Centrica plc
Preliminary Results for the year ended 31 December 2004

Financial Highlights:

- Turnover from continuing operations, excluding Accord, up 9% at £11.8bn.
- Operating profit* increased by 16% to £1,227m.
- Earnings* at a record level, up 18% to £839m.
- Adjusted basic earnings per share up 19% to 20.0p.
- Operating cash flow up 36% at £1,354m.
- Recommended full year dividend of 8.6p per share, up 59% on 2003.
- Further £1.26bn returned during 2004 to shareholders through special dividend and share buyback.

Operating Overview:

- Refocus on energy and related services following disposal of the AA.
- Year-on-year improvement in operating profit in all downstream businesses.
- Improved operating margin in British Gas despite wholesale price rises and customer losses. Decisive actions have been taken to begin to regrow the energy customer base.
- Significant Centrica Storage operating profit growth, reflecting increasing strategic value of storage.
- Continuing to build strong strategic growth platform in North America.
- High wholesale prices pushed industrial and wholesale business into first operating loss.
- One.Tel now firmly profitable.

Statutory Results:

- Turnover £18.3bn (2003: £17.9bn).
- Operating profit £1,000m, after exceptional items of £104m and goodwill amortisation of £123m (2003: £897m, after goodwill amortisation of £161m).
- Earnings £1,382m, after profit on AA disposal of £740m, other exceptional items of £78m and goodwill amortisation of £119m (all net of tax) (2003: £500m, after goodwill amortisation of £161m and exceptional items of £53m, all net of tax and minority interests).
- Basic earnings per share 33.0p (2003: 11.8p).

"This year saw another stage in the evolution of Centrica as we refocused our business on the core areas of expertise and value which will drive our future growth."
-- Sir Roy Gardner, Chief Executive

* including joint ventures and associates, before goodwill amortisation and exceptional items

CHAIRMAN'S STATEMENT

I was delighted to take over in May as chairman of Centrica following Sir Michael Perry's retirement and it is a great pleasure to report the group's first full year results since I took on the role.

In July I outlined the guiding principles which the board believes are critical to the way in which Centrica carries out its business to ensure the creation of shareholder value:

- Commercial flair, professional competence, financial rigour and commitment to customer satisfaction;
- Customer focus underpinned by asset strength to maintain cost-effective supply;
- Acquisitions that create value, requiring patience in identifying targets, skills in negotiation and ready availability of funds;
- Cost control and operational efficiency to build competitive edge and a unique customer offering of bundled, branded services; and
- Effective balance sheet management.

These principles have underpinned our 2004 performance and will continue to guide our actions as we face the challenges that 2005 will undoubtedly present.

The overall performance of the company in 2004 has been good, with turnover (from continuing operations, excluding Accord) and operating profit* up by 9% and 16% respectively. These results were delivered in a year that saw significant change in energy markets with increasing awareness of the UK's future gas position and wholesale oil and gas prices reaching unprecedented levels. These issues have clearly impacted the whole industry and all energy consumers.

In July we announced the sale of the AA, which not only crystallised the significant value that we had created in that business, but also gave us the opportunity to both refocus our business on energy and related home services and reward our shareholders. I have no doubt that this clarity of focus is crucial for our future growth and success.

Returns to shareholders

The board of directors is proposing a final dividend of 6.1 pence per share to be paid in June 2005. In line with our previously stated commitment, the 2004 total ordinary dividend of 8.6 pence per share represents a 40% payout of earnings* and is a 59% increase on the 2003 full year dividend. In addition to the ordinary dividend, in November the company also paid shareholders £1.05 billion through a special dividend of 25 pence per share.

In August we commenced our £500 million rolling share buyback programme and by the end of 2004 we had bought back £205 million of shares for cancellation. We committed to pay a dividend for 2005 equivalent to a 50% payout of earnings* under current UK accounting standards. We believe this combination of immediate reward and longer-term dividend growth is a clear demonstration of our commitment to shareholder value.

The board of directors

2004 has been a year of considerable change within the board. Sir Michael Perry retired having served the company for seven years as chairman, overseeing the development of Centrica from its difficult early days to its position today as a successful and respected energy company. We are indebted to him for his considerable contribution. Following the sale of the AA, Roger Wood stepped down as managing director of the AA and from the board of Centrica. We are grateful to Roger for his immense support in building the service businesses of the group over the last seven years. Finally, having made a valuable contribution to Centrica, non-executive director Robert Tobin stepped down from the board in September to focus on his other interests in North America.

We have welcomed to the board two new non-executive directors who strengthen our team with their considerable ability and experience. Mary Francis, Director General of the Association of British Insurers and a director of the Bank of England, joined in May and Paul Rayner, finance director of BAT, joined in

* Including joint ventures and associates, before goodwill amortisation and exceptional items

September. Paul is also chairman of the company's audit committee. Reflecting our renewed focus on energy, we also announced the appointment of Jake Ulrich, managing director of Centrica Energy, as an executive member of the board with effect from 1 January 2005.

Looking forward, we will continue to ensure the board's structure is in keeping with appropriate governance standards and reflects the mix of skills and experience necessary to guide a successful international energy group.

Our employees

The commitment and dedication of our employees has, as always, been a crucial part of our success in the year. I recognise that they faced a number of uncertainties, not least as a result of the sale of the AA, and I am grateful to them for their continuing hard work.

Outlook

The market outlook for 2005 is heavily influenced by the continued uncertainty over UK wholesale energy prices and the implications for retail prices for all energy suppliers. In this challenging environment, however, the Centrica management team are committed to building competitive edge and reversing recent trends in customer churn. This will be achieved by greater innovation in developing our customer offering, a vigorous commitment to selling and marketing our wide range of products and services and decisive action to reduce the level of our cost base.

Building on the excellent performance in 2004 we will continue to grow our Home Services and One.Tel businesses through appropriate investment, keen awareness of market opportunities and strong cost management.

The growth prospects in North America are encouraging and we will continue to focus on acquiring and retaining customers, increasing operational efficiencies and expanding the service businesses we have recently acquired.

We will seek opportunities to acquire further upstream assets in line with our investment plans, whilst continuing to apply the financial rigour and patience that has been our trademark to date. We will continue to manage our existing assets efficiently and to balance our equity and contractual positions to optimise our energy procurement.

We have made a good start to 2005 and have a clear focus on the challenges ahead. Creation of shareholder value is, as always, at the top of our agenda and we will continue to manage our balance sheet to ensure the cash generated by our business is used wisely to maximise value creation.

Roger Carr
Chairman **24 February 2005**

Earnings and operating profit numbers are stated, throughout the commentary, before exceptional items and goodwill amortisation where applicable. The directors believe this measure assists with better understanding the underlying performance of the group. The equivalent amounts after exceptional items and goodwill amortisation are reflected in note 1 and are reconciled at group level in the group profit and loss account. Exceptional items are described in note 3. Adjusted earnings and adjusted basic earnings per share are reconciled to their statutory equivalents in note 7.

All current financial results listed are for the 12 months ended 31 December 2004. All references to 'the prior period', '2003' and 'last year' mean the 12 months ended 31 December 2003 unless otherwise specified.

CHIEF EXECUTIVE'S REVIEW

Overview of 2004

The year saw another stage in the evolution of Centrica as we refocused our business on the core areas of expertise and value which will drive our future growth. We sold the AA in the second half of the year, realising a post-tax profit of £740 million. We also raised our ordinary dividend payout ratio to 40% of earnings* (2003: 32%) and returned a further £1.2 billion to our shareholders through a special dividend and a share buyback programme. Group earnings* were up by 18% in the year.

Wholesale gas prices once again dominated the energy landscape with the market price for gas in 2004 29% above that for 2003. This brought an unavoidable round of retail tariff increases across the industry. Energy consumers reacted to these price increases and the total level of churn rose markedly, with British Gas, as the market leader, suffering disproportionately. We put measures in place to address this. Since our price rise was announced we have launched a range of new products in British Gas and have increased our focus on selling with the delivery of the cross-selling capability in our transformation programme. We are already seeing a positive impact with net losses beginning to fall.

We completed several key acquisitions during 2004. Upstream in the UK we increased support for our retail electricity business with the acquisition of a CCGT power station and a new-build CCGT site along with an onshore windfarm development in Scotland. We also added further gas reserves with the acquisition of shares in the Statfjord and Horne and Wren fields. We grew our telecoms business in Britain through the acquisition of Telco Global and added the Dyno-Rod brand to our capability in British Gas. In North America we bought Residential Services Group, two small automation and control companies and acquired an incumbent retail position in Alberta with the one million customers of ATCO. To support our downstream businesses we acquired two power stations in Texas and added gas reserves in Alberta.

We made continued progress in North America, raising operating profit while growing the business, increasing our retail footprint and expanding our operations and servicing offers to commercial customers. Centrica Storage also produced an excellent operating result, more reflective of the underlying performance of the business, as the last of the low-priced legacy forward-sales contracts finished in April 2004.

We carried out an internal restructuring of our telecoms business, building on the brand, infrastructure and expertise of One.Tel and the increased scale that came from the Telco Global acquisition. British Gas and Centrica Business Services will now sell products under the One.Tel brand on a commission basis. This consolidation will greatly improve the operating cost base of this business and create a platform for further growth.

The achievements of our people have been outstanding during 2004, continuing to meet our customers' very diverse needs against the backdrop of a highly competitive marketplace. I would like to join the Chairman in thanking all our people for their ongoing and valued commitment.

Group financial summary

Group turnover from continuing operations (excluding Accord trading revenue) was up 9% at £11.8 billion (2003: £10.8 billion). The growth was driven primarily by British Gas, with increased customer tariffs and a rise in gas consumption on 2003, offset slightly by a decrease in industrial sales in Centrica Energy.

Group operating profit* was up 16% at £1,227 million (2003: £1,058 million), with all business areas ahead of last year except Centrica Energy, where the industrial sales contracts moved into loss as selling prices fell in an environment of steeply rising input gas prices.

