new engineer deployment system and by the end of August had around 5,000 engineers using it. We will complete the roll-out this year.

Excellent progress has been made in integrating the Dyno Group acquired in the second half of 2004. This business added £6 million to turnover and £2 million to operating profit against the same period last year. Early in the year we released new products in our central heating installation business giving us greater access to the more price sensitive end of the market. Turnover in the installations business increased by 14% to £126 million.

For the six months ended 30 June	H1 2005	H1 2004	Δ%	FY 2004
Customer product holdings (period end) (000):				
Central heating service contracts	3,393	3,298	2.9%	3,363
Other central heating service contracts	856	827	3.5%	843
Kitchen appliances care (no. of contracts)	425	417	1.9%	421
Plumbing & drains care	1,239	1,142	8%	1,199
Electrical care	799	666	20%	740
Home security	25	27	(7%)	26
Total holdings	**6,737**	**6,377**	**6%**	**6,592**
Central heating installations	47	42	12%	92
Turnover (£m)				
Central heating service contracts	226	214	6%	436
Central heating installations	126	111	14%	244
Other	144	127	13%	263
Total	**496**	**452**	**10%**	**943**
Engineering staff employed	8,171	7,786	4.9%	8,033
Operating profit (£m)*				
Home Services	59	41	44%	72
Operating margin (%)				
Home Services	12	9	3 ppts	8

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

British Gas Business

In April Centrica Business Services rebranded as British Gas Business. This provides the commercial operation with the support of the British Gas brand and strengthens the link with the residential business.

The first half of the year brought unprecedented market conditions with the market gas price 32% above the same period in 2004. In this higher price environment, turnover rose by 18% to £725 million (2004: £615 million). Operating profit grew by 20% to £55 million (2004: £46 million), as we held operating costs broadly flat and passed through commodity cost increases at the point of contract renewal, with the majority of the input cost increases expected in the second half of the year. Through appropriate pricing in a very competitive market and the maintenance of high levels of customer service, we held customer numbers broadly flat, with a slight increase in gas virtually offsetting a small decline in electricity. In a maturing marketplace, customer churn was below prior year levels in both fuels.

We are nearing completion of the detailed design phase for the new customer care and billing system, which will further enhance customer service and reduce cost to serve, with £11 million invested to date. The remainder of the £40 million investment will be made over the next 18 months, with system rollout due to commence in 2006 and benefits accruing from 2007.

For the six months ended 30 June	H1 2005	H1 2004	Δ%	FY 2004
Customer supply points (period end) (000):				
Gas	373	363	2.8%	368
Electricity	515	527	(2.3%)	515
Total	**888**	**890**	**(0.2%)**	**883**
Average consumption:				
Gas (therms)	1,985	1,945	2.1%	3,420
Electricity (kWh)	13,280	12,090	10%	24,752
Weighted average sales price:				
Gas (p/therm)	48.10	39.26	23%	41.21
Electricity (p/kWh)	5.38	5.01	7%	5.08
Weighted average unit costs:				
Gas (WACOG, p/therm)	31.08	22.98	35%	24.51
Electricity (WACOE, p/kWh)	2.90	2.40	21%	2.45
Transportation & Distribution costs (£m):				
Gas	64	64	-	122
Electricity	104	104	-	210
Total	**168**	**168**	**-**	**332**
Turnover (£m):				
Gas	356	286	24%	523
Electricity	369	329	12%	675
Other	-	-	-	2
Total	**725**	**615**	**18%**	**1,200**
Operating profit (£m)*	**55**	**46**	**20%**	**68**
Operating margin (%)	**8**	**7**	**1 ppt**	**6**

Centrica Energy

Gas production

Operating profit* rose by 40% to £540 million (2004: £385 million) with the anticipated drop in gas production levels at Morecambe more than offset by the 42% increase in the average sales price to the downstream business and the additional production from other fields. Under IFRS, Petroleum Revenue Tax for 2005 and 2004 has been removed from operating profit and is now shown as a tax in the corporate results.

The first half saw two new gas fields coming on-stream and two others coming close to full production levels. The development of the Horne and Wren fields in which we acquired a 50% share last year was completed with first gas being delivered in June, reaching a total field stable flow rate of 90 million cubic feet per day (mmscf/d). The Goldeneye and Rose fields, which came back on-stream in the fourth quarter of 2004, have been successfully operated through the first half reaching stable flow rates of 320 mmscf/d and 70 mmscf/d respectively.

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

In February, the partners in the Statfjord field approved a programme of depressurisation to increase the level of recoverable gas reserves and extend field life. Approval from the UK and Norwegian governments was given in June. Centrica's share of any capital expenditure is expected to be around £50 million which is estimated to add at least 500 million therms of gas, one million barrels of oil and three million barrels of condensate to the portfolio.

In March we successfully bid for import capacity in the expansion of the Isle of Grain LNG terminal. From 2008 we will have access to 3.4 billion cubic metres (BCM) per annum of capacity. In July we announced our involvement in a partnership to explore the possibility of the conversion of the former LPG terminal at Canvey Island into a modern LNG reception facility with an annual import capacity of 5.4BCM. Centrica would hold 20% of the equity in any developed plant.

In August we announced our agreement to acquire shares in four North Sea gas and oil fields from Kerr McGee for £318.6 million. On completion this will bring us a further 1.1 billion therms of gas and 11 million barrels of oil.

Industrial sales and wholesaling

The rising gas price made the 17 industrial sales contracts increasingly loss making, posting a loss of £36 million in the first half. The average input gas price to these contracts rose by 27% against the prior period versus only an 11% rise in the average selling price. This segment also includes the £18 million operating costs of the Centrica Energy business unit (2004: £15 million). Under IFRS, the results of the Humber power station joint venture, net of interest and tax, are included in the operating profit of this segment. In addition, an element of the tolling fees for the Humber and Spalding power stations is classified as an interest payment on finance leases rather than an operating cost and is therefore not reflected in this operating result. As Centrica Energy recovers tolling costs from the downstream businesses, the result of these changes is a credit of £35 million (2004: £27 million) in this segment.

Electricity generation

Centrica generated 5,218GWh of power from its owned stations in the first half, higher than 2004 (4,649GWh) due to the acquisition of the Killlingholme station in July 2004. The overall load factor reduced to 50% (2004: 58%) reflecting generally lower spark spreads, taking into account the rising cost of carbon emissions, and an unplanned outage at the Kings Lynn station. In June we invited tenders for the Engineering, Procurement and Construction contract on the CCGT station option at Langage in Devon. The result of this will be a key input into the assessment of the viability of construction.

In March we agreed an innovative coal-linked power purchase agreement with International Power for the supply of 250MW of peak power over a 3 year period with the power price indexed to international traded coal prices.

Renewables

In May we produced our first green power from our 26MW onshore wind farm at Glens of Foudland, Aberdeenshire. We also made good progress with the construction phase at our 90MW joint venture Barrow offshore wind farm and still expect first power early in 2006. The award of the tender for construction of the wind farms at Inner Dowsing and Lynn has been delayed as discussions continue with possible contractors. First power is now unlikely to be delivered until 2007.

For the supply year April 2004 to March 2005, Centrica is on track to fulfill its obligation to source sufficient renewable obligation certificates (ROCs) to cover 4.9% (1.87TWh) of all electricity supplied.

Accord energy trading

Under IFRS the Accord turnover is now shown net, reflecting the gross margin in the period and the results for 2005 reflect the adoption of IAS39 from 1 January 2005. Operating profit* was up by 130% at £23 million (2004: £10 million). The profit uplift was primarily due to the volatile conditions of the trading

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

environment increasing our arbitrage opportunities and a growing trading position in continental Europe which supports our expanding retail positions.

For the six months ended 30 June	H1 2005	H1 2004	Δ%	FY 2004
Gas production:				
Production volumes (m therms)				
Morecambe	1,629	1,971	(17%)	3,444
Other	299	240	25%	494
Total	**1,928**	**2,211**	**(13%)**	**3,938**
Average sales price (p/therm)	33.5	23.6	42%	26.4
Segment revenue (£m)	706	555	27%	1,150
Turnover (£m)	70	31	126%	109
Operating costs (£m):				
Volume related production costs	108	121	(11%)	240
Other production costs	58	49	18%	131
Total	**166**	**170**	**(2.4%)**	**371**
Operating profit (£m)*	540	385	40%	779
Electricity generation				
Power generated (GWh)	5,218	4,649	12%	11,554
Industrial sales & wholesaling:				
External sales volumes (m therms)	1,614	1,778	(9%)	3,601
Average sales price (p/therm)	23.4	21.3	10%	22.0
Turnover (£m)	386	384	0.5%	805
Operating profit/(loss) (£m)*^	(20)	25	n/m	(20)
Accord energy trading				
Gross Margin (£m)	21	11	91%	17
Operating profit (£m)	23	10	130%	14
Centrica Energy operating profit (£m)*	**543**	**420**	**29%**	**773**

^ Includes Centrica Energy overhead costs: H1 2005 £18m; H1 2004 £15m; FY 2004 £37m.

Centrica Storage

Centrica Storage, the owner and operator of one of Europe's largest gas storage facilities, benefited from both substantially higher storage market prices and significantly improved operational reliability. Operating profit* for the half year rose by 119% to £57 million (2004: £26 million). Most of the improvement resulted from increases in storage prices, reflecting widening winter/summer price spreads, improved reliability and the fact that the prior half year included lower priced legacy sales contracts entered into before Centrica acquired the asset. The weighted average price of a Standard Bundled Unit (SBU) increased by 70% between the 2003/04 and 2004/05 storage years and by a further 33% between the 2004/05 and 2005/06 storage years.

The major programme to enhance the field performance and improve plant reliability continued, with a further £7 million of investment in the first half. Benefits from this programme are already apparent, with the field achieving levels of reliability of close to 100% in the first half for both injection and withdrawal. This improved operational reliability has resulted to date in SBU pricing rising by about 10% more than the summer/winter market pricing differential compared to 2005/06. The field also achieved record daily withdrawal rates of up to 1,600mmscf/d in the first quarter, a 7% increase over the statutory capacity.

Sales of SBUs for the 2005/06 storage year were completed on 18 January at an average price of 37.8p (2004/5: 28.5p). Sales for later years have progressed well, with over 75% of 2006/07 and over 20% of 2007/08 SBUs already sold, at average prices significantly higher again.

For the six months ended 30 June	H1 2005	H1 2004	Δ%	FY 2004
Average SBU price (pence)	31.7	20.7	53%	24.6
Turnover (£m)	86	63	37%	133
Operating profit (£m)*	**57**	**26**	**119%**	**69**

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

Onetel

Onetel successfully integrated the telecoms businesses of British Gas and Centrica Business Services into a single structure. This, along with the acquisitions of Telco Global in September 2004 and RedNet in April 2005, has increased its fixed line residential and business customer base by 29% to 1.5 million and given it the scale it needs to compete in an increasingly competitive marketplace.

The turnover of the combined operation rose by 24% to £162 million (2004: £131 million) due both to the recent acquisitions and to strong organic growth in the fixed-line business with the British Gas sales channel proving particularly effective. This was partially offset by some erosion in Average Revenue Per User (ARPU) as we integrated the lower ARPU British Gas Communications business and price competition intensified. Our penetration rate for Carrier Pre-Selection (CPS) has increased to 82% with 80% of new customers taking up this service and 13% also being acquired on the Wholesale Line Rental (WLR) product.