Group operating cash flow was up 36% at £1,354 million (2003: £992 million). This was driven primarily by an increase of £233 million to £1,696 million in operating profit* before depreciation and the year-on-

* Including joint ventures and associates, before goodwill amortisation and exceptional items

year cash flow effect of the closure of the Goldfish savings business in 2003 of £286 million, partially offset by a higher increase in other provisions and working capital of £140 million.

The group's ongoing FRS17 pension deficit, net of the deferred tax asset, reduced by £275 million to £475 million due mainly to the disposal of the AA and a one-off company cash contribution of £100 million. Net cash inflow (before management of liquid resources and financing) was down by 26% at £482 million (2003: £652 million) due primarily to higher investment spend in the year, partially offset by the impact of disposals. Acquisition expenditure rose to £608 million (2003: £117 million), reflecting the level of strategic acquisitions in the year. Net capital expenditure and financial investment rose by 24% to £351 million (2003: £282 million), and cash ordinary dividends increased by £81 million. This was partially offset by the net effect of the sale of the AA, completed at the end of September, and the special dividend paid in November.

The group's net cash balance at 31 December 2004 (excluding the £217 million of non-recourse debt in respect of the Consumers' Waterheater Income Fund) was £296 million up from £163 million in 2003 (excluding the non-recourse debt). Net interest payable was £19 million (2003: £52 million) and was covered 64 times by operating profit* (2003: 20 times). Net assets fell by 6% from 2003, to £2.6 billion, mainly due to the share buyback activity in the year.

The taxation charge* of £349 million in 2004 represents an effective 29% rate on profits* (2003: £282 million, representing an effective rate of 28%). The overall charge reflects rates higher than 30% for offshore gas production and in North America, offset by the recognition of deferred tax assets during 2004 which were unrecognised at the last year-end.

In 2005 we will move from reporting our financial results under UK GAAP to the new International Financial Reporting Standards (IFRS). Despite the continuing uncertainty over certain aspects of the new standards, our plans for the transition are well advanced, and in May 2005 we will hold a presentation for analysts and institutional investors to explain the main changes with reference to the 2004 results.

2005 operating plan

We expect 2005 to be no less demanding than 2004. Wholesale prices will continue to challenge energy retailers. At the end of 2004 the demand-weighted market gas price for 2005 was 22% higher than 2004, with gas for the fourth quarter of 2005 trading at 40p per therm, 16% higher than the fourth quarter of 2004. We still believe that this forward price level may not be supported by the market fundamentals. For example, in 2005 the UK will see an increase in gas import capacity with the opening of the first four billion cubic metre (BCM) stage of the Isle of Grain liquefied natural gas (LNG) terminal and the first of two increases in the reverse flow capacity of the current European interconnector which will add a further eight BCM.

British Gas is intensifying its efforts to retain existing and win new customers so it can begin to grow its energy base again, with the emphasis on maximising value. We have new product propositions, including an innovative three-winter capped price dual fuel offer, which are already being received very positively. We are actively increasing the size of the directly employed field sales force and enlarging our outbound telephone sales function. These actions will be facilitated by the system developments which underpin the wider transformation of British Gas. We will roll-out nationwide our new on-call assistance service which gives all British Gas customers access to our unique asset, the national engineering workforce, for emergency call-outs. This will bring our customers the peace of mind that comes from inviting only a highly qualified and trusted professional into their home. This year will also see the start of the rollout of the new billing system which will simplify our communications with our customers and improve our ability to compete effectively while maintaining levels of service. In order to ensure customer service remains unaffected, we have extended both the testing and planned roll-out phases and now expect to complete in the second half of 2006.

The refocus on energy and related services which we undertook in 2004 will be extended in 2005. We will centre our UK business even more clearly on the British Gas brand. This will enable us to drive forward two key objectives in the year. We will seek to optimise our gross margin by reinforcing the link

* Including joint ventures and associates, before goodwill amortisation and exceptional items

between the customer proposition and our upstream supply operation. We will also concentrate on identifying all opportunities to reduce further our cost base by restructuring our UK support operations around this single focus, which will remove any duplicated activities and drive out inefficiencies.

Centrica Business Services will be renamed British Gas Business. Here we will complete the integration of Electricity Direct as part of a wider drive towards the most efficient cost base and operating structure. Having successfully completed high-level systems design on our billing and customer service initiative, we will now proceed to the systems build stage. This will help us maintain our position as the leading supplier of energy products to the commercial sector in Britain. We will also be trialling several new service propositions which are based on successful Home Services products in British Gas. Based on customer reaction we will progress to a nationwide rollout with the products where there is potential to grow scale and value.

Centrica Energy will play an increasingly important role in the group. We will continue in 2005 to seek opportunities to acquire value-adding assets and agree further long-term contracts, both in power and in gas as the pricing environment improves. We have a strong balance sheet and the expertise to identify these opportunities and we will also remain patient and disciplined buyers. Our healthy supply position resulting from the long-term gas supply contracts that we struck over the last few years and our existing assets underpin this disciplined approach. In line with previous guidance, we expect the 2005 production from Morecambe to be between 15% and 20% lower than 2004, with 2006 around 25% to 30% lower again. We will be delivering renewables capacity through the year with construction of the windfarms onshore in Aberdeenshire and offshore at Barrow, and the award of the contract for offshore construction at Lynn and Inner Dowsing in the Wash. We will also make a decision on the next step with our consented CCGT site at Langage in Devon.

Given the low levels of storage capacity in the UK and increasing dependency on imported gas, Centrica Storage is well positioned to take advantage of the growth in demand for storage services, demonstrated by the fact that we have now sold 100% of the storage capacity at the Rough field for the 2005/2006 year at prices well above those of the current year. We will continue to invest in the infrastructure of the field and concentrate our efforts on maintaining and improving the reliability of injection and withdrawal.

In North America we will build on the foundations we have created. We will seek to grow our retail footprint in the areas where we currently have a strong presence, while continuing to build our power generation portfolio specifically in support of our downstream operations. Business Markets will be a key focus for us as we grow our demand by offering an end-to-end solution to commercial customers in existing and new territories, assisted by the control and automation expertise which we acquired in 2004. We will drive further efficiencies in the Home Services business, using learnings from the UK, as we fully integrate the Residential Services Group we acquired in 2004.

In telecoms we will complete the internal restructure which will leave us with a reduced cost base and a business better able to address future growth opportunities. As part of this change, we will fully integrate the Telco Global business and carefully manage the further outsourcing of call centre activity to One.Tel's now well-established operations in India. We will continue to contribute to Ofcom's Strategic Review of the Telecoms market, with a particular focus on achieving equivalence between BT and its competitors in key areas such as wholesale line rental (WLR) and broadband.

In general, Europe is deregulating slowly. There are, however, opportunities for us to create value as we build out from our current positions in Belgium and Spain. We will remain patient but will not hesitate to move rapidly when we identify an opening.

In summary, the outlook for commodity prices will continue to dominate the landscape and we will do our utmost to minimise the impact on our customers and shareholders. We are taking decisive action to make our business leaner and more competitive. I believe we are well placed to meet the challenges and take advantage of the opportunities that we see in the coming year.

Sir Roy Gardner
Chief Executive **24 February 2005**

* including joint ventures and associates, before goodwill amortisation and exceptional items

SEGMENTAL BUSINESS COMMENTARY

British Gas Residential

British Gas faced a very challenging environment with volatile and rising commodity costs throughout the year. Total turnover was up by 12% to £6.9 billion (2003: £6.2 billion). Operating profit* was up by 64% to £337 million (2003: £206 million) with overall operating margin up to 4.9% (2003: 3.3%), driven mainly by the required customer tariff increases along with continued growth in the Home Services business. The year-on-year increase is heightened by the fact that the 2003 result was severely impacted by unforecast commodity cost increases which dampened gross margin in that year.

The British Gas transformation programme is progressing well. The total spend to date is £361 million with £57 million of this expensed. The roll-out of the cross-selling functionality is complete with all relevant customer service staff now using the new systems. Average products per customer increased accordingly by 2.5% to 1.66. The billing engine has been built and is in the test phase with the first new format bills expected in the middle of 2005. In order to ensure customer service remains unaffected, we have extended both the testing and planned roll-out phases and now expect to complete in the second half of 2006. In parallel, we have made excellent progress with restructuring our operations and removed around 1,250 roles from the business in 2004. This makes us increasingly confident that we will deliver the transformation benefits which we previously outlined.

Energy

Operating profit* in the energy business rose by 83% to £249 million (2003: £136 million), reversing the significant fall from 2002 (£218 million). Average consumption was up year-on-year due to the weather pattern during the transitional spring and autumn months, adding £21 million to gross margin. The cost of meeting the government's Energy Efficiency Commitment (EEC) also rose by £27 million to £88 million as we ramped up our programme to make the transition from EEC1 to EEC2 in April 2005. The tariff increases in 2004 sought to recover higher wholesale prices which had depressed profitability in 2003 as well as the anticipated increases in 2004 and 2005.

The demand-weighted market price of gas for the year was 29% higher than 2003. The annual weighted average cost of gas (WACOG) for British Gas increased by 12%, 17 percentage points less than the market price due to the existence of some historic fixed-price supply contracts and a lower-than-market rise in the equity gas supply due to the transfer pricing mechanism.

The retail tariff increases across the industry made 2004 a tough year for consumers and suppliers. Understandably the overall level of customer churn increased particularly around the start of the fourth quarter of the year, with British Gas experiencing 764,000 net gas and electricity account losses in the second half of the year. This customer churn began to fall towards the end of the year after competitors increased prices and as our retention campaign started to take effect. Sales of our three-winter capped price dual fuel product, launched in October 2004, reached 345,000 by the end of the year and 600,000 by early February 2005.

* including joint ventures and associates, before goodwill amortisation and exceptional items

	FY 2004	FY 2003	Δ%	H2 2004	H2 2003	Δ%
Customer numbers (period end) (000):						
Residential gas	11,771	12,590	(7%)	11,771	12,590	(7%)
Residential electricity	5,950	6,189	(3.9%)	5,950	6,189	(3.9%)
Estimated market share (%):						
Residential gas	57	62	(5 ppts)	57	62	(5 ppts)
Residential electricity	23	24	(1 ppt)	23	24	(1 ppt)
Average consumption:						
Residential gas (therms)	637	614	3.7%	262	260	0.8%
Residential electricity (kWh)	4,186	4,178	0.2%	2,082	2,138	(2.6%)
Weighted average sales price:						
Residential gas (p/therm)	53.16	47.57	12%	57.47	48.81	18%
Residential electricity (p/kWh)	6.76	6.19	9%	6.97	6.22	12%
Weighted average unit costs:						
Residential gas (WACOG, p/therm)	25.31	22.65	12%	27.14	23.46	16%
Residential electricity (WACOE, p/kWh)	2.91	2.46	18%	3.07	2.52	22%
Transportation & distribution (£m):						
Residential gas	1,256	1,305	(3.8%)	552	615	(10%)
Residential electricity	489	479	2.1%	245	253	(3.2%)
Total	**1,745**	**1,784**	**(2.2%)**	**797**	**868**	**(8%)**
Turnover (£m):						
Residential gas	4,170	3,742	11%	1,833	1,613	14%
Residential electricity	1,731	1,547	12%	885	808	10%
Total	**5,901**	**5,289**	**12%**	**2,718**	**2,421**	**12%**
Operating profit (£m)*						
Residential energy	249	136	83%	21	(33)	n/m
Operating margin (%)						
Residential energy	4.2	2.6	1.6 ppts	0.8	(1.4)	n/m
British Gas product holding**						
Average British Gas products per customer (period end):	1.66	1.62	2.5%	1.66	1.62	2.5%

** British Gas brand

Home Services

Home Services continued to grow both its top and bottom line during 2004. Turnover grew by 11% to £943 million (2003: £847 million) due in the main to a 7% increase in product relationships. Operating profit* rose by 13% to £95 million even after expensed investment of £5 million on replacement of engineer laptops and the new engineer deployment programme. The core central heating care product continues to grow although the strongest improvement was seen across the newer, higher margin products of kitchen appliance care, home electrical care and plumbing and drains care.

The acquisition of the Dyno group of companies in September brought us a new fulfilment model, i.e. franchising, gave us access to the on-demand sector, and now allows us to grow our share of the plumbing and drains market more quickly and to enter or expand our presence in other markets.

Late in the year we launched our on-call assistance proposition which gives priority access to the engineer base to current British Gas energy customers for emergency call-out. We expect this to act as a valuable tool for both retaining current energy customers and cross selling new Home Services contracts.

We plan to have around 10,000 engineers qualified or in training by the end of 2006. The new engineer deployment system, which will enable us to deploy this workforce most effectively, is currently being tested with excellent initial results. We expect the nationwide roll-out of the new system to be complete by the end of 2005.

* including joint ventures and associates, before goodwill amortisation and exceptional items

	FY 2004	FY 2003	Δ%	H2 2004	H2 2003	Δ%
Customer product holdings (period end) (000):						
Central heating service contracts	3,363	3,250	3.5%	3,363	3,250	3.5%
Other central heating service contracts	843	837	0.7%	843	837	0.7%
Kitchen appliances care (no. of contracts)	421	382	10%	421	382	10%
Plumbing & drains care	1,199	1,084	11%	1,199	1,084	11%
Electrical care	740	598	24%	740	598	24%
Home security	26	28	(7%)	26	28	(7%)
Total holdings	**6,592**	**6,179**	**7%**	**6,592**	**6,179**	**7%**
Central heating installations	92	86	7%	50	43	16%
Turnover (£m)						
Central heating service contracts	436	391	12%	222	201	10%
Central heating installations	244	228	7%	133	112	19%
Other	263	228	15%	136	123	11%
Total	**943**	**847**	**11%**	**491**	**436**	**13%**
Engineering staff employed	8,033	7,160	12%	8,033	7,160	12%
Operating profit (£m)*						
Home Services	95	84	13%	44	43	2.3%
Operating margin (%)						
Home Services	10	10	-	9	10	(1 ppt)

British Gas Communications

Turnover in the year grew by 11% to £62 million due to an increase in both customer numbers and the average revenue per user (ARPU) with an increased penetration of carrier pre-selection (CPS) customers and fixed-price calling plans. The business reduced its operating losses* by 50% to £7 million.

	FY 2004	FY 2003	Δ%	H2 2004	H2 2003	Δ%
Customer numbers (fixed line) (period end) (000)	384	376	2.1%	384	376	2.1%
Average minutes used per month (fixed line)	417	374	11%	413	392	5%
ARPU (monthly fixed line) (£)	12.97	11.86	9%	12.91	12.49	3.4%
Turnover (£m)	62	56	11%	31	30	3.3%
Operating loss (£m)*						
British Gas Communications	(7)	(14)	50%	(2)	(4)	50%

Centrica Business Services

Centrica Business Services maintained its position as the number one supplier of energy (measured by number of supply points) to the commercial sector in Britain with careful management of price rises in a turbulent wholesale energy market. Although customer numbers are down slightly on 2003, the unavoidable increases in pricing pushed turnover up by 7% to £1.2 billion (2003: £1.1 billion).

Overall operating profit* rose by 25% to £64 million (2003: £51 million), with operating profit* for the second half up by £9 million to £17 million (2003: £8 million), including an operating loss* in telecoms of £5 million, primarily due to expensed acquisition costs. The year-on-year improvement was heightened by the fact that 2003 was hit by unforecast commodity movements particularly in the fourth quarter of the year. The level of contract sales in electricity fell during 2004 with signs of the market maturing. This was partially offset by an increase in retention levels, resulting in only a slight overall decline in the customer numbers.

Underlying operating costs are in line with the previous year although there was additional investment in 2004 to restructure the processes in both sales and operations. In addition, we made a £3 million provision for restructuring costs associated with the closure of the St Albans site which will complete the integration of Electricity Direct. The site is due to close in the first half of 2005.

The business has successfully completed high-level systems design on a major customer service initiative which will rationalise the disparate invoicing and collection systems and reduce the cost to serve. An investment of around £40 million is being made over the next two years, with roll-out due to start in 2006.

* before goodwill amortisation and exceptional items

In August we launched a central heating care product, leveraging the manpower and expertise of British Gas Home Services to deliver the service. Initial take-up rates are very encouraging with over 2,500 customers signed up by the middle of February 2005.

	FY 2004	FY 2003	Δ%	H2 2004	H2 2003	Δ%
Customer supply points (period end) (000):						
Gas	368	370	(0.5%)	368	370	(0.5%)
Electricity	515	535	(3.7%)	515	535	(3.7%)
Total	**883**	**905**	**(2.4%)**	**883**	**905**	**(2.4%)**
Average consumption:						
Gas (therms)	3,420	3,124	9%	1,456	1,353	8%
Electricity (kWh)	24,752	25,700	(3.7%)	12,663	13,436	(6%)
Weighted average sales price:						
Gas (p/therm)	41.21	37.75	9%	43.71	38.11	15%
Electricity (p/kWh)	5.08	4.84	5%	5.14	4.77	8%
Weighted average unit costs:						
Gas (WACOG, p/therm)	24.51	21.56	14%	26.59	21.88	22%
Electricity (WACOE, p/kWh)	2.45	2.29	7%	2.49	2.28	9%
Transportation & Distribution (£m):						
Gas	122	130	(6%)	58	63	(8%)
Electricity	210	221	(5%)	106	119	(11%)
Total	**332**	**351**	**(5%)**	**164**	**182**	**(10%)**
Turnover (£m):						
Gas	523	455	15%	237	202	17%
Electricity	675	670	0.7%	346	348	(0.6%)
Other	2	-	-	2	-	-
Total	**1,200**	**1,125**	**7%**	**585**	**550**	**6%**
Operating profit (£m)*	**64**	**51**	**25%**	**17**	**8**	**113%**
Operating margin (%)	**5**	**4.5**	**0.5 ppts**	**2.9**	**1.5**	**1.4 ppts**

Centrica Energy

Centrica Energy once again played a key role in a difficult year of rising and fluctuating wholesale prices in both electricity and gas. We added to our gas and power equity portfolio and struck two further innovative gas supply agreements with Shell for 4.5 billion cubic metres (BCM) over five years and with Petronas for 45BCM of liquefied natural gas (LNG) over 15 years. Overall operating profit* was down 9% at £512 million (2003: £561 million) due to the losses suffered in the industrial and wholesaling business caused by contracted sales prices lagging rising input prices.

Gas production

Operating profit* rose by 19% to £573 million (2003: £480 million) due mainly to an increase in the market-related transfer price to the downstream business. This was partially offset by a 63% increase in the petroleum revenue tax (PRT) charge as the unit of production rate increased to reflect higher future profitability in line with rising gas prices.

During the year we acquired a 33% interest in the UK side of the Statfjord oil and gas field and a 50% ownership of the Horne and Wren development. Remedial work on the Rose gas field, which suffered water ingress early in the year, brought it back into production in September. The maximum level of recoverable reserves has now been estimated at 24 bcf.

In 2004 we also began an infrastructure simplification project at Morecambe which will reduce the fixed and variable operating costs for the remainder of the life of the South Morecambe field, resulting in a slight increase to profitability in future years.

Industrial sales and wholesaling

Industrial sales and wholesaling suffered its first underlying annual loss, at £38 million, as selling prices in our 18 industrial supply contracts actually fell during 2004 to 21.3p (2003: 21.5p) in an environment where, year-on-year, the flat input price of gas rose by 29%. The majority of these contracts have selling price escalators which do not reflect the underlying input costs and are difficult to hedge and therefore we currently expect losses overall for the segment to double in 2005. The reported operating loss* of

* including joint ventures and associates, before goodwill amortisation and exceptional items

this segment includes the £37 million of overhead costs of running the upstream energy operations and business development activities (2003: £27 million). A large portion of this year-on-year increase reflects the strengthening of the team to support the enhanced upstream investment plans.