The combined telecoms business made a loss of £2 million in the first half compared to breaking even in the prior year. This is due to the expensing of acquisition costs from the rapid fixed-line growth along with the upfront costs of integration and call centre migration to India.

We made further progress in the small commercial market with the expertise from recent acquisitions providing us with an attractive technical offering to business customers. Our fixed-line base now includes 85,000 commercial accounts.

For the six months ended 30 June	**H1 2005**	**H1 2004**	**Δ%**	**FY 2004**
Residential customer numbers (period end) (000):				
Fixed line	1,430	1,106	29%	1,342
Mobile	61	68	(10%)	69
Other services	187	201	(7%)	206
Total (30 day tolling)	**1,678**	**1,375**	**22%**	**1,617**
Average minutes used per month (residential fixed-line)	461	412	12%	420
ARPU (monthly residential fixed line) (£)	13.54	15.48	(13%)	15.37
ARPU (monthly residential mobile) (£)	15.74	16.52	(4.7%)	16.30
Average products per residential customer (period end)	1.24	1.3	(4.6%)	1.3
Turnover (£m):				
Residential	142	123	15%	257
Business	20	8	150%	23
Total	**162**	**131**	**24%**	**280**
Operating profit (£m)*	**(2)**	**-**	**n/m**	**3**
Operating margin (%)	**(1.2%)**	**-**	**(1.2 ppts)**	**1.1%**

Centrica North America

The first half of 2005 saw good progress as we integrated the businesses added to the North American portfolio during 2004. Turnover grew by 68% to £1,600 million (2004: £954 million) with the positive impact of the acquisitions of ATCO Retail in Alberta and Residential Services Group (RSG) in the US (£482 million), rapid volume growth in our Business Markets revenues and customer growth in our existing Texas residential and small commercial businesses. This was partially offset by the reduction in our energy trading activities.

Overall operating profit* grew by 38% to £87 million (2004: £63 million) including £2 million of positive exchange rate movements. The main improvements came from the residential and small commercial businesses in Canada in the higher price environment and in Texas with the absence of the one-off reconciliation of 2003 data which deflated the 2004 result.

Canada residential and small commercial energy

Turnover increased by 157% to £706 million (2004: £275 million), mainly reflecting the impact of the ATCO retail business which was acquired in May last year. Operating profit* grew by 53% to £29 million

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

(2004: £19 million) as percentage operating margins were maintained in an environment of higher overall gas prices.

Energy customer numbers were flat compared with the end of 2004, with growth in Alberta offset by reductions in Ontario. In Ontario, electricity customers continued to churn slowly back to the incumbent utilities and, in gas, although churn reduced significantly owing to major retention initiatives, the second quarter brought difficult selling conditions with lower incumbent utility pricing benefiting from the return, within their retail tariffs, of an over-recovery in the first quarter.

The regulatory environment for electricity in Ontario has improved, with the government restating its commitment to competitive markets and a phased re-opening of all market sectors. We are now selling actively into commercial markets and hope to begin selling in the residential market in the second half of this year, provided satisfactory liquidity is established in the wholesale market.

Progress in switching Alberta customers to unregulated contracts has been slower than expected with 32,000 customers, primarily dual-fuel, now on a fully competitive tariff. Measures introduced by government to protect residential consumers from price volatility have lessened the attractiveness of our fixed price products.

Texas residential and small commercial electricity

Turnover grew by 21% to £401 million (2004: £332 million). This was driven by significant customer growth of 9% and higher prices following upwards Price to Beat (PtB) filings in the third quarter of 2004 and the second quarter of 2005.

Operating profit was up by 88% at £30 million (2004: £16 million) with the positive year-on-year effect of increased customer numbers and the prior year market reconciliation partially offset by the up-front costs to acquire those customers and higher commodity prices before the second quarter PtB increases.

Our organic customer base has grown steadily and at the end of June stood at 267,000. With significantly reduced churn in incumbent territories in south and west Texas, now that we can compete on price in those markets, we expect to continue developing our Texas business successfully.

Other USA residential and small commercial energy

Turnover grew by 7% to £130 million (2004: £122 million), driven mainly by the higher retail price environment. Operating profit doubled to £8 million as a result of higher margins and the benefits from improved portfolio management and procurement processes.

Our focus in these markets continues to be on losing lower margin customers, retaining high value customers already in the portfolio, and marketing to new customers through consolidators. This strategy led to a small increase in overall customer numbers during the first half.

Home Services

Turnover increased by 123% to £163 million (2004: £73 million), primarily due to the acquisition of RSG in October 2004. Operating profit was 24% higher at £21 million (2004: £17 million). In the US we are making good progress in integrating the RSG business, with energy sales to its builder customers and some energy and services bundled offerings already being piloted in Texas. In Canada we have launched home services in Alberta, with positive results to date. We also continued to grow organically in Ontario with our Heating Ventilation and Air-conditioning (HVAC) products proving increasingly popular as Ontario experienced above average temperatures in the early summer and the regional expansion of our plumbing and drain protection plans gaining traction. Overall customer numbers rose by 7% to over 1.8 million, with more than half of this due to organic growth outside of The Consumer's Waterheater Income Fund and RSG.

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

Business Markets

Turnover here grew by 94% to £180 million (2004: £93 million) in line with rapid growth in gas volumes in Ontario, Alberta and British Columbia and power volumes in Alberta and Texas. We continue to win large energy and services accounts across Canada. In the United States, our Texas electricity volumes grew by 1,495% and we entered the Connecticut, Massachusetts, Rhode Island and Illinois gas markets as well as the Maryland and New Jersey electricity markets. We have also commenced roll out of our services and technology offer in Texas. The business broke even in the first half (2004: £5 million) reflecting the expensed acquisition costs associated with such rapid growth.

Energy trading & wholesale

We continued to focus our trading and wholesale business on supporting our downstream positions, with less emphasis on trading activities. Turnover fell by 66% to £20 million (2004: £59 million) with the business registering a small loss in the half year (2004: operating profit* of £2 million).

For the six months ended 30 June	H1 2005	H1 2004	Δ%	FY 2004
Customer numbers (period end) ('000):				
Canada energy	2,126	2,165	(1.8%)	2,129
Texas energy	892	816	9%	829
Other USA energy	317	326	(2.8%)	305
Home Services	1,837	1,719	7%	1,800
Volumes:				
Gas production (m therms)	155	164	(5%)	334
Electricity generation (GWh)	1,442	162	790%	1,176
Turnover (£m):				
Canada residential energy	706	275	157%	819
Texas residential energy	401	332	21%	744
Other USA energy	130	122	7%	191
Home Services	163	73	123%	185
Business Markets	180	93	94%	204
Energy trading & wholesale	20	59	(66%)	99
Total	**1,600**	**954**	**68%**	**2,242**
Operating profit/(loss) (£m)*:				
Canada residential energy	29	19	53%	29
Texas residential energy	30	16	88%	60
Other USA energy	8	4	100%	1
Home Services	21	17	24%	36
Business Markets	0	5	(100%)	3
Energy trading & wholesale	(1)	2	n/m	3
Total	**87**	**63**	**38%**	**132**
Operating margin (%)*				
Total North America	5.4	6.6	(1.2 ppts)	5.9

Europe

The landscape for energy deregulation in continental Europe continued to improve in 2005. The recent IPO of GdF, the EU competition inquiry into energy markets through the Director General of Competition, the market review through the Director General of Transportation and Energy and the publication of the energy white paper in Spain are all indications of the growing move towards deregulation.

We made further inroads with two significant acquisitions agreed in the first half. In early June we agreed to acquire Oxxio BV, the fourth largest energy retailer in Holland, gaining 540,000 customer relationships across gas and electricity. This also provides an opportunity for knowledge sharing across the group with Oxxio operating a highly technology-based, low-cost supply model. Late in July, in partnership with Gaz de France, we agreed to acquire a 51% controlling stake in SPE SA, a Belgian energy company. This gives us a 25.5% share in around 1.6GW of electricity generation capacity and 850,000 energy accounts, with default supplier rights to another 550,000 customers when the market fully opens in 2007.

In the first half our European businesses of Luminus and Luseo made an operating profit* of £3 million.

* 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 2005

Introduction
We have been instructed by the company to review the financial information for the six months ended 30 June 2005 which comprises the group interim balance sheet as at 30 June 2005 and the related group interim statements of income, cash flows and recognised income and expense for the six months then ended. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities
The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 1, the next annual financial statements of the group will be prepared in accordance with accounting standards adopted for use in the European Union. This interim report has been prepared in accordance with the basis set out in note 1.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. As explained in note 1, there is, however, a possibility that the directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with accounting standards adopted for use in the European Union. The IFRS standards and IFRIC interpretations that will be applicable and adopted for use in the European Union at 31 December 2005 are not known with certainty at the time of preparing this interim financial information.

Review work performed
We have 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 2005.

PricewaterhouseCoopers LLP
Chartered Accountants
1 Embankment Place
London
WC2N 6RH
15 September 2005

Notes:
- **a)** The maintenance and integrity of the Centrica plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters, and accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.
- **b)** Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Group Income Statement

6 months ended 30 June	Notes	**2005 Before exceptional items and certain re-measurements (i) £m**	**2005 Exceptional items and certain re-measurements (i) £m**	**2005 Result for the period £m**	2004 Before exceptional items (i),(ii) £m	2004 Exceptional items (i),(ii) £m	2004 Result for the period (ii) £m
Group revenue	4	**6,778**	**-**	**6,778**	5,829	-	5,829
Cost of sales		**(4,706)**	**-**	**(4,706)**	(4,015)	-	(4,015)
Re-measurement of energy contracts (i)	5	**-**	**476**	**476**	-	-	-
Gross profit		**2,072**	**476**	**2,548**	1,814	-	1,814
Operating costs before exceptional items		**(1,130)**	**-**	**(1,130)**	(1,025)	-	(1,025)
Contract renegotiation	6	**-**	**42**	**42**	-	-	-
Profit on disposal of business	6	**-**	**47**	**47**	-	-	-
Other exceptional items	6	**-**	**-**	**-**	-	(98)	(98)
Operating costs after exceptional items		**(1,130)**	**89**	**(1,041)**	(1,025)	(98)	(1,123)
Share of profits in joint ventures and associates net of interest and tax		**25**	**(1)**	**24**	27	-	27
Group operating profit	4	**967**	**564**	**1,531**	816	(98)	718
Interest income		**47**	**-**	**47**	37	-	37
Interest expense (i)		**(122)**	**(4)**	**(126)**	(96)	-	(96)
Net interest expense	7	**(75)**	**(4)**	**(79)**	(59)	-	(59)
Profit before taxation		**892**	**560**	**1,452**	757	(98)	659
Taxation on profit on ordinary activities	8	**(446)**	**(161)**	**(607)**	(327)	26	(301)
Profit after taxation		**446**	**399**	**845**	430	(72)	358
Profit from discontinued operations		**-**	**-**	**-**	38	-	38
Gain on disposal of discontinued operations	6	**-**	**26**	**26**	-	-	-
Discontinued operations		**-**	**26**	**26**	38	-	38
Profit / (loss) for the period		**446**	**425**	**871**	468	(72)	396
Attributable to:							
Equity holders of the parent		**445**	**425**	**870**	459	(72)	387
Non-equity minority interests		**-**	**-**	**-**	9	-	9
Minority interests		**1**	**-**	**1**	-	-	-
		446	**425**	**871**	468	(72)	396
Interim dividend per share	9			**3.1p**			2.5p
Earnings per share							
From continuing and discontinued operations:							
Basic	10			**23.3p**			9.1p
Adjusted basic	10	11.9p			10.8p		
Diluted	10			**22.9p**			8.9p
From continuing operations:							
Basic	10			**22.6p**			8.2p
Adjusted basic	10	11.9p			9.9p		
Diluted	10			**22.2p**			8.1p

(i) Certain re-measurements included within gross margin comprise re-measurement arising on our energy procurement activities and on proprietary trades in relation to which cross-border transportation or transmission capacity is held (but not on the other activities of our proprietary trading businesses). 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. IAS39 was adopted from 1 January 2005 and therefore there is no comparative for certain re-measurements for 2004.
(ii) The comparatives for 2004 presented in accordance with IFRS accounting policies are neither audited nor reviewed, as explained in note 3.