Electricity generation

In June 2004, Centrica agreed the acquisition of the 652MW Killingholme CCGT power station in North Lincolnshire taking total equity generation capacity to 2,910MW. In addition, in August we completed the acquisition of the total share capital in a subsidiary of Carlton Power Limited, which owns land and consents for developing a gas-fired station of up to 1,000MW at Langage in Devon. Langage benefits from its location in the South West, which has little existing generation capacity. In October the tolling agreement with the 860MW Spalding power plant in Lincolnshire began on schedule. The total electricity generated from our owned plants in the year rose 33% to 11.6TWh (2003: 8.7TWh), satisfying 27% of downstream residential demand. The average overall portfolio load factor for the year was 58%, reflecting the peak running pattern of the power stations.

Renewables

In the supply year April 2003 to March 2004, Centrica fulfilled its obligation to source 4.3% (1.7TWh) of all electricity supplied from renewable sources through the purchase of certificates (ROCs) and is on track to meet the target of 4.9% for the current supply year. In July the construction phase of the 90MW Barrow offshore wind farm commenced with the awarding of the construction contract to KBR and Vestas; we expect first power from this wind farm by the end of 2005. In October we acquired a 26MW onshore wind farm project at Glens of Foudland, Aberdeenshire, which will deliver our first green energy in the second half of 2005. Tenders have been received and are being evaluated for the construction of 180MW of offshore wind capacity at the Lynn and Inner Dowsing projects in the Wash. To support these equity positions, in December we agreed an innovative contract with NM Renewable Energy which brings us approximately 300GWh of green electricity from a diverse range of sources.

Accord

Accord operating profit* was down 18% at £14 million (2003: £17 million). The trading environment was particularly challenging, given the huge swings in commodity prices both in the UK and continental Europe as well as the continued lack of market liquidity. Physical volumes traded during 2004 were equal to 1.7 times the gas and 2.4 times the electricity volumes supplied to our UK downstream customers (2003: 2.4 times and 2.7 times, respectively).

	FY 2004	FY 2003	Δ%	H2 2004	H2 2003	Δ%
Gas production:						
Production volumes (m therms)						
Morecambe	3,444	3,429	0.4%	1,473	1,350	9%
Other	494	457	8%	254	199	28%
Total	**3,938**	**3,886**	**1.3%**	**1,727**	**1,549**	**11%**
Average sales price (p/therm)	26.8	22.4	20%	30.4	23.8	28%
Turnover (£m)	1,150	919	25%	595	391	52%
External turnover (£m)	109	54	102%	78	24	225%
Operating costs (£m):						
Petroleum revenue tax	208	128	63%	106	60	77%
Volume related production costs	240	213	13%	119	88	35%
Other production costs	129	98	32%	81	45	80%
Total	**577**	**439**	**31%**	**306**	**193**	**59%**
Operating profit (£m)*	573	480	19%	289	198	46%
Power stations						
Power generated (GWh)	11,554	8,668	33%	6,905	4,947	40%
Industrial & wholesale:						
External sales volumes (m therms)	3,601	3,679	(2.1%)	1,823	1,550	18%
Average sales price (p/therm)	22.0	21.9	0.5%	22.8	22.2	2.7%
Turnover (£m)	805	809	(0.5%)	421	349	21%
Operating profit/(loss) (£m)*^	(75)	64	n/m	(67)	2	n/m
Accord						
Turnover (£m)	5,909	6,218	(5%)	3,033	3,097	(2.1%)
Operating profit (£m)	14	17	(18%)	3	4	(25%)
Centrica Energy operating profit (£m)*	**512**	**561**	**(9%)**	**225**	**204**	**10%**

^ Includes Centrica Energy overhead costs: FY 2004 £37m; FY 2003 £27m; H2 2004 £22m; H2 2003 £16m.

* including joint ventures and associates, before exceptional items

Centrica Storage

Profit at Centrica Storage, the owner and operator of the Rough storage facility, continued to exceed significantly the expectations in our original acquisition case. Operating profit* in the year increased by 72% to £69 million (2003: £40 million). The value of storage services has benefited from higher market price differentials between winter and summer and increased levels of gas price volatility. Prices for standard bundled units (SBUs) of storage capacity under new contracts increased by 23% between the 2003/4 and the 2004/5 storage years. Combined with the termination of all low-priced legacy storage contracts at the end of the 2003/04 storage year, this resulted in a 58% increase in average SBU prices for the calendar year of 2004 to 24.6p (2003: 15.6p).

Excellent injection performance over the summer enabled an increase in revenue from the sale of additional space to £8 million (2003: £3 million) but this was more than offset by an increase in fuel gas and other gas costs to £13 million (2003: £6 million) due to a number of factors, the largest of which was high gas market prices.

Operationally, we continued to invest in the Rough facility to maintain and improve safety and reliability, which is reflected in the price customers are willing to pay for SBUs. Investment in the field and facilities totalled £13 million (2003: £9 million). With the exception of one major production outage in January, operational performance began to demonstrate the impact of this investment programme. In particular, and in contrast to 2003, customers enjoyed very good injection reliability throughout the spring, summer and autumn.

The demand for storage services remains strong, with 100% of SBUs for the 2005/06 storage year already sold by the middle of January 2005, at prices significantly higher than for 2004/05.

One.Tel

Although the telecoms marketplace has become increasingly competitive, One.Tel continued to make good progress during 2004. In September we acquired another indirect telecoms provider, Telco Global. This acquisition added to One.Tel's existing 1.1 million customer base a further 238,000 residential fixed-line customers, of which 80% are on carrier pre-selection (CPS); 11,000 business fixed-line customers; and around 10,000 business mobile customers, including a number of large corporate accounts. In addition, it brought additional expertise in the field of voice over internet protocol (VOIP), enabling One.Tel to compete effectively as the use of this technology grows over the next few years.

Turnover was up by 22% at £218 million (2003: £178 million) with most of the increase coming in the second half of the year, driven by the Telco Global acquisition. Operating profit* rose by 300% to £16 million (2003: £4 million), of which £10 million arose in the second half of the year with a positive £2.1 million contribution from the Telco Global business and the beneficial impact of the cost reduction measures taken earlier in the year.

Despite aggressive competitor activity during the year, monthly fixed-line average revenue per user (ARPU) rose by 3.5% to £16.74 (2003: £16.18) while average minutes per user grew by 27% to 437 (2003: 345) due to the combination of the acquisition, the growth in the take-up of fixed price calling plans and the increase in CPS customers who now form 61% of the tolling base.

The telecoms business is currently undergoing restructuring which will result in the consolidation of all telecoms activity within Centrica. One.Tel will continue to develop products which will be marketed through all of Centrica's distribution channels while managing all of the infrastructure and customer support functions. British Gas and Centrica Business Services will market One.Tel products. This will bring about a more efficient operating model.

We welcomed the findings of Ofcom's investigation into BT's pricing, following our complaint, which resulted in a rebalancing of the cost of local call conveyancing, backdated to July 2004. In Phase 2 of their Telecoms Strategic Review, published on 1 November, Ofcom highlighted the shortcomings which have held back competition in the telecoms sector. We were particularly pleased to see that their

* including joint ventures and associates, before goodwill amortisation and exceptional items

proposals place the onus on BT to provide solutions in all of the areas lacking equivalence between BT and its competitors.

	FY 2004	FY 2003	Δ%	H2 2004	H2 2003	Δ%
Customer numbers (period end) (000):						
Fixed line	1,053	793	33%	1,053	793	33%
Mobile	81	73	11%	81	73	11%
Other services	212	218	(2.8%)	212	218	(2.8%)
Total (30 day tolling)	**1,346**	**1,084**	**24%**	**1,346**	**1,084**	**24%**
Average minutes used per month (fixed-line)	437	345	27%	459	373	23%
ARPU (monthly fixed line) (£)	16.74	16.18	3.5%	16.65	16.72	(0.4%)
ARPU (monthly mobile) (£)	17.90	14.44	24%	19.13	15.11	27%
Average products per customer (period end)	1.30	1.29	0.8%	1.30	1.29	0.8%
Turnover (£m)	218	178	22%	118	94	26%
Operating profit (£m)*	**16**	**4**	**300%**	**10**	**4**	**150%**
Operating margin (%)	**7%**	**2.2%**	**4.8 ppts**	**8%**	**4.3%**	**3.7 ppts**

Centrica North America

Throughout 2004 we continued to expand and develop our presence in North America through a number of targeted acquisitions both upstream and downstream and further concentration on organic growth in our key markets. Turnover was flat at £2,375 million (2003: £2,369 million). The rapid growth in our Business Markets revenue and the part-year consolidation of the acquisition of the customers of ATCO Retail in Alberta were offset by lower revenues in Texas, substantially reduced energy trading activity and the translation impact on turnover of the year-on-year movement in the exchange rate (£143 million).

Overall operating profit* grew by 3% to £134 million (2003: £130 million) despite the £10 million translation impact of exchange rate movements. Increased profits in Home Services and the elimination of losses in the US were partially offset by the start-up costs in Alberta and the reduction in energy trading profits of £6 million.

Canada residential and small commercial energy

Turnover in this segment increased by 94% to £819 million (2003: £423 million), mainly reflecting the part-year impact of the newly-acquired business in Alberta. In May we completed the acquisition of around one million gas and electricity customers from the ATCO Group, which more than offset the effect of lower customer numbers in both gas and electricity in Ontario. The environment for selling gas contracts in Ontario remained difficult in the second half but the renewal rate for existing customers increased to 89% (2003: 50%). The Ontario electricity market for residential and small commercial customers remains effectively closed to new sales under the price cap introduced in November 2002. The short-term impact of this is that customer churn has reduced and operating margins remain strong. The Ontario government recently published draft legislation, which we believe will allow marketing to smaller commercial customers to recommence – the government has now entered a period of consultation with all stakeholders.

Operating profit* fell by 9% to £30 million (2003: £33 million), driven by the year-on-year increase of £4 million in losses in Alberta, with the fall in customer numbers in Ontario offset by the increased margin from higher pricing.

Texas residential and small commercial electricity

Turnover in this segment fell by 20% to £744 million (2003: £933 million). The fall in the year was driven by a one-off market reconciliation of 2003 data at the start of 2004 and lower net customer numbers, particularly in the commercial sector, where organic gains in the first half did not offset the losses in our incumbent businesses in West and South Texas. The reduction slowed throughout the year with second-half turnover down only 11% against the same period in 2003. Processes surrounding the competitive market in Texas have now improved, leading to a smoother interaction between the key parties and more stability in the numbers. Against this backdrop, we grew total customer numbers in Texas in the second half of the year.

* before goodwill amortisation and exceptional items

Operating profit* in this business segment for the year was flat at £60 million (2003: £60 million) with the negative impact of the first-half reconciliation and foreign exchange movements offset by two successful upward refilings in our price-to-beat (PTB) tariffs in both incumbent regions as well as growth in the organic business.

In 2004 we began to underpin our retail position in Texas with power generation assets to move us towards an appropriate equity hedge position. In June we completed the acquisition of the Bastrop Energy Centre followed by the Frontera power station in December, giving us just over 1GW of generation capacity and the ability to meet around 25% of our projected 2005 peak demand.

Other USA energy

In our US gas markets we moved into profit for the first time, although turnover reduced by 22% to £191 million (2003: £245 million), with the regulatory climate, together with a volatile gas price environment, continuing to make it difficult to add value-creating customers. With the emphasis on value, we also completed our withdrawal from Georgia during the first half of the year.

Home Services

Turnover increased by 8% to £185 million (2003: £172 million). Growth in Ontario from the core cover products and the waterheater rental and maintenance business offset the year-on-year impact of the withdrawal during 2003 from the loss-making Pennsylvania operations and the closure of the nine retail stores in Ontario at the start of 2004. In October we acquired Residential Services Group, a home services business which operates in Texas and nine other states. This has also helped increase operating profit* in this business area to £36 million (2003: £27 million), along with the benefits from the transformation of the Ontario operations with learnings from the UK being used to improve service standards and position the business for further growth.

Business Markets

The response to our Business Services proposition has been very encouraging. Our acquisition of two small automation and control companies has enhanced our ability to offer an end-to-end product where the supply of the basic commodity is supported by energy management technology and our maintenance and repair business. We grew our energy demand with the signing of some high profile contracts in all of the markets which complement our current retail positions. Turnover grew by 62% to £204 million (2003: £126 million), driven by continued growth in Ontario and the North Eastern US and the start-up of operations in Texas and Alberta. The acquisition costs here are written off immediately, whereas the average contract length is in excess of two years. These acquisition costs meant that operating profit* rose only by £1 million to £4 million.

Energy trading & wholesale

Operating profit* fell by 67% to £3 million (2003: £9 million) owing to the reduced level of our limited proprietary trading activity in Calgary as demonstrated by the 51% reduction in turnover. Our strategy remains to undertake limited trading only where it fits with our procurement operations in Calgary and Houston.

* including joint ventures and associates, before goodwill amortisation and exceptional items

Customer numbers (period end) ('000):	FY 2004	FY 2003	Δ%	H2 2004	H2 2003	Δ%
Canada energy	2,129	1,161	83%	2,129	1,161	83%
Texas energy	829	859	(3.5%)	829	859	(3.5%)
Other USA energy	305	414	(26%)	305	414	(26%)
Home Services	1,800	1,690	7%	1,800	1,690	7%
Volumes:						
Gas production (m therms)	334	362	(8%)	170	180	(6%)
Electricity generation (GWh)	1,176	-	n/a	1,014	-	n/a
Turnover (£m):						
Canada residential energy	819	423	94%	544	171	218%
Texas residential energy	744	933	(20%)	412	465	(11%)
Other USA energy	191	245	(22%)	69	78	(12%)
Home Services	185	172	8%	112	88	27%
Business Markets	204	126	62%	111	62	79%
Energy trading & wholesale	232	470	(51%)	67	230	(71%)
Total	**2,375**	**2,369**	**0.3%**	**1,315**	**1,094**	**20%**
Operating profit/(loss) (£m)*:						
Canada residential energy	30	33	(9%)	11	11	0%
Texas residential energy	60	60	0%	44	33	33%
Other USA energy	1	(2)	n/m	(3)	(7)	57%
Home Services	36	27	33%	19	18	6%
Business Markets	4	3	33%	(1)	0	n/m
Energy trading & wholesale	3	9	(67%)	1	2	(50%)
Total	**134**	**130**	**3.1%**	**71**	**57**	**25%**
Operating margin (%)*						
Total North America	5.6	5.5	0.1 ppt	5.4	5.2	0.2 ppts

Europe

We continued to develop our two retail positions in Belgium and Spain while seeking opportunities to build out from this base. Luminus produced its first full-year results since the market opened in the middle of 2003 and made an operating profit* of £7 million (2003: £3 million) although, as anticipated, customer numbers declined in the year with new entrants beginning to compete in the market. In Spain, Luseo now has more than 4,000 sites on supply, of which around 2,000 were added in the second half of the year, and is now running at breakeven.

Discontinued business

The AA

We completed the sale of the AA on 30 September to a company formed by CVC Capital Partners Ltd and Permira Ltd. This resulted in an exceptional profit in the year of £740 million, after tax. We have made good progress in separating the AA from existing shared services and expect this to be complete by the end of the third quarter of 2005.

* including joint ventures and associates, before goodwill amortisation and exceptional items

Summary Group Profit and Loss Account
Year ended 31 December

	Notes	**Results before goodwill amortisation and exceptional items 2004 £m**	**Results for the year 2004 £m**	Results before goodwill amortisation and exceptional items 2003 £m	Results for the year 2003 £m
Turnover:					
Continuing operations before acquisitions		**11,207**	**11,207**	10,815	10,815
Acquisitions		**550**	**550**		
Continuing operations (excluding Accord energy trading)		**11,757**	**11,757**	10,815	10,815
Accord energy trading		**5,909**	**5,909**	6,218	6,218
Continuing operations	1	**17,666**	**17,666**	17,033	17,033
Discontinued operations	1	**637**	**637**	898	898
Group turnover	1	**18,303**	**18,303**	17,931	17,931
Cost of sales	2	**(14,712)**	**(14,712)**	(14,572)	(14,572)
Gross profit		**3,591**	**3,591**	3,359	3,359
Operating costs before goodwill amortisation and exceptional items	2	**(2,432)**	**(2,432)**	(2,367)	(2,367)
Goodwill amortisation and exceptional items	3	**-**	**(221)**	-	(155)
Group operating profit		**1,159**	**938**	992	837
Share of profits less losses in joint ventures and associates:					
Continuing operations		**54**	**48**	45	39
Discontinued operations		**14**	**14**	21	21
		68	**62**	66	60
Operating profit including joint ventures and associates:					
Continuing operations before acquisitions		**1,127**	**943**	992	891
Acquisitions		**10**	**5**		
Continuing operations	1	**1,137**	**948**	992	891
Discontinued operations	1	**90**	**52**	66	6
	1	**1,227**	**1,000**	1,058	897
Continuing operations:					
Loss on closure of business	3	**-**	**-**	-	(16)
Discontinued operations:					
Profit/(loss) on disposal of business	3	**-**	**727**	-	(51)
	3	**-**	**727**	-	(67)
Net interest payable		**(19)**	**(19)**	(52)	(52)
Profit on ordinary activities before taxation		**1,208**	**1,708**	1,006	778
Taxation on profit on ordinary activities	5	**(349)**	**(306)**	(282)	(266)
Profit on ordinary activities after taxation for the year		**859**	**1,402**	724	512
Minority interests (equity and non-equity)		**(20)**	**(20)**	(10)	(12)
Profit attributable to the group		**839**	**1,382**	714	500
Dividends	6		**(1,387)**		(229)
Transfer (from)/to reserves			**(5)**		271
Ordinary dividend per ordinary share	6		**8.6p**		5.4p
Earnings per ordinary share					
Basic	7		**33.0p**		11.8p
Diluted	7		**32.5p**		11.6p
Adjusted Basic	7	**20.0p**		16.8p	

Group Balance Sheet
31 December

	Notes	2004 £m	2003 As restated (note 16) £m
Fixed assets			
Intangible assets		**1,006**	1,614
Tangible assets		**2,832**	2,730
Investments:	8		
Share of gross assets of joint ventures		**432**	1,014
Share of gross liabilities of joint ventures		**(344)**	(920)
		88	94
Other investments		**24**	3
		3,950	4,441
Current assets			
Stocks		**158**	173
Debtors:			
Debtors (amounts falling due within one year)		**3,149**	2,921
Debtors (amounts falling due after more than one year)		**187**	117
		3,336	3,038
Current asset investments		**1,166**	992
Cash at bank and in hand		**41**	34
		4,701	4,237
Creditors (amounts falling due within one year)			
Borrowings		**(468)**	(298)
Other creditors		**(3,785)**	(3,698)
		(4,253)	(3,996)
Net current assets		**448**	241
Total assets less current liabilities		**4,398**	4,682
Creditors (amounts falling due after more than one year)			
Borrowings		**(660)**	(781)
Other creditors		**(93)**	(104)
		(753)	(885)
Provisions for liabilities and charges		**(1,074)**	(1,060)
Net assets		**2,571**	2,737
Capital and reserves – equity interests			
Called up share capital		**233**	237
Share premium account		**575**	549
Merger reserve		**467**	467
Capital redemption reserve		**5**	-
Profit and loss account		**1,072**	1,267
Shareholders' funds	9	**2,352**	2,520
Minority interests (equity and non equity)		**219**	217
Capital employed		**2,571**	2,737

Statement of Total Recognised Gains and Losses
Year ended 31 December

	2004	2003
	£m	£m
Profit for the year	**1,382**	500
Exchange translation differences	**-**	(4)
Total recognised gains and losses for the year	**1,382**	496

Group Cash Flow Statement
Year ended 31 December

	Notes	**2004**	2003
		£m	£m
Cash inflow from continuing operating activities	10	**1,234**	1,216
Cash inflow/(outflow) from discontinued operating activities	10	**120**	(224)
Cash inflow from operating activities	10	**1,354**	992
Dividends received from joint ventures and associates (i)		**28**	28
Returns on investments and servicing of finance	11	**6**	(15)
Taxation paid (ii)		**(239)**	(181)
Capital expenditure and financial investment	12	**(351)**	(282)
Acquisitions and disposals	13	**998**	292
Equity dividends paid (iii)		**(1,314)**	(182)
Cash inflow before use of liquid resources and financing		**482**	652
Management of liquid resources (iv)		**(377)**	(669)
Financing	14	**(130)**	(13)
Net decrease in cash		**(25)**	(30)

(i) Dividends received from joint ventures and associates includes £3 million from discontinued operations in respect of the AA (2003: £15 million).