Group Income Statement

Year ended 31 December 2004	Notes	Before exceptional items (i),(ii) £m	Exceptional items (i),(ii) £m	Result for the year (ii) £m
Group revenue	4	11,641	-	11,641
Cost of sales		(8,107)	-	(8,107)
Re-measurement of energy contracts (i)	5	-	-	-
Gross profit		3,534	-	3,534
Operating costs before exceptional items		(2,225)	-	(2,225)
Contract renegotiation	6	-	-	-
Profit on disposal of business	6	-	-	-
Other exceptional items	6	-	(104)	(104)
Operating costs after exceptional items		(2,225)	(104)	(2,329)
Share of profits in joint ventures and associates net of interest and tax		56	-	56
Group operating profit	4	1,365	(104)	1,261
Interest income		82	-	82
Interest expense		(186)	-	(186)
Net interest expense	7	(104)	-	(104)
Profit before taxation		1,261	(104)	1,157
Taxation on profit on ordinary activities	8	(546)	26	(520)
Profit after taxation		715	(78)	637
Profit for the period from discontinued operations		63	-	63
Gain on disposal of discontinued operations	6	-	911	911
Discontinued operations		63	911	974
Profit for the period		778	833	1,611
Attributable to:				
Equity holders of the parent		758	833	1,591
Non-equity minority interests		18	-	18
Minority interests		2	-	2
		778	833	1,611
Final dividend per share	9			6.1p
Earnings per share				
From continuing and discontinued operations:				
Basic	10			**38.0p**
Adjusted basic	10	18.1p		
Diluted	10			**37.4p**
From continuing operations:				
Basic	10			**14.7p**
Adjusted basic	10	16.6p		
Diluted	10			**14.5p**

(i) IAS39 was adopted from 1 January 2005 and therefore there is no comparative for certain re-measurements for 2004.
(ii) The comparatives for 2004 presented in accordance with IFRS accounting policies are neither audited nor reviewed, as explained in note 3.

Group Statement of Recognised Income and Expense

	Notes	**6 months ended 30 June 2005** **£m**	6 months ended 30 June 2004 (i),(ii) £m	*Year ended 31 December 2004 (i), (ii) £m*
Gains on revaluation of available-for-sale investments		**1**	-	*-*
Gains on cash flow hedges		**306**	-	*-*
Exchange differences on translation of foreign operations		**2**	-	*-*
Actuarial (losses) / gains on defined benefit pension schemes	18	**(131)**	120	*90*
Tax on items taken directly to equity		**(60)**	(36)	*(27)*
Net income recognised directly in equity		**118**	84	*63*
Transfers				
Transferred to profit or loss on cash flow hedges		**(39)**	-	*-*
Tax on items transferred from equity		**12**	-	*-*
		(27)	-	*-*
Profit for the period		**871**	396	*1,611*
Total recognised income and expense for the period		**962**	480	*1,674*
Attributable to:				
Equity holders of the parent		**961**	471	*1,654*
Non-equity minority interest		**-**	9	*18*
Minority interest		**1**	-	*2*
		962	480	*1,674*

(i) IAS39 was adopted from 1 January 2005 and therefore there is no comparative for revaluation of available for sale investments, gains on cash flow hedges, transfers to profit on loss on cash flow hedges and the associated tax for 2004.
(ii) The comparatives for 2004 presented in accordance with IFRS accounting policies are neither audited nor reviewed, as explained in note 3.

Group Balance Sheet

	Notes	**30 June 2005 £m**	30 June 2004 (i) £m	*31 Dec 2004 (i) £m*
Non-current assets				
Goodwill		**1,100**	853	*1,049*
Other intangible assets	11	**565**	442	*518*
Property, plant and equipment		**3,134**	2,719	*3,169*
Interests in joint ventures and associates	12	**215**	171	*206*
Deferred tax assets		**383**	249	*311*
Trade and other receivables		**32**	63	*68*
Derivative financial instruments	5	**128**	-	-
Other financial assets		**32**	21	*37*
		5,589	4,518	*5,358*
Current assets				
Inventories		**161**	114	*165*
Current tax assets		**6**	-	*5*
Trade and other receivables		**2,191**	2,141	*2,929*
Derivative financial instruments	5	**1,754**	107	*121*
Other financial assets		**44**	134	*204*
Cash and cash equivalents		**1,398**	811	*966*
		5,554	3,307	*4,390*
Non-current assets held for sale	13	**-**	1,806	-
Total assets		**11,143**	9,631	*9,748*
Current liabilities				
Trade and other payables		**(2,396)**	(2,753)	*(3,186)*
Current tax liabilities		**(494)**	(540)	*(305)*
Derivative financial instruments	5	**(1,249)**	(92)	*(106)*
Bank overdrafts and loans	14	**(607)**	(188)	*(487)*
Provisions		**(110)**	(106)	*(151)*
		(4,856)	(3,679)	*(4,235)*
Liabilities directly associated with non-current assets held for sale	13	**-**	(752)	-
Net current assets		**698**	682	*155*
Non-current liabilities				
Trade and other payables		**(91)**	(105)	*(94)*
Bank loans and other borrowings	14	**(1,731)**	(1,117)	*(1,445)*
Derivative financial instruments	5	**(4)**	-	-
Deferred tax liabilities		**(731)**	(305)	*(524)*
Retirement benefit obligation	18	**(841)**	(762)	*(705)*
Provisions		**(387)**	(462)	*(437)*
		(3,785)	(2,751)	*(3,205)*
Net Assets		**2,502**	2,449	*2,308*
Equity				
Share capital		**228**	237	*233*
Share premium account		**591**	557	*575*
Merger reserve		**467**	467	*467*
Capital redemption reserve		**11**	-	*5*
Other reserves		**1,149**	978	*809*
Shareholders' equity	15	**2,446**	2,239	*2,089*
Minority interests (equity and non equity)		**56**	210	*219*
Total minority interests and shareholders' equity		**2,502**	2,449	*2,308*

(i) The comparatives for 2004 presented in accordance with IFRS accounting policies are neither audited nor reviewed, as explained in note 3. IAS39 and IAS32 were adopted with effect from 1 January 2005. The comparatives for 2004 do not include the impact of IAS39 and IAS32. The items presented under derivative financial instruments for 2004 represent amounts recognised in our proprietary trading businesses prior to the adoption of IAS39 and IAS32.

Group Cash Flow Statement

	Notes	6 months ended 30 June 2005 £m	6 months ended 30 June 2004 (i) £m	*Year ended 31 Dec 2004 (i) £m*
Cash generated from continuing operations		**1,203**	847	*1,669*
Interest received		**11**	16	*32*
Interest paid		**(4)**	(8)	*(26)*
Tax paid		**(295)**	(187)	*(480)*
Payments relating to exceptional charges		**(37)**	(7)	*(25)*
Net cash flow from continuing operating activities	16	**878**	661	*1,170*
Net cash flow from discontinued operating activities		**-**	81	*99*
Net cash from operating activities	16	**878**	742	*1,269*
Investing activities				
Purchase of interests in subsidiary undertakings, net of cash and cash equivalents acquired	17	**(95)**	(170)	*(590)*
Disposal of interests in subsidiary undertakings, net of cash and cash equivalents disposed	17	**100**	3	*1,404*
Purchase of intangible assets		**(70)**	(94)	*(182)*
Disposal of intangible assets		**-**	2	*41*
Purchase of property, plant and equipment		**(142)**	(107)	*(276)*
Disposal of property, plant and equipment		**9**	9	*20*
Dividends received from joint ventures and associates		**15**	6	*28*
Investments in joint ventures and associates		**(18)**	-	*(25)*
Interest received		**22**	18	*66*
Net sale of other financial assets		**162**	99	*11*
Net cash flow from investing activities	16	**(17)**	(234)	*497*
Financing activities				
Net (re-purchase) / issue of ordinary share capital		**(216)**	7	*(181)*
Interest paid in respect of finance leases		**(55)**	(42)	*(88)*
Other interest paid		**(16)**	(19)	*(61)*
Distribution to shareholders of the Consumers' Waterheater Income Fund		**(9)**	-	*-*
Net interest paid		**(80)**	(61)	*(149)*
Cash inflow from additional debt		**161**	47	*65*
Cash outflow from repayment of debt		**(27)**	(96)	*(42)*
Net cash flow from increase / (decrease) in debt		**134**	(49)	*23*
Realised net foreign exchange (loss) / gain on settlement of derivative contracts		**(31)**	36	*51*
Equity dividends paid		**(220)**	(158)	*(1,314)*
Distribution to shareholders of the Consumers' Waterheater Income Fund		**-**	(8)	*(18)*
Net cash flow from financing activities	16	**(413)**	(233)	*(1,588)*
Net increase in cash and cash equivalents		**448**	275	*178*
Cash and cash equivalents at beginning of period (ii)		**885**	705	*705*
Effect of foreign exchange rate changes		**2**	(2)	*(2)*
Cash and cash equivalents at end of period (ii)		**1,335**	978	*881*

(i) The comparatives for 2004 presented in accordance with IFRS accounting policies are neither audited nor reviewed, as explained in note 3.

(ii) Cash and cash equivalents are stated net of overdrafts of £63 million (30 June 2004: £10 million, 31 December 2004: £85 million). The value was adjusted by £4 million on 1 January 2005 after the adoption of IAS39 and IAS32. The balance at 31 December 2004 does not reflect this re-measurement adjustment.

Notes

1. Accounting policies and basis of preparation

Centrica plc is required to prepare its consolidated financial statements in accordance with international accounting standards adopted for use in the European Union, with effect from 1 January 2005. On 4 May 2005 the group issued a statement providing information on the impact of International Financial Reporting Standards (IFRS) in advance of the publication of results under IFRS. It included details of the group's principal accounting policies under IFRS, and the financial information set out in this interim report has been prepared in accordance with those accounting policies. The directors intend to apply those policies in the preparation of the financial statements for the year ended 31 December 2005.