(ii) Taxation paid includes £21 million from discontinued operations in respect of the AA (2003: £2 million received).

(iii) Equity dividends paid includes £1,051 million relating to the special dividend paid on 17 November 2004.

(iv) Management of liquid resources includes £41 million from discontinued operations in respect of the AA (2003: £19 million in respect of the AA and £143 million in respect of Goldfish Bank).

Reconciliation of net cash flow to movement in cash and current asset investments, net of debt

	2004	2003
	£m	£m
Decrease in net cash	**(25)**	(30)
Repayment of Goldfish Bank working capital facility	**-**	430
Cash (inflow)/outflow from (increase)/decrease in other debt and lease financing	**(18)**	53
Cash outflow from increase in liquid resources	**377**	669
Change in cash and current asset investments, net of debt, resulting from cash flows	**334**	1,122
Net debt disposed	**(205)**	-
Exchange adjustments and other non-cash movements	**3**	(20)
Movement in cash and current asset investments, net of debt	**132**	1,102
Debt, net of cash and current asset investments at 1 January	**(53)**	(1,155)
Cash and current asset investments, net of debt at 31 December	**79**	(53)
Of which:		
Net cash (excluding non-recourse debt)	**296**	163
Consumers' Waterheater Income Fund (non-recourse) debt	**(217)**	(216)
	79	(53)

Notes

1 Segmental analysis including share of profits and losses of joint ventures and associates Year ended 31 December

	Turnover		Operating profit/(loss) before goodwill amortisation and exceptional items		Operating profit/(loss) after goodwill amortisation and exceptional items	
	2004	2003	**2004**	2003	**2004**	2003
	£m	£m	**£m**	£m	**£m**	£m
Continuing operations:						
Residential Energy	**5,901**	5,289	**249**	136	**243**	136
Home Services	**940**	847	**94**	84	**93**	83
British Gas Communications	**62**	56	**(7)**	(14)	**(10)**	(14)
Continuing operations	**6,903**	6,192	**336**	206	**326**	205
Acquisitions: Home Services	**3**		**1**		**-**	
British Gas Residential	**6,906**	6,192	**337**	206	**326**	205
Centrica Business Services	**1,200**	1,125	**64**	51	**54**	40
Industrial Sales and Wholesaling	**805**	809	**(75)**	64	**(75)**	64
Gas production (GP)	**57**	54	**557**	480	**506**	480
Accord energy trading	**5,909**	6,218	**14**	17	**14**	17
Continuing operations	**6,771**	7,081	**496**	561	**445**	561
Acquisitions: GP	**52**		**16**		**16**	
Centrica Energy	**6,823**	7,081	**512**	561	**461**	561
Centrica Storage	**133**	82	**69**	40	**69**	40
Continuing operations	**195**	178	**14**	4	**9**	1
Acquisitions	**23**		**2**		**1**	
One.Tel	**218**	178	**16**	4	**10**	1
Continuing operations	**1,903**	2,369	**143**	130	**83**	50
Acquisitions	**472**		**(9)**		**(12)**	
Centrica North America	**2,375**	2,369	**134**	130	**71**	50
Other operations	**11**	6	**5**	-	**(43)**	(6)
	17,666	17,033	**1,137**	992	**948**	891
Discontinued operations:						
The AA	**637**	797	**90**	93	**52**	44
Goldfish Bank	**-**	101	**-**	(27)	**-**	(38)
	18,303	17,931	**1,227**	1,058	**1,000**	897

The operating profit for certain business segments includes an allocation of the group's total commodity costs. The basis of allocation was changed in 2004 in order to ensure alignment with the group's evolving commodity portfolio and the supply requirements of the business segments.

2 Costs (before goodwill amortisation and exceptional items)
Year ended 31 December

	2004 £m	2003 £m
Cost of sales:		
Continuing operations	**14,423**	14,165
Discontinued operations	**289**	407
	14,712	14,572
Operating Costs:		
Continuing operations	**2,160**	1,921
Discontinued operations	**272**	446
	2,432	2,367
Total costs recognised in arriving at group operating profit	**17,144**	16,939

3 Goodwill amortisation and exceptional items
Year ended 31 December

	2004 £m	2003 £m
Exceptional operating charges/(credits) (continuing operations):		
Business restructuring costs (i)	**105**	-
Gas field impairment (ii)	**50**	-
Renegotiation provision (iii)	**(51)**	-
	104	-
Goodwill amortisation:		
Continuing operations	**79**	95
Discontinued operations	**38**	60
	117	155
Goodwill amortisation within joint ventures and associates	**6**	6
	123	161
Non-operating exceptional items:		
Continuing operations		
Loss on closure of business	**-**	16
Discontinued operations		
(Profit)/loss on disposal of business (iv)	**(727)**	51
	(727)	67

3 Goodwill amortisation and exceptional items (continued)

(i) Business restructuring costs comprise £105 million resulting from the acceleration of elements of the British Gas transformation programme and the streamlining of some support functions.

(ii) 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 has been successful. However, due to water ingress it is now anticipated that the maximum recoverable volume is 24bcf. This has resulted in an impairment charge of £50 million.

(iii) In 1997 Centrica re-negotiated certain long term take-or-pay contracts 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 the year have indicated a reduction from the 1997 forecast level of reserves. The provision has been reduced by £51 million based on a conservative view of the revised reserve levels.

(iv) The profit on disposal in 2004 relates to the sale of the AA on 30 September 2004 for which cash consideration of £1,602 million was received, resulting in a pre-tax non-operating profit of £727 million. The disposal of shares qualifies for substantial shareholding exemption and, consequently, no tax charge has been recognised in relation to the profit. A tax credit of £13 million has been recognised on certain costs that qualify for tax relief, giving a post-tax non-operating profit on disposal of £740 million.

In the previous year the Goldfish credit card and loan business was disposed of for a premium of £112.5 million over the receivables book value, resulting in a pre-tax non-operating loss on disposal of £51 million on which a tax credit of £10 million and a minority interest charge of £2 million were recognised.

4 Earnings before goodwill amortisation and exceptional items
Year ended 31 December

	2004 £m	2003 £m
Operating profit including joint ventures and associates	**1,000**	897
Add back exceptional operating items (note 3)	**104**	-
Add back goodwill amortisation (note 3)	**123**	161
Operating profit before goodwill amortisation and exceptional items	**1,227**	1,058
Net interest payable	**(19)**	(52)
Taxation on ordinary activities (before exceptional items)	**(349)**	(282)
Minority interest (before exceptional items)	**(20)**	(10)
Earnings before before goodwill amortisation and exceptional items	**839**	714

5 Taxation
Year ended 31 December

	2004 £m	2003 £m
Taxation charge before goodwill amortisation and exceptional items	**349**	282
Tax on goodwill amortisation and exceptional items	**(43)**	(16)
	306	266

6 Dividends

A final dividend of 6.1 pence per share (2003: 3.7 pence per share) will be paid to shareholders in June 2005. An interim dividend of 2.5 pence per share (2003: 1.7 pence per share) was paid to shareholders in November 2004, together with a special dividend of 25 pence per share.

7 Earnings per share
Year ended 31 December

	2004 Earnings £m	**2004 EPS Pence**	2003 Earnings £m	2003 EPS Pence
Earnings – basic	**1,382**	**33.0**	500	11.8
Exceptional items after tax and minority interests	**(662)**	**(15.8)**	53	1.2
Goodwill amortisation net of tax credit	**119**	**2.8**	161	3.8
Earnings – adjusted basic	**839**	**20.0**	714	16.8
Earnings – diluted	**1,382**	**32.5**	500	11.6
Weighted average number of shares (million) used in the calculation of basic and adjusted basic EPS	**4,184**			4,235
Weighted average number of shares (million) used in the calculation of diluted EPS	**4,251**			4,296

8 Fixed asset investments
31 December

	2004 £m	2003 As restated (note 16) £m
Joint Ventures		
Share of gross assets	**432**	1,014
Share of gross liabilities	**(344)**	(920)
Loans to joint ventures	**24**	-
Other investments	**-**	3
	112	97

The group's share of joint ventures principally comprised its interest in Humber Power Limited (electricity generation) and Luminus NV (energy supply). During the year the group disposed of its interest in the AA including its associates and joint ventures, Centrica Personal Finance Limited (AA and British Gas personal loans activities) and AA Financial Services (AA credit card activities).

Share of joint ventures' assets and liabilities
31 December 2004

	Humber Power Limited £m	Luminus NV £m	Other £m	**Total £m**
Share of gross assets	317	106	9	**432**
Share of gross liabilities	(294)	(45)	(5)	**(344)**
	23	61	4	**88**
Net debt included in share of gross liabilities	(213)	(1)	(1)	**(215)**

9 Movements in shareholders' funds
Year ended 31 December

	2004 £m	2003 As restated (note 16) £m
1 January	**2,520**	2,226
Profit attributable to the group	**1,382**	500
Dividends	**(1,387)**	(229)
Exchange translation differences	**-**	(4)
Issue of ordinary share capital	**27**	13
Shares to be distributed under long term incentive scheme	**15**	14
Repurchase of shares (i)	**(205)**	-
Net movement in shareholders' funds for the year	**(168)**	294
31 December	**2,352**	2,520

(i) During the period 9 August 2004 to 31 December 2004 the company purchased, and subsequently cancelled, 85 million ordinary shares at prices ranging from 226.76 pence per share to 249.99 pence per share, with an average of 240.7 pence per share. The total cost of the purchases, including expenses, was £205 million which has been charged against distributable reserves, of which £5 million related to the nominal value and has been recognised in the capital redemption reserve.

10 Reconciliation of group operating profit to operating cash flow
Year ended 31 December

	2004 £m	2003 £m
Continuing operations		
Group operating profit	**900**	852
Add back:		
Amortisation of goodwill	**80**	94
Depreciation and impairment	**507**	376
Employee share scheme costs	**15**	14
Profit on sale of investments	**-**	(8)
Loss/(profit) on sale of fixed assets	**1**	(3)
Provisions	**(211)**	(127)
(Increase)/decrease in working capital	**(33)**	18
Operating cash flow before exceptional payments:		
Continuing operations	**1,259**	1,216
Payments relating to exceptional charges	**(25)**	-
Cash inflow from continuing operations after exceptional payments	**1,234**	1,216
Discontinued operations		
Operating profit/(loss)	**38**	(15)
Add back:		
Amortisation of goodwill	**37**	61
Depreciation and impairment	**12**	29
Employee share scheme costs	**-**	2
Provisions	**(12)**	(35)
Decrease/(increase) in working capital	**45**	(266)
Cash inflow/(outflow) from discontinued operations	**120**	(224)
Cash inflow from operating activities after exceptional payments	**1,354**	992

Group operating cashflow from continuing operations includes the effect of operating exceptional items. Group operating profit is stated after exceptional items of £104 million, depreciation includes £50 million in relation to exceptional items and the movement on provisions includes £54 million in relation to exceptional items.

11 Returns on investments and servicing of finance
Year ended 31 December

	2004 £m	2003 £m
Interest received [i]	**86**	54
Interest paid	**(75)**	(61)
Interest element of finance lease rental payments	**(5)**	(8)
	6	(15)

(i) Interest received includes £7 million from discontinued operations in respect of the AA (2003: £8 million).

12 Capital expenditure and financial investment
Year ended 31 December

	2004 £m	2003 £m
Purchase of tangible fixed assets	**(349)**	(323)
Sale of tangible fixed assets	**22**	39
Loans to joint ventures (made)/repaid	**(24)**	2
	(351)	(282)

13 Acquisitions and disposals
Year ended 31 December

	2004 £m	2003 £m
Acquisitions:		
Subsidiary undertakings and businesses	**(605)**	(77)
Joint ventures and associates	**(1)**	(10)
Deferred consideration	**(2)**	(30)
Total cash payments	**(608)**	(117)
Cash and overdrafts acquired	**17**	-
Disposals:		
Receipt on disposal of the AA (net of £14m costs to date)	**1,588**	-
AA cash disposed of	**(2)**	-
Receipt on disposal of Goldfish credit card and loan business	**-**	1,095
Repayment of Goldfish Bank working capital facility	**-**	(701)
Proceeds from other disposals	**3**	15
	998	292

14 Financing
Year ended 31 December

	2004 **£m**	2003 £m
Commercial paper:		
Issued	**59**	204
Repaid	**(2)**	(236)
Capital element of finance lease rentals	**(39)**	(38)
Bonds issued	**-**	17
Realised net foreign exchange gain/(loss)	**51**	(12)
(Distribution to)/investment by equity and non-equity minority shareholders	**(18)**	41
Issue of ordinary share capital	**24**	11
Purchase of own shares	**(205)**	-
	(130)	(13)

15 Pensions

These statements have been prepared under SSAP 24. The group's main pension schemes are subject to independent actuarial valuations for SSAP 24 purposes at least every three years. The date of the most recent actuarial valuation was 31 March 2004. The total pension and other retirement benefit costs arising in the year and the reconciliation to the balance sheet provision were as follows:

	2004 **£m**	2003 £m
Pension and other retirement benefits provision at 1 January	**(30)**	(75)
Acquisitions and disposal	**(25)**	-
Profit and loss charge	**(97)**	(79)
Employer contributions paid	**235**	124
Pension and other retirement benefits prepayment/(provision) at 31 December	**83**	(30)

In December the company made a one-off contribution of £100 million to the pension schemes.

15 Pensions (continued)

Set out below is indicative information on changes in net assets which would arise from valuation of the pension scheme assets and liabilities in accordance with FRS 17.

The major assumptions used for the actuarial valuation were:

	2004	2003
	%	%
Rate of increase in employee earnings	**4.3**	4.25
Rate of increase in pensions in payment and deferred pensions	**2.8**	2.75
Discount rate	**5.4**	5.5
Inflation assumption	**2.8**	2.75

On this basis, the market value of the assets in the schemes and the present value of their liabilities were:

	2004	2003
	£m	£m
Total fair value of assets	**2,041**	2,359
Present value of schemes' liabilities	**(2,720)**	(3,430)
Deficit in the schemes	**(679)**	(1,071)
Related deferred tax asset	**204**	321
Net pension liability	**(475)**	(750)

Under SSAP24 the group balance sheet includes a prepayment of £83 million at 31 December 2004 (2003: £30 million provision). Had FRS17 been implemented in full at that date, the net assets of the group would have been reduced by £558 million (2003: £720 million).

Had FRS17 been implemented in full for the year, the charge for pension costs in the profit and loss account would have decreased by £169 million (2003: £71 million increase) compared with that under SSAP24 as set out below:

	FRS 17 2004 £m	SSAP 24 2004 £m	Increase/ (decrease) 2004 £m
Amount charged to operating profit	168	97	71
Amount charged to interest	5	-	5
Amount credited to profit and loss account on disposal of the AA	(245)	-	(245)
(Credit)/charge to profit and loss account	(72)	97	(169)

16 Basis of preparation

(i) The preliminary results for the year ended 31 December 2004 have been extracted from audited accounts which have not yet been delivered to the Registrar of Companies. The financial information set out in this announcement does not constitute statutory accounts for the year ended 31 December 2004 or 31 December 2003. The financial information for the year ended 31 December 2003 is derived from the statutory accounts for that year, except that comparative information has been restated as a result of the adoption of UITF 38 'Accounting for ESOP Trusts' ("UITF 38") as described in note 16 (ii). The report of the auditors on the statutory accounts for the year ended 31 December 2003 was unqualified and did not contain a statement under Section 237 of the Companies Act 1985.

Earnings and operating profit are stated, throughout the commentary, before goodwill amortisation and exceptional items where applicable. The directors believe this measure assists with understanding the underlying performance of the group. The equivalent amounts after goodwill amortisation and exceptional items are reflected in note 1 and are reconciled to the group profit and loss account, with descriptions of the exceptional items in notes 3 and 4. Adjusted earnings and adjusted basic earnings per share are reconciled to their statutory equivalents in note 7.

(ii) The preliminary results have been prepared on the basis of accounting policies set out in the group's 2003 statutory accounts, with the exception of the group's policy in respect of own shares held under trust.

The group has implemented UITF 38 from 1 January 2004. UITF 38 requires own shares held under trust to be deducted in arriving at shareholders' funds. Previously own shares held under trust were presented as fixed asset investments. Accordingly own shares held under trust at a book value of £17 million have been reclassified from fixed asset investments to shareholders' funds resulting in a reduction of £17 million to the group's previously reported net assets at 31 December 2003. The implementation of UITF 38 had no material impact on the group's previously reported profits and losses. Comparative figures have been restated in the balance sheet and related notes.

The group has also implemented Revised UITF 17 'Employee Share Schemes' ("Revised UITF 17") from 1 January 2004. Revised UITF 17 requires the minimum profit and loss charge for share options granted to be determined as the intrinsic value. Previously the charge was based on either intrinsic value or, where purchases of shares were made by an ESOP trust at fair value, by reference to the cost of shares available for the award less any contributions payable by the employees. The implementation of Revised UITF 17 had no material impact on the group's previously reported profits and losses.

Summary Group Profit and Loss Account
Six months ended 31 December

	Notes	**Before goodwill amortisation and exceptional items 2004 £m**	**Results for the period 2004 £m**	Before goodwill amortisation and exceptional items 2003 £m	Results for the period 2003 £m
Turnover:					
Continuing operations (excluding Accord energy trading)		**5,833**	**5,833**	5,043	5,043
Accord energy trading		**3,033**	**3,033**	3,097	3,097
Continuing operations	a	**8,866**	**8,866**	8,140	8,140
Discontinued operations	a	**217**	**217**	446	446
Group turnover	a	**9,083**	**9,083**	8,586	8,586
Cost of sales	b	**(7,396)**	**(7,396)**	(7,075)	(7,075)
Gross profit		**1,687**	**1,687**	1,511	1,511
Operating costs before exceptional items and goodwill amortisation	b	**(1,255)**	**(1,255)**	(1,186)	(1,186)
Exceptional items and goodwill amortisation	c	**-**	**(61)**	-	(70)
Group operating profit		**432**	**371**	325	255
Share of profits less losses in joint ventures and associates:					
Continuing operations		**27**	**24**	28	26
Discontinued operations		**5**	**5**	11	11
		32	**29**	39	37
Operating profit including joint ventures and associates:					
Continuing operations	a	**432**	**381**	307	263
Discontinued operations	a	**32**	**19**	57	29
	a	**464**	**400**	364	292
Continuing operations:					
Loss on closure of business	c	**-**	**-**	-	(16)
Discontinued operations:					
Profit/(loss) on disposal of business	c	**-**	**727**	-	(51)
		-	**727**	-	(67)
Net interest payable		**(1)**	**(1)**	(23)	(23)
Profit on ordinary activities before taxation		**463**	**1,126**	341	202
Taxation on profit on ordinary activities		**(133)**	**(116)**	(96)	(80)
Profit on ordinary activities after taxation for the period		**330**	**1,010**	245	122
Minority interests (equity and non-equity)		**(11)**	**(11)**	(10)	(12)
Profit attributable to the group		**319**	**999**	235	110
Dividends			**(1,279)**		(156)
Transfer from reserves			**(280)**		(46)
Earnings per ordinary share					
Basic	e		**24.0p**		2.6p
Diluted	e		**23.7p**		2.5p
Adjusted Basic	e	**7.8p**		5.5p	

Statement of Total Recognised Gains and Losses
Six months ended 31 December

	2004 £m	2003 £m
Profit for the period	**999**	110
Exchange translation differences	**-**	(4)
Total recognised gains and losses for the period	**999**	106