Standards currently in issue and adopted by the EU are subject to interpretations issued from time to time by the International Financial Reporting Interpretations Committee (IFRIC). Further standards may be issued by the IASB that will be adopted for financial years beginning on or after 1 January 2005. IFRS is currently being applied in the United Kingdom and in a large number of countries simultaneously for the first time. Due to a number of new and revised Standards included within the body of Standards that comprise IFRS, there is not yet significant established practice on which to draw in forming decisions regarding its interpretation and application. Accordingly, practice is continuing to evolve. At this preliminary stage the full financial effect of reporting under IFRS as it will be applied and reported on in the group's first IFRS financial statements for the year ended 31 December 2005 may be subject to change.

The group has been subject to the European Emissions trading scheme since 1 January 2005. IFRIC 3 'Emission Rights' was withdrawn by the IASB in June 2005, and has not yet been replaced by definitive guidance. The group recognises CO_2 emissions liabilities or assets when the forecast annual emissions exceed or are less than the annual allowances granted by the Government respectively. The net asset or liability is measured at the market price of allowances ruling at the balance sheet date. Forward contracts for sales and purchases of allowances are measured at fair value. Movements in the net asset or liability are reflected within operating profit.

The group's income statement and segmental note separately identifies 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

The re-measurement items which are separately identified within gross profit are the re-measurements of contracts related to our energy procurement activities, which are classified as derivatives under IAS 39 due to the nature of the contract terms, and are required to be marked to market. It also includes the re-measurement of proprietary trades in relation to which cross-border transportation or transmission capacity is held. The re-measurement under IAS 39 of the remaining activities of our proprietary trading businesses is not identified separately. Separately identified within interest is the re-measurement under IAS 39 of the publicly traded units of the Consumers' Waterheater Income Fund. Re-measurement movements reflect changes in external market prices and exchange rates. The treatment has no impact on the on-going cash flows of the business and management believes that these unrealised movements are best presented separately from underlying business performance. IAS39 was adopted with effect from 1 January 2005. Therefore there is no comparative information for certain re-measurements in 2004.

In accordance with IAS 1 'Presentation of Financial Statements', certain items are presented as exceptional, where they are material to the result for the period and are of a non-recurring nature. Items which have been considered material and non-recurring in nature in the past include disposals of businesses, business restructuring and the renegotiation of significant contracts. 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.

2. Transition to International Financial Reporting Standards

On 4 May 2005 the group issued a statement which presented and explained the consolidated results of the Centrica group restated from UK GAAP onto an IFRS basis for the year ended 31 December 2004, the six months ended 30 June 2004 and the balance sheet as at 1 January 2004. This statement was neither audited nor reviewed. The group has adopted IAS 39 and IAS 32 prospectively from 1 January 2005. A reconciliation of the group's IFRS balance sheet from 31 December 2004 to 1 January 2005 was presented with our restated results on 4 May 2005, which was neither audited nor reviewed. The reconciliations are included as appendices to this report. An archived webcast and transcript of the seminar held for analysts and institutional investors, and the statement issued on 4 May are available at www.centrica.co.uk/investors .

3. Auditors' review

The financial information contained in this report is unaudited. The income statement and cash flow statement for the interim period to 30 June 2005 and balance sheet as at 30 June 2005 and related notes have been reviewed by the auditors and their report to the company is set out on page 15. The income statement and cash flow statement for the comparative periods to 30 June 2004 and 31 December 2004, and balance sheets at 30 June 2004 and 31 December 2004 and related notes have been neither reviewed nor audited. The figures and financial information shown for the year ended 31 December 2004 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and have been prepared on the basis of the accounting policies referred to in note 1, which the directors intend to use in the next annual financial statements which will be prepared in accordance with accounting standards adopted for use in the EU. The report of the auditors on the statutory accounts for the year ended 31 December 2004, which were prepared under UK Accounting Standards, was unqualified and did not contain a statement under Section 237 of the Companies Act 1985.

4. Segmental analysis

a) Revenue for the six months ended 30 June	Gross segment revenue	Less inter-segment revenue	Group revenue	Gross segment revenue	Less inter-segment revenue	Group revenue
			2005			2004
	£m	**£m**	**£m**	£m	£m	£m
Continuing operations:						
Residential Energy	**3,219**	**-**	**3,219**	3,183	-	3,183
Home Services	**496**	**-**	**496**	452	-	452
British Gas Residential	**3,715**	**-**	**3,715**	3,635	-	3,635
British Gas Business	**725**	**-**	**725**	615	-	615
Industrial Sales and Wholesaling	**629**	**(243)**	**386**	947	(563)	384
Gas Production	**706**	**(636)**	**70**	554	(523)	31
Accord Energy Trading	**21**	**-**	**21**	11	-	11
Centrica Energy	**1,356**	**(879)**	**477**	1,512	(1,086)	426
Centrica Storage	**106**	**(20)**	**86**	78	(15)	63
Onetel	**163**	**(1)**	**162**	132	(1)	131
North American Energy and Related Services	**1,600**	**-**	**1,600**	954	-	954
European Energy	**13**	**-**	**13**	4	(1)	3
Other Operations	**-**	**-**	**-**	2	-	2
Group revenue	**7,678**	**(900)**	**6,778**	6,932	(1,103)	5,829
Revenue included within discontinued operations: The AA	**-**	**-**	**-**	420	-	420

Revenue for the year ended 31 December	*Gross segment revenue*	*Less inter-segment revenue*	*Group revenue*
			2004
	£m	*£m*	*£m*
Continuing operations:			
Residential Energy	*5,901*	*-*	*5,901*
Home Services	*943*	*-*	*943*
British Gas Residential	*6,844*	*-*	*6,844*
British Gas Business	*1,200*	*-*	*1,200*
Industrial Sales and Wholesaling	*1,961*	*(1,156)*	*805*
Gas Production	*1,150*	*(1,041)*	*109*
Accord Energy Trading	*17*	*-*	*17*
Centrica Energy	*3,128*	*(2,197)*	*931*
Centrica Storage	*164*	*(31)*	*133*
Onetel	*283*	*(3)*	*280*
North American Energy and Related Services	*2,242*	*-*	*2,242*
European Energy	*10*	*(2)*	*8*
Other Operations	*3*	*-*	*3*
Group revenue	*13,874*	*(2,223)*	*11,641*
Revenue included within discontinued operations: The AA	*637*	*-*	*637*

b) Operating profit for the period ended	**30 June 2005**	**30 June 2005**	30 June 2004	30 June 2004	*31 December 2004*	*31 December 2004*
	Operating profit / (loss) before exceptional items and certain re-measurement (i)	**Operating profit / (loss) after exceptional items and certain re-measurement (i)**	Operating profit before exceptional items (i)	Operating profit / (loss) after exceptional items (i)	*Operating profit / (loss) before exceptional items (i)*	*Operating profit / (loss) after exceptional items (i)*
	£m	**£m**	£m	£m	*£m*	*£m*
Continuing operations:						
Residential Energy	**165**	**672**	217	214	*242*	*236*
Home Services	**59**	**59**	41	41	*72*	*72*
British Gas Residential	**224**	**731**	258	255	*314*	*308*
British Gas Business	**55**	**160**	46	46	*68*	*68*
Industrial Sales and Wholesaling	**(20)**	**(130)**	25	23	*(20)*	*(20)*
Gas Production	**540**	**535**	385	335	*779*	*728*
Accord Energy Trading	**23**	**-**	10	10	*14*	*14*
Centrica Energy	**543**	**405**	420	368	*773*	*722*
Centrica Storage	**57**	**60**	26	26	*69*	*69*
Onetel	**(2)**	**(2)**	-	-	*3*	*(2)*
North American Energy and Related Services	**87**	**174**	63	63	*132*	*132*
European energy	**3**	**3**	2	2	*5*	*5*
Other Operations	**-**	**-**	1	(42)	*1*	*(41)*
Group operating profit	**967**	**1,531**	816	718	*1,365*	*1,261*
Operating profit included within discontinued operations: The AA	**-**	**26**	48	48	*80*	*991*

Share of result of joint ventures and associates included within operating profit for the period ended	**30 June 2005**	30 June 2004	*31 December 2004*
	£m	£m	*£m*
Continuing operations:			
Residential Energy	**1**	1	*3*
British Gas Residential	**1**	1	*3*
Industrial Sales and Wholesaling	**19**	24	*48*
Centrica Energy	**19**	24	*48*
European energy	**4**	2	*5*
Group operating profit	**24**	27	*56*
Operating profit included within discontinued operations: The AA	**-**	7	*12*

(i) Certain re-measurements included within gross margin comprise re-measurement arising on our energy procurement activities and on proprietary trades in relation to which cross-border transportation or transmission capacity is held (but not on the other activities of our proprietary trading businesses). All other re-measurement is included within results before exceptional items and certain re-measurements. IAS39 was adopted from 1 January 2005 and therefore there is no comparative for certain re-measurements for 2004.

5. Certain re-measurement gains and losses

	6 months ended 30 June 2005	6 months ended 30 June 2004	*Year ended 31 December 2004*
	£m	£m	*£m*
Continuing operations:			
Net gains arising on execution of contracts	**83**	-	-
Net gains arising on market price movements and new contracts	**415**	-	-
Net losses arising on proprietary trades in relation to which cross border transportation or transmission capacity is held (i)	**(22)**		
Net gains recognised within gross margin	**476**	-	-
Net losses arising on units of the Consumers' Waterheater Income Fund	**(4)**	-	-
Net re-measurement losses recognised within interest	**(4)**	-	-

(i) Under IAS39, cross-border trades are marked to prices in the local market as opposed to prices in the most favourable market which could be accessed through the cross-border transmission and transportation capacity held against such trades. The associated capacity has not been marked to market.

Derivative financial instruments assets and liabilities represent the fair value of derivative financial instruments held for trading and hedging purposes as at the balance sheet date. These financial instruments principally comprise proprietary trades on energy markets and energy procurement contracts.

6. Exceptional items

	6 months ended 30 June 2005	6 months ended 30 June 2004	*Year ended 31 December 2004*
	£m	£m	*£m*
Exceptional items included within operating profit:			
Business restructuring costs (i)	**-**	(99)	*(105)*
Gas field impairment (ii)	**-**	(50)	*(50)*
Renegotiation provision (iii)	**-**	51	*51*
Contract renegotiation (iv)	**42**	-	-
Profit on disposal of business (v)	**47**	-	-
	89	(98)	*(104)*
Exceptional items included within discontinued operations:			
Gain on disposal of discontinued operations net of tax (vi)	**26**	-	*911*
	26	-	*911*

(i) Business restructuring costs in 2004 resulted from the acceleration of elements of the British Gas Residential transformation programme and the streamlining of some support functions.

(ii) In 2004 unforeseen water break-through into the Rose well resulted in the well being shut-in. A work over of the well to isolate the water producing zone was successful. Due to water ingress it was anticipated that the maximum recoverable volume is up to 25bcf. This resulted in an impairment charge of £50 million.

(iii) The provision reduction in 2004 related to certain long term take-or-pay contracts renegotiated in 1997 by Centrica, which would have resulted in commitments to pay for gas that would be excess to requirements and/or at prices above likely market rates. A provision was made covering the net present cost of estimated further payments resulting from those renegotiations including one due for future settlement in 2008 based on the reserves in a group of third party fields. Published estimates of these reserves during 2004 indicated a reduction from the 1997 forecast level of reserves. The provision was reduced by £51 million based on a conservative view of the revised reserve levels.

(iv) The profit in 2005 arises on the renegotiation of certain long term take-or-pay contracts during the period. A benefit of £42 million has been recognised. A deferred tax charge of £12 million has been recognised in respect of the gain.

(v) The profit in 2005 arises on the disposal of British Gas Connections Limited on 20 May 2005 for which cash consideration of £90 million was received, resulting in a pre-tax operating profit of £47 million (note 17). The disposal is exempt from tax and consequently no tax charge has arisen in relation to the profit.

(vi) Discontinued operations in 2004 relate to the disposal of 100% of the share capital of the AA, net of a £13 million tax credit. Adjustments to finalise the consideration received by the group have led to the recognition of a further £26 million in the first half of 2005, upon which no tax arose. Further adjustments may arise in the second half of 2005.

7. Interest

	30 June 2005			30 June 2004		
	Interest payable	**Interest receivable**	**Total**	Interest payable	Interest receivable	Total
	£m	**£m**	**£m**	£m	£m	£m
Cost of servicing net debt (excluding non-recourse debt):						
Interest income	**-**	**21**	**21**	-	29	29
Interest payable on bank overdrafts and loans	**(26)**	**-**	**(26)**	(33)	-	(33)
Interest payable on finance leases (including tolling agreements)	**(55)**	**-**	**(55)**	(42)	-	(42)
Fair value (losses) / gains on financial instruments	**(14)**	**17**	**3**	-	-	-
	(95)	**38**	**(57)**	(75)	29	(46)
Interest arising on non-recourse debt:						
Interest payable on non-recourse debt	**(5)**	**-**	**(5)**	(5)	-	(5)
Distributions to unit holders of the Consumers' Waterheater Income Fund	**(10)**	**-**	**(10)**	-	-	-
Fair value losses on units of the Consumers' Waterheater Income Fund	**(4)**	**-**	**(4)**	-	-	-
	(19)	**-**	**(19)**	(5)	-	(5)
Other interest:						
Notional interest arising on discounted items	**(11)**	**-**	**(11)**	(14)	-	(14)
Interest on customer finance arrangements	**(1)**	**-**	**(1)**	(2)	-	(2)
Interest on supplier early payment arrangements	**-**	**9**	**9**	-	8	8
	(12)	**9**	**(3)**	(16)	8	(8)
Net interest	**(126)**	**47**	**(79)**	(96)	37	(59)

	31 December 2004		
	Interest payable	*Interest receivable*	*Total*
	£m	*£m*	*£m*
Cost of servicing net debt (excluding non-recourse debt):			
Interest income	*-*	*67*	*67*
Interest payable on bank overdrafts and loans	*(56)*	*-*	*(56)*
Interest payable on finance leases (including tolling agreements)	*(88)*	*-*	*(88)*
Fair value gains / (losses) on financial instruments	*-*	*-*	*-*
	(144)	*67*	*(77)*
Interest arising on non-recourse debt:			
Interest payable on non-recourse debt	*(10)*	*-*	*(10)*
Distributions to unit holders of the Consumers' Waterheater Income Fund	*-*	*-*	*-*
Fair value (losses) / gains on units of the Consumers' Waterheater Income Fund	*-*	*-*	*-*
	(10)	*-*	*(10)*
Other interest:			
Notional interest arising on discounted items	*(28)*	*-*	*(28)*
Interest on customer finance arrangements	*(4)*	*-*	*(4)*
Interest on supplier early payment arrangements	*-*	*15*	*15*
	(32)	*15*	*(17)*
Net interest	*(186)*	*82*	*(104)*

8. Taxation

	6 months ended 30 June 2005	6 months ended 30 June 2004	*Year ended 31 December 2004*
	£m	£m	*£m*
UK Petroleum revenue tax charge	**229**	147	*292*
Tax charge before exceptional items	**217**	180	*254*
Tax on exceptional items	**12**	(26)	*(26)*
Tax on certain re-measurement gains and losses (i)	**149**	-	*-*
	607	301	*520*

9. Dividends

It is intended to pay the interim dividend of 3.1 pence per share (2004: 2.5 pence per share) to shareholders in November 2005. The final 2004 dividend of 6.1 pence per share was paid on 15 June 2005.

10. Earnings per share

Continuing and discontinued operations:	**6 months ended 30 June 2005**		6 months ended 30 June 2004		*Year ended 31 December 2004*	
	Earnings £m	**EPS Pence**	Earnings £m	EPS Pence	*Earnings £m*	*EPS Pence*
Earnings – basic	**870**	**23.3**	387	9.1	*1,591*	*38.0*
Exceptional items after tax	**(103)**	**(2.8)**	72	1.7	*(833)*	*(19.9)*
Certain re-measurement gains and losses after tax (i)	**(322)**	**(8.6)**	-	-	*-*	*-*
Earnings – adjusted basic	**445**	**11.9**	459	10.8	*758*	*18.1*
Earnings – diluted	**870**	**22.9**	387	8.9	*1,591*	*37.4*
Weighted average number of shares (million) used in the calculation of basic and adjusted basic EPS	**3,735**		4,246		*4,184*	
Weighted average number of shares (million) used in the calculation of diluted EPS	**3,800**		4,332		*4,251*	

Continuing operations:	**6 months ended 30 June 2005**		6 months ended 30 June 2004		*Year ended 31 December 2004*	
	Earnings £m	**EPS Pence**	Earnings £m	EPS Pence	*Earnings £m*	*EPS Pence*
Earnings – basic	**844**	**22.6**	349	8.2	*617*	*14.7*
Exceptional items after tax	**(77)**	**(2.1)**	72	1.7	*78*	*1.9*
Certain re-measurement gains and losses after tax (i)	**(322)**	**(8.6)**	-	-	*-*	*-*
Earnings – adjusted basic	**445**	**11.9**	421	9.9	*695*	*16.6*
Earnings – diluted	**844**	**22.2**	349	8.1	*617*	*14.5*
Weighted average number of shares (million) used in the calculation of basic and adjusted basic EPS	**3,735**		4,246		*4,184*	
Weighted average number of shares (million) used in the calculation of diluted EPS	**3,800**		4,332		*4,251*	

(i) Certain re-measurements included within gross margin comprise re-measurement arising on our energy procurement activities and on proprietary trades in relation to which cross-border transportation or transmission capacity is held (but not on the other activities of our proprietary trading businesses). 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.

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11. Intangibles

	Application Software	Consents	Renewable obligation certificates	Brands	Customer relationships	Total
	£m	£m	£m	£m	£m	**£m**
Cost						
1 January 2005	419	29	71	57	10	**586**
Additions	48	-	22	-	1	**71**
Exchange differences	2	-	-	-	-	**2**
30 June 2005	**469**	**29**	**93**	**57**	**11**	**659**
Aggregate amortisation and impairment						
1 January 2005	67	-	-	-	1	**68**
Charge for the period	24	-	-	-	1	**25**
Exchange differences	1	-	-	-	-	**1**
30 June 2005	**92**	**-**	**-**	**-**	**2**	**94**
Net book value at 30 June 2005	**377**	**29**	**93**	**57**	**9**	**565**
Net book value at 30 June 2004	331	9	102	-	-	**442**
Net book value at 31 December 2004	*352*	*29*	*71*	*57*	*9*	*518*

12. Interests in joint ventures and associates

	Investments in Joint Ventures and Associates			
	Investments	**Goodwill**	**Shareholder loans**	**Total**
Share of net assets / cost	**£m**	**£m**	**£m**	**£m**
31 December 2004	131	51	24	**206**
Adoption of IAS 39	(14)	-	-	**(14)**
1 January 2005	117	51	24	**192**
Increase in shareholder loans	-	-	18	**18**
Conversion of shareholder loans to equity shares	36	-	(36)	**-**
Dividends received	(15)	-	-	**(15)**
Share of profits for the period (i)	24	-	-	**24**
Foreign exchange movements	(2)	(2)	-	**(4)**
30 June 2005	**160**	**49**	**6**	**215**
30 June 2004	123	48	-	171

(i) Share of profits for the period is stated net of tax of £5 million.

The group’s share of joint ventures comprises its interest in Humber Power Limited (electricity generation), Luminus NV (energy supply), and Barrow Offshore Wind Limited (renewable energy generation).

Share of joint ventures’ assets and liabilities	Humber Power Limited £m	Luminus NV £m	Barrow Offshore Wind Limited £m	**Total** **£m**
Share of non-current assets	354	52	39	**445**
Share of current assets	71	52	4	**127**
Share of non-current liabilities	(314)	-	-	**(314)**
Share of current liabilities	(10)	(36)	(7)	**(53)**
Share of net assets of joint ventures	101	68	36	**205**
Shareholder loans				6
Share of net assets of associates				4
				215

13. Non-current assets held for sale and associated liabilities

Non current assets held for sale and associated liabilities comprise the net assets of the AA at 30 June 2004. The AA was disposed on 30 September 2004 and has been treated as a discontinued operation in accordance with IFRS 5. The assets and liabilities held for sale as at 30 June 2004 were as follows:

	£m
Non-current assets:	
Goodwill	**779**
Intangible assets	**28**
Property, plant and equipment	**76**
Investments in joint ventures and associates	**12**
Deferred tax assets	**85**
Trade and other receivables	**25**
Other financial assets	**1**
Current assets:	
Inventories	**7**
Trade and other receivables	**602**
Other financial assets	**14**
Cash and cash equivalents	**177**
Assets held for sale and included in disposal groups	**1,806**
Current liabilities:	
Trade and other payables	**(483)**
Provisions	**(5)**
Non-current liabilities:	
Retirement benefit obligation	**(264)**
Liabilities directly associated with non-current assets held for sale	**(752)**

14. Bank overdrafts and loans

	30 June 2005		30 June 2004		*31 December 2004*	
	Within one year	**After one year**	Within one year	After one year	*Within one year*	*After one year*
	£m	**£m**	£m	£m	*£m*	*£m*
Business' recourse borrowings:						
Obligations under finance leases (including power station tolling arrangements)	**25**	**778**	45	338	*50*	*785*
Other borrowings	**582**	**465**	143	574	*437*	*443*
	607	**1,243**	188	912	*487*	*1,228*
Business' non-recourse borrowings:						
Canadian dollar bonds	**-**	**228**	-	205	-	*217*
Units of the Consumers' Waterheater Income Fund	**-**	**260**	-	-	-	-
	-	**488**	-	205	-	*217*
	607	**1,731**	188	1,117	*487*	*1,445*

15. Share capital and reserves

	Attributable to equity holders of the company						Minority interest	Total equity
	Share capital	Share premium	Merger Reserve	Capital redemption reserve	Other reserves	**Total**		
	£m	£m	£m	£m	£m	**£m**	£m	**£m**
31 December 2004	233	575	467	5	809	**2,089**	219	**2,308**
Adoption of IAS 32 and IAS 39	-	-	-	-	(179)	**(179)**	(164)	**(343)**
1 January 2005	233	575	467	5	630	**1,910**	55	**1,965**
Exchange differences on translation of foreign operations	-	-	-	-	2	**2**	-	**2**
Actuarial losses on defined benefit pension schemes	-	-	-	-	(131)	**(131)**	-	**(131)**
Gains on revaluation of available for sale investments	-	-	-	-	1	**1**	-	**1**
Gains on cash flow hedges	-	-	-	-	267	**267**	-	**267**
Tax on items taken directly to equity	-	-	-	-	(48)	**(48)**	-	**(48)**
	233	575	467	5	721	**2,001**	55	**2,056**
Profit for the period	-	-	-	-	870	**870**	1	**871**
Employee share option schemes:								
Share issue	1	16	-	-	-	**17**	-	**17**
Value of services provided	-	-	-	-	10	**10**	-	**10**
Repurchase of shares	(6)	-	-	6	(232)	**(232)**	-	**(232)**
Dividends	-	-	-	-	(220)	**(220)**	-	**(220)**
Shareholders' funds at 30 June 2005	**228**	**591**	**467**	**11**	**1,149**	**2,446**	**56**	**2,502**
Shareholders' funds at 30 June 2004	**237**	**557**	**467**	**-**	**978**	**2,239**	**210**	**2,449**

16. Notes to the cash flow statement

Continuing operations	**6 months ended 30 June 2005 £m**	6 months ended 30 June 2004 £m	*Year ended 31 December 2004 £m*
Group operating profit before share of joint ventures and associates profit	**1,507**	691	*1,205*
Add back:			
Amortisation of intangible assets	**26**	11	*34*
Depreciation and impairment	**204**	245	*496*
Employee share scheme costs	**9**	6	*13*
Profit on sale of subsidiaries	**(47)**	-	*-*
Profit on sale of fixed assets	**-**	(2)	*(13)*
Provisions	**4**	29	*(70)*
Re-measurement of energy contracts	**(476)**	-	*-*
Contract renegotiation	**(42)**	-	*-*
Operating cash flows before movements in working capital	**1,185**	980	*1,665*
Decrease in inventories	**4**	52	*10*
Decrease / (increase) in receivables	**813**	372	*(356)*
(Decrease) / increase in payables	**(799)**	(557)	*350*
Cash generated by operations	**1,203**	847	*1,669*
Income taxes paid	**(139)**	(135)	*(217)*
Petroleum Revenue Tax paid	**(156)**	(52)	*(263)*
Net interest received	**7**	8	*6*
Payments relating to exceptional charges	**(37)**	(7)	*(25)*
Net cash from operating activities: continuing operations	**878**	661	*1,170*

Discontinued operations	**6 months ended 30 June 2005 £m**	6 months ended 30 June 2004 £m	*Year ended 31 December 2004 £m*
Operating profit before share of joint ventures and associates profit	**-**	41	*68*
Add back:			
Amortisation of intangible assets	**-**	2	*2*
Depreciation and impairment	**-**	6	*6*
Employee share scheme costs	**-**	2	*5*
Profit on sale of fixed assets	**-**	-	*(1)*
Provisions	**-**	(2)	*(3)*
Operating cash flows before movements in working capital	**-**	49	*77*
Decrease in inventories	**-**	1	*1*
Decrease in receivables	**-**	12	*6*
Increase in payables	**-**	19	*37*
Cash generated by operations	**-**	81	*121*
Income taxes paid	**-**	-	*(22)*
Net cash from discontinued operations	**-**	81	*99*
Total cash inflow from operating activities	**878**	742	*1,269*

Investing activities	**6 months ended 30 June 2005 £m**	6 months ended 30 June 2004 £m	*Year ended 31 December 2004 £m*
Continuing operations	**(27)**	(239)	*492*
Discontinued operations	**10**	5	*5*
Net cash flows from investing activities	**(17)**	(234)	*497*

16. Notes to the cash flow statement (continued)

Financing activities	**6 months ended 30 June 2005 £m**	6 months ended 30 June 2004 £m	*Year ended 31 December 2004 £m*
Continuing operations	**(413)**	(178)	*(1,520)*
Discontinued operations	**-**	(55)	*(68)*
Net cash flows from financing activities	**(413)**	(233)	*(1,588)*

There were no additions to fixed assets during the year financed by new finance leases.

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

17. Acquisitions and disposals of subsidiaries

(i) Acquisitions

The group paid £92 million of deferred and contingent consideration in relation to prior year acquisitions and £3 million in relation to 2005 acquisitions.

(ii) Disposals

a) The group disposed of its shareholding in British Gas Connections Limited on 20 May 2005 for cash consideration of £90 million, resulting in a pre-tax operating profit on disposal of £47 million. The analysis of the assets and liabilities sold and consideration received is given below:

	£m
Property, plant and equipment	**49**
Deferred tax liability	**(3)**
Provisions	**(16)**
Net assets	**30**
Pre-tax exceptional profit on disposal	**47**
Deferred income (i)	**13**
Cash consideration	**90**

(i) £13 million of the total cash consideration relates to the future order book of 35,000 connections which will be completed on behalf of the purchaser by British Gas' siteworks business, New Housing Connections. The assets will be constructed over the next five years. £13 million consideration will be deferred and recognised as the assets are constructed and delivered to the purchaser.

b) Included in disposals is £10 million received in relation to adjustments to the consideration received by the group for the disposal of the AA in 2004. Further adjustments may occur in the second half of 2005.

18. Pensions

Substantially all of the group's UK employees at 30 June 2005 were members of one of the three main schemes: the Centrica Pension Scheme (formerly the Centrica Staff Pension Scheme), the Centrica Engineers' Pension Scheme and the Centrica Management Pension Scheme (the approved pension schemes). These schemes are defined benefit schemes and are subject to independent valuations at least every three years, on the basis of which the 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 latest full actuarial valuations were carried out as at the following dates: the approved pension schemes at 31 March 2004, the unapproved pension scheme at 6 April 2002 and the Direct Energy Marketing Limited pension plan at 7 May 2002. These have been updated to 30 June 2005 for the purposes of meeting the requirements of IAS19. Investments have been valued, for this purpose, at market value.

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 certain pension and other post retirement benefits to employees of Direct Energy Marketing Limited (Canada).

18. Pensions (continued)

The major assumptions used for the actuarial valuation were:	**30 June 2005 %**	30 June 2004 %	*31 December 2004 %*
Rate of increase in employee earnings	**4.3**	4.4	*4.3*
Rate of increase in pensions in payment and deferred pensions	**2.8**	2.9	*2.8*
Discount rate	**5.1**	5.8	*5.4*
Inflation assumption	**2.8**	2.9	*2.8*

The market value of the assets in the schemes, the present value of the liabilities in the schemes, the expected rate of return at the balance sheet date and the amounts recognised in the balance sheet were:

	Expected rate of return per annum 30 June 2005 %	**Valuation 30 June 2005 £m**	Expected rate of return per annum 30 June 2004 %	Valuation 30 June 2004 (i) £m	*Expected rate of return per annum 31 December 2004 %*	*Valuation 31 December 2004 £m*
Equities	**8.1**	**1,759**	8.4	1,945	*8.1*	*1,590*
Bonds	**5.0**	**352**	5.1	429	*5.0*	*336*
Property	**6.9**	**71**	7.1	69	*6.9*	*62*
Cash and other assets	**3.6**	**64**	3.8	43	*3.6*	*53*
Total fair value of plan assets	**7.4**	**2,246**	7.75	2,486	*7.4*	*2,041*
Present value of defined benefit obligation		**(3,087)**		(3,512)		*(2,746)*
Net liability recognised in the balance sheet		**(841)**		(1,026)		*(705)*
Associated deferred tax asset recognised in the balance sheet		**252**		306		*212*

(i) The net deficit of £1,026 million includes the net deficit of £264 million relating to the AA schemes which at 30 June 2004 is presented as a liability directly associated with non-current assets held for sale. The remaining deficit relating to the group is £762 million.

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 return 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 longer period 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 above 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 both capital growth and allowance for expenses, rental growth and depreciation. The expected rate of return on cash is comparable to current bank interest rates.

Included within schemes' liabilities above are £29 million (31 December 2004: £26 million, 30 June 2004: £24 million) relating to unfunded pension arrangements.

The amounts recognised in the income statement and in the statement of recognised income and expenses are as set out below:

Analysis of the amount charged to operating profit	**6 months to 30 June 2005 £m**	6 months to 30 June 2004 £m	*Year ended 31 December 2004 £m*
Current service cost	**66**	71	*145*
Loss on curtailment	**2**	1	*16*
Net charge to operating profit	**68**	72	*161*

Analysis of the amount credited / (charged) to interest	**6 months to 30 June 2005 £m**	6 months to 30 June 2004 £m	*Year ended 31 December 2004 £m*
Expected return on pension scheme assets	**76**	91	*173*
Interest on pension scheme liabilities	**(75)**	(97)	*(181)*
Net credit / (charge) to interest	**1**	(6)	*(8)*

18. Pensions (continued)

Analysis of the actuarial (losses) / gains recognised in the statement of recognised income and expenses	**6 months to 30 June 2005 £m**	6 months to 30 June 2004 £m	*Year ended 31 December 2004 £m*
Actual return less expected return on pension scheme assets	**79**	(17)	*64*
Experience gains and losses arising on the scheme liabilities	**(210)**	137	*26*
Actuarial (losses) / gains to be recognised in the statement of recognised income and expenses before adjustment for tax	**(131)**	120	*90*

19. Assets held under finance leases

	6 months to 30 June 2005 £m	6 months ended 30 June 2004 £m	*Year ended 31 December 2004 £m*
Cost at beginning of period	**1,200**	732	*732*
Additions in the period	**-**	-	*469*
Disposals	**-**	(1)	*(1)*
Cost at end of period	**1,200**	731	*1,200*
Depreciation at beginning of period	**(396)**	(356)	*(356)*
Depreciation charge during the period	**(29)**	(19)	*(41)*
Disposals	**-**	1	*1*
Depreciation at end of the period	**(425)**	(374)	*(396)*
Net book value at beginning of the period	**804**	376	*376*
Net book value at end of the period	**775**	357	*804*

The net book value of fixed assets held under finance leases and the depreciation charge for the period is split as follows:

	Net book value £m	Depreciation charge £m
Power Generation	773	(29)
Exploration and production	2	-
	775	(29)

Future finance lease commitments are as follows:

	Minimum lease payments 30 June 2005 £m	**Present value of minimum lease payments 30 June 2005 £m**	Minimum lease payments 30 June 2004 £m	Present value of minimum lease payments 30 June 2004 £m	*Minimum lease payments 31 December 2004 £m*	*Present value of minimum lease payments 31 December 2004 £m*
Amounts payable:						
Within 1 year	**126**	**18**	117	34	*146*	*38*
Between 1 and 5 years	**490**	**58**	320	(14)	*486*	*54*
After 5 years	**1,825**	**726**	1,419	358	*1,889*	*736*
	2,441	**802**	1,856	378	*2,521*	*828*
Less future finance charges	**(1,639)**		(1,478)		*(1,693)*	
Present value of lease obligations	**802**		378		*828*	
Interest receivable in the Humber JV in respect of finance leases	**1,410**		1,451		*1,491*	

In addition to the minimum lease payments, tolling charges are payable, calculated based on effective operating hours of the station. In the period £13 million of tolling charges were paid in respect of the Humber and Spalding tolling contracts. The group has an option to extend the Spalding tolling agreement. To exercise this option, notice must be given to the operator, prior to 30 September 2020. Should this option be exercised, by serving further notice the group has an option to purchase the station. At this time the generator has the option to retain the station and terminate the tolling contract. Valuation of these options will be determined by an expert panel, appointed by both parties. The minimum lease payments and the tolling charges based on equivalent operating hours are subject to escalation based on a basket of market indices. There are no restrictions under either lease.

20. Events after 30 June 2005

On 24 June 2005 the group announced that through a 50/50 joint venture with Gaz de France SA (Gaz de France) it has conditionally agreed to acquire a controlling 51 per cent stake in SPE SA (SPE), a Belgian energy company, in a deal which values SPE at €760 million (£507 million).

At the same time, Centrica's existing 50/50 joint venture energy supply business in Belgium, Luminus NV (Luminus), and ALG Nègoce, Gaz de France's 50/50 retail joint venture in Belgium, will be acquired by SPE for shares, valuing the entities at €207 million (£138 million) and €2 million (£1.3 million) respectively. The 49% balance of the enlarged SPE will be held by existing Belgian shareholders of SPE, Publilum (Centrica's existing partner in Luminus) and ALG. Clearance of the transaction was received from the European Commission on 8 September 2005 and completion is now expected to occur within one month of this date.

On 1 July 2005 Centrica acquired Oxxio BV, a Dutch energy supplier, for approximately €142 million (£96 million). Oxxio supplies energy to residential and small business customers across the Netherlands.

On 8 August 2005, Centrica announced that it has reached agreement with Kerr McGee to acquire its non-operated interests in four producing gas fields in the Northern and Central North Sea. This will add approximately 1.1 billion therms of gas and 11 million barrels of oil to Centrica's portfolio and is further evidence of the company's commitment to secure supplies for its British Gas customers.

Under the agreement, which is subject to pre-emption rights from the existing field partners, Centrica will pay £318.6 million to obtain interests in the Andrew, Brae, Buckland and Skene fields. It will also acquire interests in future exploration opportunities in the licence blocks and a development option which could add significant reserves on the Andrew field.

It is intended to pay the interim dividend of 3.1 pence per share (2004: 2.5 pence per share) to shareholders in November 2005.

Appendix 1a: Reconciliation of the Group Income Statement from UK GAAP to IFRS for the year ended 31 December 2004

Group Income Statement Year ended 31 December 2004	Previously reported under UK GAAP £m	IAS12 – Income taxes: PRT accounting £m	IAS 17 / IFRIC 4 Leases £m	IAS19 Retirement benefits £m	IFRS2 Share schemes £m	IFRS3 Business combinations £m	IAS 10 Events after the balance sheet date: record dividend in period paid £m	Other IAS12 impacts £m	IFRS 5 Discontinued operations £m	IAS1 Presentation of financial statements £m	Restated under IFRS (unaudited) £m
		IFRS adjustments									
Group revenue	**18,303**								(637)	(6,025)	**11,641**
Cost of sales	**(14,712)**	209	82						289	6,025	**(8,107)**
Gross profit	**3,591**	209	82						(348)	-	**3,534**
Operating costs before goodwill amortisation and exceptional items	**(2,432)**		(21)	(50)	(2)			(4)	284		**(2,225)**
Goodwill amortisation	**(117)**					117					**-**
Exceptional items	**(104)**										**(104)**
Share of profits less losses in joint ventures and associates, net of interest and taxation	**62**		26			6			(12)	(26)	**56**
Group operating profit from continuing operations	**1,000**	209	87	(50)	(2)	123		(4)	(76)	(26)	**1,261**
Net interest payable	**(19)**		(83)	(8)					(7)	13	**(104)**
Profit before taxation	**981**	209	4	(58)	(2)	123		(4)	(83)	(13)	**1,157**
Taxation	**(306)**	(257)		17	1	(4)		5	11	13	**(520)**
Profit after taxation from continuing operations	**675**	(48)	4	(41)	(1)	119		1	(72)	-	**637**
Discontinued operations	**-**								63		**63**
Gain on disposal of discontinued operation	**727**			202	1	(37)		9	9		**911**
Profit for the period	**1,402**	(48)	4	161	-	82		10	-	-	**1,611**
Minority interests (equity and non-equity)	**(20)**										**(20)**
Dividends	**(1,387)**						73				**(1,314)**
Transfer (from) / to reserves	**(5)**	(48)	4	161	-	82	73	10	-	-	**277**

Appendix 1b: Reconciliation of the Group Balance Sheet from UK GAAP to IFRS as at 31 December 2004

Group Balance Sheet 31 December 2004	Previously reported under UK GAAP	IFRS adjustments									Restated under IFRS (unaudited)
		IAS12 – Income taxes: PRT accounting	IAS 17 / IFRIC 4 Leases	IAS19 Retirement benefits	IFRS 2 Share Based payments	IAS38 Intangible assets	IFRS 3 Business combinations	IAS 10 Events after the balance sheet date: record dividend in period paid	Other IAS12 impacts	Other	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Non-current assets											
Goodwill	**1,006**					(66)	80		29		**1,049**
Intangible assets	**-**					518					**518**
Property, plant and equipment	**2,832**		722			(385)					**3,169**
Investments in joint ventures and associates	**112**		88				6				**206**
Deferred tax assets	**36**	13		237	6		(1)		20		**311**
Trade and other receivables	**151**			(83)							**68**
Other financial assets	**-**									37	**37**
	4,137	13	810	154	6	67	85		49	37	**5,358**
Current assets											
Inventories	**158**									7	**165**
Current tax assets	**21**								(16)		**5**
Trade and other receivables	**3,128**					(71)				(7)	**3,050**
Other financial assets	**1,166**									(962)	**204**
Cash and cash equivalents	**41**									925	**966**
	4,514					(71)			(16)	(37)	**4,390**
Current liabilities											
Trade and other payables	**(3,506)**		6	(8)				230	(15)	1	**(3,292)**
Bank overdrafts and loans	**(468)**		(19)								**(487)**
Current tax liabilities	**(279)**								(26)		**(305)**
Provisions	**-**									(151)	**(151)**
	(4,253)		(13)	(8)				230	(41)	(150)	**(4,235)**
Non-current liabilities											
Trade and other payables	**(93)**									(1)	**(94)**
Bank loans and other borrowings	**(660)**		(785)								**(1,445)**
Deferred tax liabilities	**(486)**	6				(1)	(3)		(40)		**(524)**
Retirement benefit obligation	**-**			(705)							**(705)**
Provisions	**(588)**									151	**(437)**
	(1,827)	6	(785)	(705)		(1)	(3)		(40)	150	**(3,205)**
Net assets	**2,571**	19	12	(559)	6	(5)	82	230	(48)	-	**2,308**
Shareholders' equity	**2,352**	19	12	(559)	6	(5)	82	230	(48)	-	**2,089**
Minority interests (equity and non-equity)	**219**										**219**
Total minority interests and shareholders' equity	**2,571**	19	12	(559)	6	(5)	82	230	(48)	-	**2,308**

Appendix 1c: Reconciliation of the Group Cash Flow statement from UK GAAP to IFRS for the year ended 31 December 2004

		IFRS adjustments			
Group Cash Flow Statement	**Previously reported under UK GAAP**	**IAS 17 / IFRIC 4 Leases**	**IAS 38 Intangible assets**	**IAS 7 Cash flows**	**Restated under IFRS (unaudited)**
Year ended 31 December 2004	**£m**	**£m**	**£m**	**£m**	**£m**
Net cash flow from continuing operating activities	**1,016**	78	70	6	**1,170**
Net cash flow from discontinued operating activities	**99**				**99**
Net cash flow from operating activities	**1,115**	78	70	6	**1,269**
Cash flows from investing activities					
Purchase of interests in subsidiary undertakings, net of cash and cash equivalents acquired	**(590)**				**(590)**
Disposal of interests in subsidiary undertakings, net of cash and cash equivalents disposed	**1,589**			(185)	**1,404**
Purchase of intangible fixed assets	**-**		(182)		**(182)**
Disposal of intangible fixed assets	**-**		41		**41**
Purchase of property, plant and equipment	**(349)**		73		**(276)**
Disposal of property, plant and equipment	**22**		(2)		**20**
Dividends received from joint ventures and associates	**28**				**28**
Investments in joint ventures and associates	**(25)**				**(25)**
Interest received	**-**			66	**66**
Net purchase / (sale) of other financial assets	**(377)**			388	**11**
Net cash flows from investing activities	**298**		(70)	269	**497**
Cash flows from financing activities					
Net issue / (buy back) of ordinary share capital	**(181)**				**(181)**
Interest received	**86**			(86)	**-**
Interest paid in respect of finance leases	**(5)**	(83)			**(88)**
Other interest paid	**(75)**			14	**(61)**
Net cash flow from increase / (decrease) in debt	**18**	5			**23**
Realised net foreign exchange gain	**51**				**51**
Equity dividends paid	**(1,314)**				**(1,314)**
Distribution to non-equity minority shareholders	**(18)**				**(18)**
Net cash flows from financing activities	**(1,438)**	(78)	-	(72)	**(1,588)**
Net increase in cash and cash equivalents	**(25)**	-	-	203	**178**
Exchange rate translation differences on cash and cash equivalents	**(1)**			(1)	**(2)**
Cash and cash equivalents as at 1 January 2004	**(18)**	-	-	723	**705**
Cash and cash equivalents as at 31 December 2004	**(44)**	-	-	925	**881**

Appendix 1d: Reconciliation of the Group Income Statement from UK GAAP to IFRS for the six months ended 30 June 2004

Group Income statement **Six months ended 30 June 2004**	**Previously reported under UK GAAP**	**IFRS adjustments** **IAS12 – Income taxes: PRT accounting**	**IAS 17 / IFRIC 4 Leases**	**IAS19 Retirement benefits**	**IFRS2 Share schemes**	**IFRS 3 Business combinations**	**IAS 10 Events after the balance sheet date: record dividend in period paid**	**Other IAS12 impacts**	**IFRS 5 discontinued operations**	**IAS1 Presentation of financial statements**	**Restated under IFRS (unaudited)**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Group revenue	**9,220**								(420)	(2,971)	**5,829**
Cost of sales	**(7,316)**	102	36						192	2,971	**(4,015)**
Gross profit	**1,904**	102	36						(228)	-	**1,814**
Operating costs before goodwill amortisation and exceptional items	**(1,177)**		(6)	(26)	(3)				187		**(1,025)**
Goodwill amortisation	**(62)**					62					**-**
Exceptional items	**(98)**										**(98)**
Share of profits less losses in joint ventures and associates, net of interest and taxation	**33**		12			3			(7)	(14)	**27**
Group operating profit from continuing operations	**600**	102	42	(26)	(3)	65			(48)	(14)	**718**
Net interest payable	**(18)**		(38)	(6)					(4)	7	**(59)**
Profit before taxation	**582**	102	4	(32)	(3)	65			(52)	(7)	**659**
Taxation	**(190)**	(129)		9				(12)	14	7	**(301)**
Profit after taxation from continuing operations	**392**	(27)	4	(23)	(3)	65		(12)	(38)	-	**358**
Discontinued operations									38		**38**
Gain on disposal of discontinued operation											
Profit for the period	**392**	(27)	4	(23)	(3)	65		(12)	-	-	**396**
Minority interests (equity and non-equity)	**(9)**										**(9)**
Dividends	**(108)**						(50)				**(158)**
Transfer to reserves	**275**	(27)	4	(23)	(3)	65	(50)	(12)	-	-	**229**

Appendix 1e: Reconciliation of the Group Balance Sheet from UK GAAP to IFRS as at 30 June 2004

Group Balance Sheet 30 June 2004	Previously reported under UK GAAP	IFRS adjustments											Restated under IFRS (unaudited)
		IAS12 – Income taxes: PRT accounting	IAS 17 / IFRIC 4 Leases	IAS19 Retirement benefits	IFRS 2 Share based payments	IAS38 Intangible assets	IFRS3 Business combinations	IAS 10 Events after the balance sheet date	Other IAS12 impacts	IFRS 5 discontinued operations	Intra-group balances relating to discontinued operations	Other re-classifications	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Non-current assets													
Goodwill	**1,564**						62		6	(779)			**853**
Intangible assets	**-**					470				(28)			**442**
Property, plant and equipment	**2,899**		269			(373)				(76)			**2,719**
Investments in joint ventures and associates	**106**		74				3			(12)			**171**
Deferred tax assets	**8**	15		296	11				4	(85)			**249**
Trade and other receivables	**86**									(25)		2	**63**
Other financial assets	**-**									(1)		22	**21**
	4,663	15	343	296	11	97	65	-	10	(1,006)		24	**4,518**
Current assets													
Inventories	**121**									(7)			**114**
Current tax assets	**3**								(3)				**-**
Trade and other receivables	**2,556**					(102)				(602)	398	(2)	**2,248**
Other financial assets	**1,139**									(14)		(991)	**134**
Cash and cash equivalents	**19**									(177)		969	**811**
Assets held for sale and included in disposal groups	**-**									1,806			**1,806**
	3,838	-	-	-	-	(102)	-	-	(3)	1,006	398	(24)	**5,113**
Current liabilities													
Trade and other payables	**(3,011)**		3	(8)				107	(25)	483	(398)	4	**(2,845)**
Bank overdrafts and loans	**(185)**		(3)										**(188)**
Current tax liabilities	**(509)**			9					(40)				**(540)**
Provisions	**-**									5		(111)	**(106)**
Liabilities included in disposal groups	**-**									(752)			**(752)**
	(3,705)	-		1	-	-	-	107	(65)	(264)	(398)	(107)	**(4,431)**
Non-current liabilities													
Trade and other payables	**(101)**											(4)	**(105)**
Bank loans and other borrowings	**(789)**		(328)										**(1,117)**
Deferred tax liabilities	**(312)**	26							(19)				**(305)**
Retirement benefit obligation	**(5)**			(1,021)						264			**(762)**
Provisions	**(573)**											111	**(462)**
	(1,780)	26	(328)	(1,021)		-	-	-	(19)	264	-	107	**(2,751)**
Net assets	**3,016**	41	15	(724)	11	(5)	65	107	(77)	-	-	-	**2,449**
Shareholders' equity	**2,806**	41	15	(724)	11	(5)	65	107	(77)	-	-	-	**2,239**
Minority interests (equity and non-equity)	**210**												**210**
Total minority interests and shareholders' equity	**3,016**	41	15	(724)	11	(5)	65	107	(77)	-	-	-	**2,449**

Appendix 1f: Reconciliation of the Group Cash Flow Statement from UK GAAP to IFRS for the 6 months ended 30 June 2004

Group Cash Flow Statement 6 months ended 30 June 2004	Previously reported under UK GAAP £m	IFRS adjustments IAS 17 / IFRIC 4 Leases £m	IAS 38 Intangible assets £m	IAS 7 Cash flows £m	Restated under IFRS (unaudited) £m
Net cash flow from continuing operating activities	**553**	37	63	8	**661**
Net cash flow from discontinued operating activities	**81**				**81**
Net cash flow from operating activities	**634**	37	63	8	**742**
Cash flows from investing activities					
Purchase of interests in subsidiary undertakings, net of cash acquired	**(170)**				**(170)**
Disposal of interests in subsidiary undertakings, net of cash disposed	**3**				**3**
Purchase of intangible fixed assets	**-**		(94)		**(94)**
Disposal of intangible fixed assets	**-**		2		**2**
Purchase of property, plant and equipment	**(137)**		30		**(107)**
Disposal of property, plant and equipment	**10**		(1)		**9**
Dividends received from joint ventures and associates	**6**				**6**
Interest received	**-**			18	**18**
Net sale/(purchase) of other financial assets	**(149)**			248	**99**
Net cash flows from investing activities	**(437)**		(63)	266	**(234)**
Cash flows from financing activities					
Issue of ordinary share capital	**7**				**7**
Interest received	**30**			(30)	**-**
Interest paid in respect of finance leases	**(3)**	(39)			**(42)**
Other interest paid	**(23)**			4	**(19)**
Net cash out flow from decrease in debt	**(51)**	2			**(49)**
Realised net foreign exchange gain	**36**				**36**
Equity dividends paid	**(158)**				**(158)**
Distribution to non-equity minority shareholders	**(8)**				**(8)**
Net cash flows from financing activities	**(170)**	(37)	-	(26)	**(233)**
Net increase in cash and cash equivalents	**27**	-	-	248	**275**
Exchange rate translation differences on cash and cash equivalents	**-**			(2)	**(2)**
Cash and cash equivalents as at 1 January 2004	**(18)**	-	-	723	**705**
Cash and cash equivalents as at 30 June 2004	**9**	-	-	969	**978**

Appendix 1g: Reconciliation of the Group Balance Sheet from UK GAAP to IFRS as at 1 January 2004

Group Balance Sheet 1 January 2004	Previously reported under UK GAAP	UK GAAP prior year adj for UITF 38	IFRS adjustments: IAS12 – Income taxes: PRT accounting	IAS 17 / IFRIC 4 Leases	IAS19 Retirement benefits	IFRS 2 Share based payments	IAS38 Intangible assets	IFRS 3 Business combinations	IAS 10 Events after the balance sheet date: record dividend in period paid	Other IAS12 impacts	Other	Restated under IFRS (unaudited)
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Non-current assets												
Goodwill	**1,614**											**1,614**
Intangible assets	**-**						388					**388**
Property, plant and equipment	**2,730**			273			(354)					**2,649**
Investments in joint ventures and associates	**94**			61								**155**
Deferred tax assets	**25**		9		333	6				33		**406**
Trade and other receivables	**92**											**92**
Other financial assets	**20**	(17)									22	**25**
	4,575	(17)	9	334	333	6	34			33	22	**5,329**
Current assets												
Inventories	**173**											**173**
Current tax assets	**31**									(31)		**-**
Trade and other receivables	**2,890**						(39)					**2,851**
Other financial assets	**992**										(745)	**247**
Cash and cash equivalents	**34**										723	**757**
	4,120						(39)			(31)	(22)	**4,028**
Current liabilities												
Trade and other payables	**(3,469)**			3	(8)				157	(23)		**(3,340)**
Bank overdrafts and loans	**(298)**			(3)								**(301)**
Current tax liabilities	**(229)**									(30)		**(259)**
Provisions	**-**										(23)	**(23)**
	(3,996)			-	(8)				157	(53)	(23)	**(3,923)**
Non-current liabilities												
Trade and other payables	**(104)**											**(104)**
Bank loans and other borrowings	**(781)**			(326)								**(1,107)**
Deferred tax liabilities	**(541)**		59							(10)		**(492)**
Retirement benefit obligation	**(30)**				(1,108)							**(1,138)**
Provisions	**(489)**										23	**(466)**
	(1,945)		59	(326)	(1,108)					(10)	23	**(3,307)**
Net assets	**2,754**	(17)	68	8	(783)	6	(5)	-	157	(61)	-	**2,127**
Shareholders' equity	**2,537**	(17)	68	8	(783)	6	(5)	-	157	(61)	-	**1,910**
Minority interests (equity and non-equity)	**217**											**217**
Total minority interests and shareholders' equity	**2,754**	(17)	68	8	(783)	6	(5)	-	157	(61)	-	**2,127**

Appendix 1h: Reconciliation of the Group IFRS Balance Sheet from 31 December 2004 to 1 January 2005

		IAS39 adjustments			IAS32	
Group Opening Balance Sheet 1 January 2005	**Restated under IFRS (unaudited)**	**UK energy activity**	**North America**	**Other**	**Consumers' Water Heater Income Fund**	**Restated for IAS39 and IAS32 (unaudited)**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Non-current assets						
Goodwill	**1,049**					**1,049**
Intangible assets	**518**					**518**
Property, plant and equipment	**3,169**					**3,169**
Investments in joint ventures and associates	**206**			(14)		**192**
Deferred tax assets	**311**	34				**345**
Trade and other receivables	**68**	(24)				**44**
Derivative financial instruments	**-**	42	13			**55**
Other financial assets	**37**			1		**38**
	5,358	52	13	(13)		**5,410**
Current assets						
Inventories	**165**					**165**
Current tax assets	**5**					**5**
Trade and other receivables	**2,929**	(10)				**2,919**
Other financial assets	**204**					**204**
Derivative financial instruments	**121**	466	30	53		**670**
Cash and cash equivalents	**966**			3		**969**
	4,390	456	30	56		**4,932**
Current liabilities						
Trade and other payables	**(3,186)**	6				**(3,180)**
Derivative financial instruments	**(106)**	(660)	(54)	(47)		**(867)**
Bank overdrafts and loans	**(487)**			(1)		**(488)**
Current tax liabilities	**(305)**					**(305)**
Provisions	**(151)**					**(151)**
	(4,235)	(654)	(54)	(48)		**(4,991)**
Non-current liabilities						
Trade and other payables	**(94)**	5				**(89)**
Derivative financial instruments	**-**		(6)			**(6)**
Bank loans and other borrowings	**(1,445)**			(8)	(244)	**(1,697)**
Deferred tax liabilities	**(524)**		6	4		**(514)**
Retirement benefit obligation	**(705)**					**(705)**
Provisions	**(437)**	62				**(375)**
	(3,205)	67	-	(4)	(244)	**(3,386)**
Net assets	**2,308**	(79)	(11)	(9)	(244)	**1,965**
Shareholders' equity	**2,089**	(79)	(11)	(9)	(80)	**1,910**
Minority interests (equity and non-equity)	**219**				(164)	**55**
Total minority interests and shareholders' equity	**2,308**	(79)	(11)	(9)	(244)	**1,965**

Disclaimers

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

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.

Financial Calendar

Ex-dividend date for 2005 interim dividend	12 October 2005
Record date for 2005 interim dividend	14 October 2005
2005 interim dividend payment date	16 November 2005
Pre-close Trading Update	16 December 2005
2005 full year results announcement	23 February 2006

For further information

Centrica will hold a presentation on its 2005 Interim Results for analysts and institutional investors at 9.30am (GMT) on Thursday 15 September. The presentation and slides will be webcast live from 9.30am at www.centrica.com/investors.

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

From the UK	0845 245 3471	} password "Centrica 2005 Interims Announcement"
From overseas	+44 1452 543 300	}

An archived webcast and full transcript of the presentation and the question and answer session will be available on the website on Friday 16 September 2005.

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