Group Cash Flow Statement
Six months ended 31 December

	Notes	2004 £m	2003 £m
Cash inflow from continuing operating activities	f	**541**	504
Cash inflow/(outflow) from discontinued operating activities	f	**44**	(242)
Cash inflow from operating activities	f	**585**	262
Dividends received from joint ventures and associates		**22**	25
Returns on investments and servicing of finance	g	**2**	(15)
Taxation paid		**(104)**	(114)
Capital expenditure and financial investment	h	**(225)**	(190)
Acquisitions and disposals	i	**1,166**	358
Equity dividends paid		**(1,156)**	(72)
Cash inflow before use of liquid resources and financing		**290**	254
Management of liquid resources		**(228)**	(258)
Financing	j	**(114)**	(47)
Net decrease in cash		**(52)**	(51)

Reconciliation of net cash flow to movement in cash and current asset investments, net of debt

	2004 £m	2003 £m
Decrease in net cash	**(52)**	(51)
Repayment of Goldfish Bank working capital facility	**-**	234
Cash (inflow)/outflow from decrease in other debt and lease financing	**(69)**	54
Cash outflow from increase in liquid resources	**228**	258
Change in cash and current asset investments, net of debt, resulting from cash flows	**107**	495
Net debt acquired	**(203)**	-
Exchange adjustments and other non-cash movements	**(9)**	5
Movement in cash and current asset investments, net of debt	**(105)**	500
Cash and current asset investments, net of debt at 1 July	**184**	(553)
Cash and current asset investments, net of debt at 31 December	**79**	(53)

Notes

a Segmental analysis including share of profits and losses of joint ventures and associates Six months ended 31 December

	Turnover		Operating profit/(loss) before exceptional items and goodwill amortisation		Operating profit/(loss) after exceptional items and goodwill amortisation	
	2004	2003	**2004**	2003	**2004**	2003
	£m	£m	**£m**	£m	**£m**	£m
Continuing operations:						
Residential Energy	**2,718**	2,421	**21**	(33)	**18**	(33)
Home Services	**491**	436	**44**	43	**42**	43
British Gas Communications	**31**	30	**(2)**	(4)	**(5)**	(4)
British Gas Residential	**3,240**	2,887	**63**	6	**55**	6
Centrica Business Services	**585**	550	**17**	8	**12**	1
Industrial Sales and Wholesaling	**421**	349	**(67)**	2	**(67)**	2
Gas production	**78**	24	**289**	198	**287**	198
Accord energy trading	**3,033**	3,097	**3**	4	**4**	4
Centrica Energy	**3,532**	3,470	**225**	204	**224**	204
Centrica Storage	**70**	41	**43**	24	**43**	24
One.Tel	**118**	94	**10**	4	**6**	3
Centrica North America	**1,315**	1,094	**71**	57	**38**	23
Other operations	**6**	4	**3**	4	**3**	2
	8,866	8,140	**432**	307	**381**	263
Discontinued operations:						
The AA	**217**	408	**32**	54	**19**	30
Goldfish Bank	**-**	38	**-**	3	**-**	(1)
	9,083	8,586	**464**	364	**400**	292

The operating profit for certain business segments includes an allocation of the group's total commodity costs. The basis of allocation was changed in 2004 in order to ensure alignment with the group's evolving commodity portfolio and the supply requirements of the business segments.

b **Costs (before exceptional items and goodwill amortisation)**
Six months ended 31 December

	2004 **£m**	2003 £m
Cost of sales:		
Continuing operations	**7,300**	6,879
Discontinued operations	**96**	196
	7,396	7,075
Operating Costs:		
Continuing operations	**1,161**	982
Discontinued operations	**94**	204
	1,255	1,186
Total costs recognised in arriving at group operating profit	**8,651**	8,261

c **Exceptional items and goodwill amortisation**
Six months ended 31 December

	2004 **£m**	2003 £m
Exceptional operating charges (continuing operations):		
Business restructuring costs	**6**	-
	6	-
Goodwill amortisation:		
Continuing operations	**42**	42
Discontinued operations	**13**	28
	55	70
Goodwill amortisation within joint ventures and associates	**3**	2
	58	72
Non-operating exceptional items:		
Continuing operations		
Loss on closure of business	**-**	16
Discontinued operations		
(Profit)/loss on disposal of business (i)	**(727)**	51
	(727)	67

c Exceptional items and goodwill amortisation (continued)

(i) The profit on disposal in 2004 relates to the sale of the AA on 30 September 2004 for which cash consideration of £1,602 million was received, resulting in a pre-tax non-operating profit of £727 million. The disposal of shares qualifies for substantial shareholding exemption and, consequently, no tax charge has been recognised in relation to the profit. A tax credit of £13m has been recognised on certain costs that qualify for tax relief, giving a post-tax non-operating profit on disposal of £740 million.

d Earnings before exceptional items and goodwill amortisation
Six months ended 31 December

	2004 £m	2003 £m
Operating profit including joint ventures and associates	**400**	292
Add back exceptional operating items (note c)	**6**	-
Add back goodwill amortisation (note c)	**58**	72
Operating profit before goodwill amortisation	**464**	364
Net interest payable	**(1)**	(23)
Taxation on ordinary activities (before exceptional items)	**(133)**	(96)
Minority interest (before exceptional items)	**(11)**	(10)
Earnings before exceptional charges and goodwill amortisation	**319**	235

e Earnings per share
Six months ended 31 December

	Earnings £m	**2004 EPS Pence**	Earnings £m	2003 EPS Pence
Earnings – basic	**999**	**24.0**	110	2.6
Exceptional items after tax and minority interests	**(734)**	**(17.5)**	53	1.2
Goodwill amortisation net of tax credit	**54**	**1.3**	72	1.7
Earnings – adjusted basic	**319**	**7.8**	235	5.5
Earnings – diluted	**999**	**23.7**	110	2.5

f **Reconciliation of group operating profit to operating cash flow**
Six months ended 31 December

	2004 **£m**	2003 £m
Continuing operations		
Group operating profit	**357**	238
Add back:		
Goodwill amortisation	**43**	41
Depreciation and impairment	**258**	173
Employee share scheme costs	**11**	7
Profit/(loss) on sale of fixed assets	**3**	(3)
Provisions	**(325)**	(167)
Decrease in working capital	**212**	215
Operating cash flow before exceptional payments:		
Continuing operations	**559**	504
Payments relating to exceptional items	**(18)**	-
Cash inflow from continuing operations after exceptional payments	**541**	504

	2004 **£m**	2003 £m
Discontinued operations		
Operating profit	**14**	17
Add back:		
Goodwill amortisation	**12**	29
Depreciation and impairment	**4**	13
Employee share scheme costs	**-**	1
Provisions	**(3)**	(21)
Decrease/(increase) in working capital	**17**	(281)
Cash inflow/(outflow) from discontinued operations	**44**	(242)
Cash inflow from operating activities after exceptional payments	**585**	262

Group operating cashflow from continuing operations includes the effect of operating exceptional items. Group operating profit is stated after exceptional items of £7 million, depreciation includes £nil in relation to exceptional items and the movement on provisions includes £nil in relation to exceptional items.

g **Returns on investments and servicing of finance**
Six months ended 31 December

	2004 **£m**	2003 £m
Interest received	**56**	34
Interest paid	**(52)**	(45)
Interest element of finance lease rental payments	**(2)**	(4)
	2	(15)

h **Capital expenditure and financial investment**
Six months ended 31 December

	2004 **£m**	2003 £m
Purchase of tangible fixed assets	**(212)**	(211)
Sale of tangible fixed assets	**12**	19
Loans to joint ventures (made)/repaid	**(25)**	2
	(225)	(190)

i **Acquisitions and disposals**
Six months ended 31 December

	2004 **£m**	2003 £m
Acquisitions:		
Subsidiary undertakings and businesses	**(428)**	(37)
Joint ventures and associates	**-**	(1)
Deferred consideration	**(2)**	(4)
Total cash payments	**(430)**	(42)
Cash and overdrafts acquired	**10**	-
Disposals:		
Receipt on disposal of The AA	**1,588**	-
AA cash disposed of	**(2)**	-
Receipt on disposal of Goldfish credit card and loan business	**-**	1,095
Repayment of Goldfish Bank working capital facility	**-**	(701)
Proceeds from other disposals	**-**	6
	1,166	358

j Financing
Six months ended 31 December

	2004 £m	2003 £m
Commercial paper:		
Issued	**14**	(32)
Repaid	**75**	-
Capital element of finance lease rentals	**(20)**	(19)
Bonds repaid	**-**	(3)
Realised net foreign exchange gain	**15**	11
Cash distribution to non-equity minority shareholders	**(10)**	(4)
Issue of ordinary share capital	**17**	-
Purchase of own shares	**(205)**	-
	(114)	(47)

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 2004 final dividend	27 April 2005
Record date for 2004 final dividend	29 April 2005
IFRS presentation	4 May 2005
Annual General Meeting	9 May 2005
2004 final dividend payment date	15 June 2005
Pre-close Trading Update	24 June 2005
2005 interim results announcement	15 September 2005

For further information

Centrica will hold a presentation on its 2004 Preliminary Results for analysts and institutional investors at 9.30am (GMT) on Thursday 24 February 2005. 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	passcode 2615014#
From overseas	+44 1452 542300	passcode 2615014#

An archived webcast and full transcript of the presentation and the question and answer session will be available on the website on Friday 25 February 2005.

Enquiries

For further information please contact:

Kath Kyle, Director of Investor Relations
Tess Kershaw, Director of Media Relations

Telephone:
01753 494 900 (Investors and Analysts)
01753 494 085 (Media)

Facsimile:
01753 494 909 (Investors and Analysts)
01753 494 090 (Media)

Email:
IR@centrica.co.uk (Investors and Analysts)
Media@centrica.co.uk (Media)

Websites

www.centrica.com
www.house.co.uk
www.britishgasbusiness.co.uk
www.onetel.co.uk
www.centrica-sl.co.uk
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www.energyamerica.com
www.cplretailenergy.com
www.wturetailenergy.com
www.luminus.be
www.luseoenergia.com

REGISTERED OFFICE

Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD