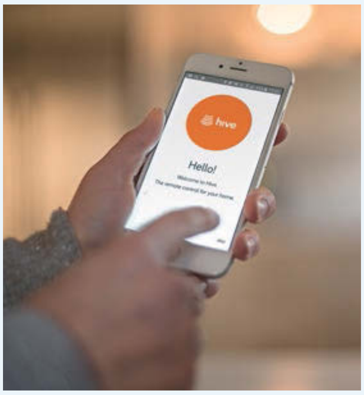
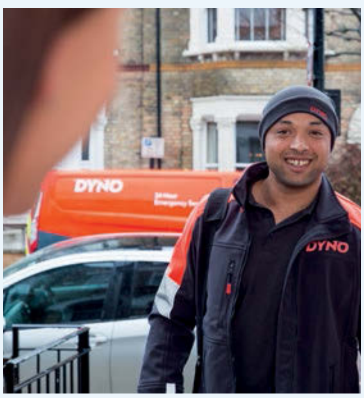
Satisfying the changing needs of our customers

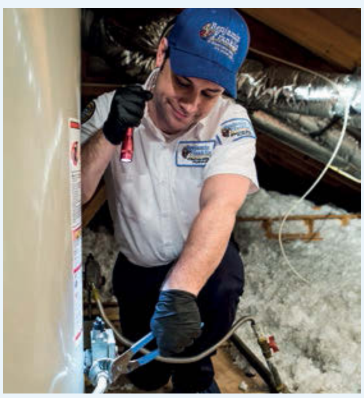
Annual Review 2015

"In July 2015, we announced the conclusions of our fundamental and wide-ranging strategic review. We concluded that Centrica's strength lies in being a customer-facing energy and services business. This is where we have distinctive positions and capabilities and where we can make the biggest difference and contribution going forward, for our customers, our employees and our shareholders."

Iain Conn
Chief Executive







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OVERVIEW

Resilient financial performance in a challenging environment. Adjusted earnings per share of 17.2p, down 4%.

Adjusted operating cash flow up 2% to £2,253 million.

9% reduction in net debt to £4,747 million.

Post-tax exceptional items of £1,846 million primarily as a result of falling commodity prices.

Group robust in a low commodity price environment (flat real $35/bbl Brent oil, 35p/th UK NBP gas, £35/MWh UK power prices) with sources and uses of cash flow more than balanced over 2016–2018.

Confident in delivery of at least 3%–5% per annum adjusted operating cash flow growth from a 2015 baseline adjusted for the low commodity price environment [(i)]. 2016 adjusted operating cash flow expected to exceed £2 billion.

Proposed 2015 final dividend of 8.43p, resulting in a full year dividend of 12.0p and dividend cover of 1.4 times. Delivery of progressive future dividend tied to confidence in underlying operating cash flow.

Strategy implementation on track with growth focus on customer-facing activities; adjusted operating profit from energy and services businesses up 19% in 2015. E&P free cash flow positive in 2015.

£750 million per annum by 2020 cost efficiency programme underpinned in our plans; £200 million of savings expected in 2016.

GROUP FINANCIAL SUMMARY

Year ended 31 December	2015	2014 (restated*)	Change
Revenue	**£28.0bn**	£29.4bn	(5)%
Adjusted operating profit	**£1,459m**	£1,657m	(12)%
Adjusted effective tax rate	**26%**	30%	(4)ppt
Adjusted earnings	**£863m**	£903m	(4)%
Adjusted basic earnings per share (EPS)	**17.2p**	18.0p	(4)%
Full year dividend per share	**12.0p**	13.5p	(11)%
Adjusted operating cash flow	**£2,253m**	£2,201m	2%
Return on average capital employed	**11%**	11%	0ppt
Group operating costs	**£3,039m**	£2,903m	5%
Group net investment	**£855m**	£829m	3%
Group net debt	**£4,747m**	£5,196m	(9)%
Statutory operating loss	**£(857)m**	£(1,137)m	nm
Statutory loss for the year attributable to shareholders	**£(747)m**	£(1,012)m	nm
Net exceptional items after tax included in statutory loss	**£(1,846)m**	£(1,161)m	nm
Basic earnings per share	**(14.9)p**	(20.2)p	nm

GROUP KEY OPERATIONAL PERFORMANCE INDICATORS

Year ended 31 December	2015	2014	Change
Total recordable injury frequency rate (per 200,000 hours worked)	**1.10**	1.00	10%
Total customer account holdings [(ii)] (year end, '000)	**28,433**	29,035	(2)%
Total customer gas consumption (mmth)	**12,177**	12,354	(1)%
Total customer electricity consumption (TWh)	**151.5**	156.8	(3)%
Group direct headcount [(iii)] (year end)	**39,348**	37,734	4%

(i) The low commodity price environment assumes flat real prices of $35/bbl Brent oil, 35p/th UK NBP gas and £35/MWh UK power.

(ii) 2014 British Gas residential services product holdings have been restated to include 41,000 holdings following data assurance activity of our analytical systems.

(iii) Group direct headcount excludes contractors, agency and outsourced staff.

Group Performance Summary

Adjusted earnings

£863m

2015	£863m
2014	£903m*
2013	£1,333m*
2012	£1,322m*

Revenue

£28.0bn

2015	£28.0bn
2014	£29.4bn
2013	£26.6bn
2012	£23.9bn

Dividend per share

12.0p

2015	12.0p
2014	13.5p
2013	17.0p
2012	16.4p

IMPLEMENTING THE STRATEGY

- Conclusions of strategic review announced in July 2015, with Centrica's purpose defined as providing energy and services to satisfy the changing needs of our customers; strategy implementation on track.
- Execution of strategy underpinned by comprehensive implementation plans across all businesses and functions. New organisational model, segments and business units announced, with defined KPIs and metrics to measure success.
  - Group will report in line with the new reporting segments for the first time at the 2016 Interim Results.
- Focus for growth on distinctive customer-facing activities of Energy Supply & Services, Connected Home, Distributed Energy & Power and Energy Marketing & Trading.
  - Significant improvement in performance in North America with operating profit more than doubling compared to 2014. Growth in margins in Direct Energy Business and increased product bundling and differentiated offers in Direct Energy Residential.
  - Improved customer service and higher net promoter score (NPS) in UK residential energy and services. Weak result from British Gas Business but operational issues now largely rectified.
  - Focus on competitive pricing – the only major UK residential energy supplier to make three reductions to household gas bills since the start of 2015, saving British Gas customers almost £100 per year on average.
  - Existing Connected Home and Distributed Energy & Power capabilities brought together under new business units, with good early progress made.
- Exploration & Production (E&P) and central power generation portfolios being actively refocused in line with strategy.
  - E&P focused on creating value in current price environment through cost improvement and capital discipline.
  - E&P capital expenditure reduced to around £500 million in 2016; flexibility to reduce expenditure further in 2017 and 2018 if current low price environment is sustained.
  - Post-tax impairments and provisions of £1,477 million on E&P assets and £485 million on power assets, reflecting the end-year commodity price environment.
  - Announced disposal of the GLID wind farms in February 2016, in line with strategy to exit wind power generation.
- £750 million cost efficiency programme underpinned and on track to be completed by 2020.
  - 2,000 role reductions already announced. Reduction in direct headcount of 3,000 roles expected in 2016.
  - £200 million of savings expected to be delivered in 2016; on track to deliver two-thirds or £500 million per annum by the end of 2018.

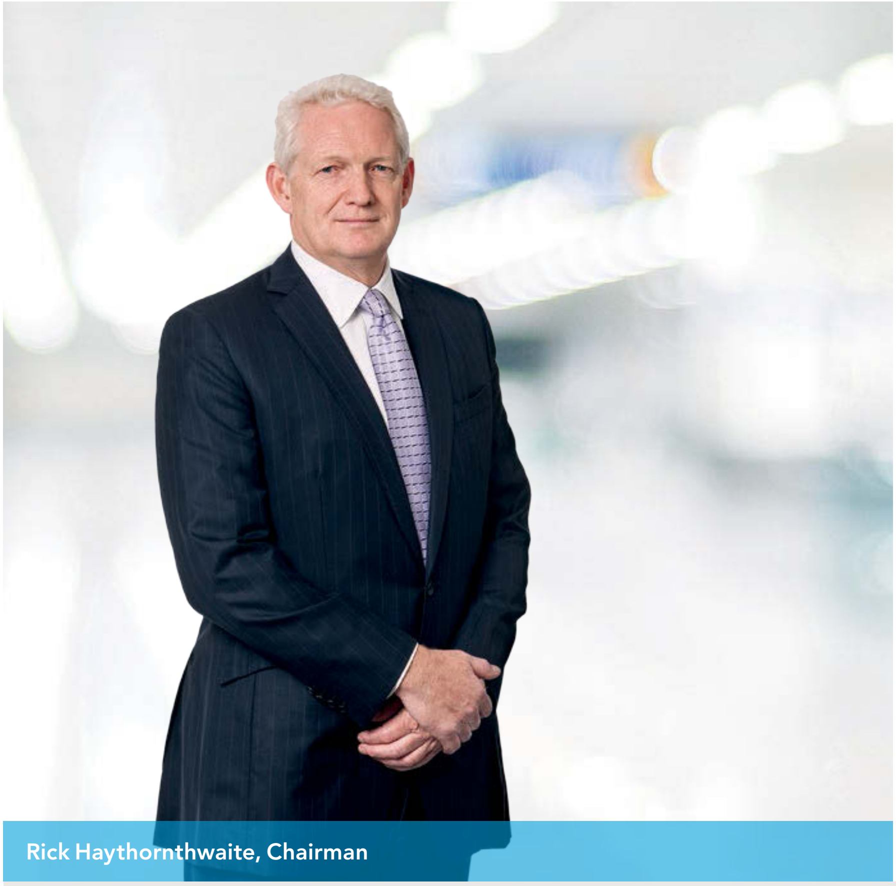
*Restatement details

Adjusted operating profit, adjusted effective tax rate, adjusted basic and adjusted diluted earnings and adjusted basic and adjusted diluted earnings per share include fair value depreciation related to our investments in Venture and Nuclear. Prior year comparators have been restated accordingly.

Unless otherwise stated, all references to operating profit or loss, taxation, cash flow, earnings and earnings per share throughout the announcement are adjusted figures, reconciled to their statutory equivalents in the Group Financial Review on pages 34 to 37.

Chairman's Statement

"Centrica is first and foremost a customer-facing business. We are an energy and services company and our purpose is to deliver energy and services to satisfy the changing needs of our customers."



Rick Haythornthwaite, Chairman

The Group has delivered a resilient performance for 2015, during what proved to be an incredibly challenging period for both the energy sector and the global economy. These results, the first full year under Iain Conn's leadership, are a testimony to the resilience of our businesses, particularly those that are customer facing, and the dedication and hard work of our employees.

STRATEGIC REVIEW

In July 2015, we announced the results of the Group's strategic review. This review was largely driven by changing external factors and the Board's decision to question whether we had the right strategy and mix of businesses to take advantage of future opportunities. As a Board, we fundamentally reassessed our strategy and the direction we wanted to take the Group.

In February 2015, we took the tough but necessary decision to cut the dividend, having reduced capital investment. This was a further reason to review the Group's strategic direction so that we could move into the next phase with confidence and certainty.

Our review concluded that Centrica is first and foremost a customer-facing business. We are an energy and services company and our purpose is to deliver energy and services to satisfy the changing needs of our customers.

The outcome of the review requires a change to our portfolio mix with our growth areas focused on our customer-facing businesses and a reduced scale in gas and oil E&P to a level which will still allow us to participate effectively in that market,

Serving our customers for over 200 years...

1812–1948

Gas Light & Coke Company formed

The Gas Light & Coke Company, formed by Frederick Winsor, was incorporated by Royal Charter in 1812. In 1948, the Gas & Coal Act nationalised the industry merging over 1,000 privately owned and municipal companies into 12 area gas boards.

1973

British Gas Corporation established

The Gas Council is abolished following the introduction of the Gas Act in 1972 and British Gas Corporation is established in 1973. The corporation is responsible for the development and maintenance of the supply of gas to Great Britain.

1986

British Gas privatised

British Gas Corporation is privatised and British Gas plc is formed. The 'Tell Sid' campaign is launched allowing customers to buy a stake in British Gas. Ofgas, the forerunner of Ofgem, is created to regulate the gas industry.

diversify our cash flows and help us to manage risk by contributing to the strength of our balance sheet. Although we are making significant investment now, the benefits from these changes will be realised over the next three to five years.

21ST CENTURY ENERGY COMPANY

We believe in operating transparently, treating employees fairly and linking reward to performance. These principles are not only the 'right thing to do' but make good business sense too.

We also believe that we have a duty to make a positive contribution to the communities in which we operate. In the UK alone, Centrica supports 174,000 jobs and 6,000 companies supplying goods and services through our supply chain. In addition, we provide opportunities for training and apprenticeships to upskill and motivate our workforce.

Within the energy sector, we face particular challenges around sustainability:

- heightened expectations for support to be given to those who are most affected by the additional costs of carbon reduction targets;
- prioritising technologies of lowest cost and least regret; and
- setting simple cost-effective decarbonisation targets.

The Board is engaged in understanding the potential of new technology and big data in our sector and the role that leadership can play in exploiting new opportunities and guarding against new risks. In order to succeed in the 21st century, we will need to focus our energies on building trust, being nimble in our formulation of strategy and attracting new talent to Centrica who can provide us with competitive advantage. Crucially, we will need to do this while maintaining our aim to deliver long-term shareholder value through both returns and growth. These goals are neither easy nor will they be achieved overnight but they are an essential element of our journey to transform Centrica.

BOARD CHANGES IN 2015

At the start of the year, Iain Conn was appointed as the Group's Chief Executive and he has shown that his breadth of knowledge and commitment to customers and safety make him ideally suited to lead Centrica in the next phase of its development. He has made a significant contribution in leading the Group's strategic review and has underpinned the outcome with comprehensive implementation plans.

During the year, both Carlos Pascual and Steve Pusey joined the Board as Non-Executive Directors. Carlos' experience in international energy geopolitics and economic and commercial development has enhanced the Board's global perspective and he has brought strong challenge to the strategic review. Steve's considerable international experience as a senior customer-facing business technology leader has provided a new dimension to our Board's discussions and undoubtedly this helps us develop our thinking in respect of our innovative offerings to customers.

Mark Hodges, Executive Director and Chief Executive, Energy Supply & Services, UK & Ireland also joined the Board in 2015. Mark has substantial experience of running a major UK customer-facing business and has a strong track record in improving customer service, increasing performance and driving growth through innovation. Mark is well placed to lead the business in this next phase and our customer-facing businesses are already benefiting significantly from his capabilities. Jeff Bell, who was appointed as interim Group Chief Financial Officer, has been confirmed in post. Jeff brings extensive experience in driving financial performance and has a strong track record in developing and leading finance teams both in the UK and in North America having joined the Group in 2002.

CORPORATE GOVERNANCE FRAMEWORK

During 2015, the Board undertook a fundamental review of the Group's principal risks and its corporate governance framework and considered the primary roles of the Board's Committees and their membership. A new Committee was convened, the Safety, Health, Environment, Security and Ethics Committee (SHESEC), under the chairmanship of Mike Linn. Its purpose is to ensure the effective management of risks in respect of people: engagement, culture and behaviours; sourcing and supplier management; health, safety, environment and security; information systems security; and legal, regulatory and ethical standards compliance.

1997

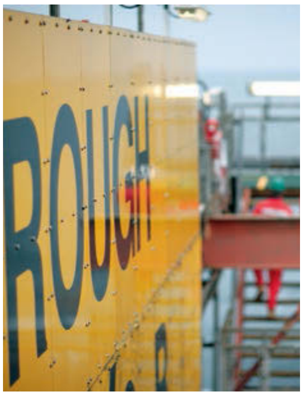
Centrica plc formed

Centrica is formed when British Gas plc is demerged into two separate companies; Centrica plc and BG plc. Centrica maintains the British Gas brand in the UK.

2000

Direct Energy acquired

Centrica's acquisition of Direct Energy marks a major step in international expansion. Direct Energy is the largest unregulated retailer of natural gas in North America.



2002–2003

Rough storage facility secured

Centrica acquired the Rough offshore gas storage facility off the East Yorkshire coast. This is the largest gas storage facility in the UK, holding the majority of the UK's current storage capacity.

Chairman's Statement continued

"Our strategic direction involves less reliance on upstream and more investment in sources of differentiation in Energy Services, Connected Home, Distributed Energy & Power and Energy Marketing & Trading."

READ MORE IN OUR BUSINESSES ON PAGE 12.

BOARD EVALUATION

Centrica has for many years conducted a thorough review of Board process, practice and culture on an annual basis with the input of an external facilitator at least once every three years. The Board considers such annual reviews as an essential part of good corporate governance. In 2015, we assessed our effectiveness internally building on the findings from the 2014 external exercise. We focused on our progress against our improvement agenda and new reflections in the light of our evolving context and composition.

DIVERSITY

Centrica continues to support diversity in all its forms, from the top of our organisation down. We believe that a mixed, diverse workforce is best able to engage with our customers and society. We know that diversity drives better insight and understanding of customers, leads to better innovations and itself attracts diverse talent.

OUTLOOK

For 2016, continued weaknesses in commodity prices will provide challenges for the Group. However, I am confident in the Group's resilience against this backdrop. The Group will continue to engage actively in discussions on energy policy in the UK, Europe and North America in the interests of our customers and stakeholders.

The clear outcome of the 2015 UK general election has provided greater political certainty. The Competition and Markets Authority (CMA) investigation into the UK energy market is ongoing and we welcomed this wide-ranging review and the possibility that it will have a constructive influence on competition in the sector.

The Group is underpinned by our competitive advantage including our strong market share in the geographies we operate in, good brands and deep energy services capability. Building on these strengths, our strategic direction involves less reliance on upstream and more investment in sources of differentiation in Energy Services, Connected Home, Distributed Energy & Power (DE&P) and Energy Marketing & Trading (EM&T).

Looking ahead, our people and our technologies are what will make us distinctive, giving us the competitive advantage to not only respond to the changing global energy sector but to win for our customers. For these reasons, I believe this is an exciting time for Centrica.

Rick Haythornthwaite
Chairman
18 February 2016

2009

Centrica expands in the North Sea and into nuclear

Centrica acquired Venture Production to become a leading operator of mature and orphaned gas assets in the UK continental shelf and acquires a 20% interest in British Energy's nuclear fleet of power stations from EDF.

2013

Energy Marketing business of Hess Corporation acquired

Direct Energy acquired the Energy Marketing business of Hess Corporation. This made Direct Energy the largest business gas supplier on the US East Coast and the second largest business power supplier in the US retail markets.

2014

Bord Gáis Energy acquired

Centrica acquired Bord Gáis Energy, a vertically integrated energy supply business in the adjacent market of the Republic of Ireland from Bord Gáis Éireann, the state-owned energy company.

2015

AlertMe and Panoramic Power acquired

British Gas completed the acquisition of AlertMe, a UK-based connected home company. Direct Energy also acquired Panoramic Power, a leading provider of device-level energy management solutions.

Chief Executive's Statement

"We have a clear strategy for delivering growth and returns built around the customer and I am encouraged by the progress we have made."

Iain Conn, Chief Executive

OVERVIEW

2015 provided a very challenging environment for Centrica. Commodity prices continued to fall during the year, creating major challenges for our E&P and nuclear power businesses. However, Centrica delivered a resilient financial performance against this backdrop, with increased adjusted operating cash flow and a 9% reduction in net debt in the year. In addition, the actions we have taken since the start of 2015 on the dividend, capital expenditure and costs mean the Group is robust in this much lower oil and gas price environment, and our current projections indicate we can more than balance sources and uses of cash flow out to 2018 at flat real commodity prices of $35/bbl Brent oil, 35p/th UK NBP gas and £35/MWh UK power.

In July, we announced the conclusions of our fundamental and wide-ranging strategic review. We concluded that Centrica's strength lies in being a customer-facing energy and services business. This is where we have distinctive positions and capabilities and where we can make the biggest difference and contribution going forward, for our customers, our employees and our shareholders.

Our purpose – to provide energy and services to satisfy the changing needs of our customers – provides a clear future direction for the Group. Everything we do will be in support of this purpose, as we position Centrica to deliver returns and growth.

Key events in 2015...

January

British Gas and Bord Gáis Energy announce price cuts

British Gas announced a 5% reduction in Standard and Fix & Fall household gas tariffs benefiting 6.8 million customers. Bord Gáis Energy announced it would cut the unit rate of gas by 3.5% and the unit rate of electricity by 2.5%.

February

Strategic review announced

Centrica announced a fundamental strategic review of the Group, largely driven by changing external factors and the Board's decision to question whether we had the right strategy and mix of businesses to take advantage of future opportunities.

Chief Executive's Statement continued

We remain confident we can deliver at least 3–5% per annum operating cash flow growth at flat real commodity prices and are committed to delivering a progressive dividend in line with the sustainable operating cash flow growth of the Group. I am encouraged with the progress we have made since July, as we develop our customer-facing platforms for growth and we deliver on our major cost efficiency programme, which is now underpinned in our business plans. Implementation of the strategy is on track, I remain excited about this next phase and continue to believe that Centrica has all the components necessary to deliver a powerful investor proposition – one of returns and growth.

2015 PERFORMANCE

Safety and compliance remain our top priority. In safety, we experienced a slight degradation in personal safety performance. We also experienced one Tier 1 process safety incident during the year and we are focused on improving our performance in this area. In regulatory compliance, we have had constructive interactions with our principal regulators and have continued to contribute to the CMA investigation into the functioning of the UK energy market.

Overall operational performance was solid during the year. Customer service levels improved in the UK, with residential complaints down 18% and a higher NPS. In UK residential energy supply, the number of accounts was down by less than 1% in a highly competitive market, while we were the only major UK energy supplier to reduce residential gas tariffs twice in 2015, by a total of 10%. In North America, extreme cold weather in the first half of the year was handled well, while we delivered increased margins and growth in margin under contract in Direct Energy Business. E&P production and nuclear generation volumes were strong. However, as previously reported we did face issues following the migration of customer accounts and associated data onto a new billing and customer relationship management system from multiple legacy systems in British Gas Business. This resulted in temporary increases in operating costs to help resolve the issues and an increase in debt balances, while the number of customer accounts reduced over the year. Reflecting these factors, our UK business energy supply and services division reported an operating loss in 2015.

Given the above, and the low commodity price environment, Group adjusted operating profit fell by 12% compared to 2014, to £1,459 million, although profit from our customer-facing energy and services businesses was up 19%. The Group tax rate of 26% was lower than in 2014, reflecting a reduced proportion of profit from the heavily-taxed E&P business. As a result, Group adjusted earnings only fell by 4% compared to last year, to £863 million, and adjusted earnings per share of 17.2p. These figures now include fair value depreciation related to our investments in Venture and Nuclear, a change in definition we announced in our December 2015 Trading Update. The 2015 final proposed dividend per share of 8.43p is in line with last year, taking the 2015 full year dividend to 12.0p.

We also incurred pre-tax impairments and onerous provisions on E&P and power generation assets of £2,358 million, resulting in total post-tax exceptional items of £1,846 million. These impairments reset the Group's balance sheet to reflect the current commodity price environment.

CASH FLOW RESILIENCE

We made good progress during the year in our actions to improve cash flows and strengthen the Group's financial position. Adjusted operating cash flow of £2,253 million was up 2% compared to 2014, with increased cash flow from our customer-facing businesses offsetting the impact of lower wholesale prices on E&P. We took action to reduce capital expenditure to just over £1 billion, including two small acquisitions. Combined with our decision to re-base the dividend in February 2015, the introduction of a scrip dividend alternative, and some divestment proceeds, net debt fell by 9% or £449 million to £4.7 billion. Reflecting our focus on costs and capital discipline, our E&P business was free cash flow positive in 2015.

The steep falls in wholesale commodity prices will continue to have a material impact on the operating cash flows from our E&P and central power generation businesses in 2016 and beyond, if current levels persist. However, our customer-facing businesses are delivering resilient cash flows and benefits from our cost efficiency programme are starting to be realised. If current low wholesale prices continue beyond 2016, we have the flexibility to reduce our E&P capital expenditure further to the bottom end of our £400 million– £600 million range. As a result, we currently project that our sources and uses of cash flow will remain more than balanced over the period 2016–2018, even if flat real wholesale oil, gas and power prices remain at low levels of \$35/bbl Brent oil, 35p/th UK NBP gas and £35/MWh UK power.

March

Direct Energy in ground breaking loyalty programme

Direct Energy became a participating member of Plenti, the first of its kind US-based coalition loyalty programme. The programme offers customers the opportunity to earn promotional points for signing up for qualifying energy plans enhancing Direct Energy's customer proposition.

April

Dedicated to serving customers

British Gas dedicated an additional £50 million investment over three years, demonstrating its commitment to customer service excellence.

May

Centrica extends gas supply contracts

Centrica extended contracts with Statoil and Gazprom Marketing and Trading. The separate deals will meet the gas needs of nine million British homes every year.

We remain confident in delivering at least 3-5% per annum operating cash flow growth at flat real prices from a 2015 baseline adjusted for current prices. Combined with more than balanced sources and uses of cash flow in this environment, our focus remains to deliver a progressive dividend in line with operating cash flow growth.

PROVIDING ENERGY AND SERVICES TO SATISFY THE CHANGING NEEDS OF OUR CUSTOMERS

Our customer-facing businesses are a source of competitive advantage given our distinctive positions and capabilities, and these businesses will be our focus areas for growth. As we set out in July, we expect to invest an additional £1.5 billion of operating and capital resources into these growth areas – Energy Supply & Services, Connected Home, DE&P and EM&T – over the next five years. Implementation of our strategy is on track and we have made some material early progress in all of these areas.

In Energy Supply & Services:

- We are focused on competitive pricing for all our customers and have made three UK residential gas price reductions since the start of 2015, saving British Gas customers almost £100 per year on average.
- We continue to develop our bundled energy and services propositions for residential customers in North America, with 46% of energy customer acquisitions in 2015 also taking a services protection plan or smart thermostat, up from 11% in 2014.
- We increased our number of energy accounts in the Republic of Ireland, the first growth in accounts for a number of years, as we focus on increasing our market share.
- We launched our new simpler 'Homecare' services product range in the UK and have plans to launch propositions which appeal to new customer segments, including on-demand and landlords, in 2016.
- We have now installed more than two million residential smart meters in the UK and expect to install over one million in 2016, allowing us to provide more customers with accurate bills and improving customer engagement.

In Connected Home:

- We have established a new international business unit, bringing together existing expertise in the UK and North America, including capabilities gained through the AlertMe acquisition in March 2015.
- We have now sold over 300,000 smart thermostats in the UK, having launched the next generation of our Hive Active Heating™ product in the second half of the year, and have sold nearly 200,000 smart thermostats in North America. We continue to develop plans to launch Hive products outside of the UK and Republic of Ireland in 2016.
- In early 2016 we launched a range of new connected home products in the UK, including the Hive Active Plug, Hive Window or Door Sensor and Hive Motion Sensor.

In Distributed Energy & Power:

- We have established a new international business unit and are looking to increase the number of customer relationships we have for distributed energy activity in the UK and North America from over 1,000 currently.
- We completed the acquisition of Panoramic Power, a leading provider of device-level energy management solutions, providing our DE&P business with leading capabilities in energy management technology and data science expertise, and enabling us to enhance our offerings to Commercial & Industrial (C&I) customers.

In Energy Marketing & Trading:

- We continue to build our capability and completed a number of 'free on board' (FOB) liquefied natural gas (LNG) cargoes in 2015 and have secured further cargoes which are scheduled for delivery in 2016.
- We expect to take delivery of the first cargo under our US export contract with Cheniere in late 2018 or early 2019, following a positive final investment decision on the fifth train of their Sabine Pass LNG facility in Louisiana in June.

REFOCUSING OUR E&P AND POWER BUSINESSES

As part of our strategic review, we also clarified the role of E&P in the portfolio – to provide diversity of cash flows and the balance sheet strength that goes with this. We are targeting a stable business that produces between 40–50mmboe of gas and oil per annum and requires between £400 million–£600 million of capital to fulfil this role. This compares to gas and oil production and capital expenditure levels respectively of 79mmboe and £728 million in 2015 and 80mmboe and £1,086 million in 2014.

As a result of capital discipline and cost efficiency programmes, E&P was free cash flow positive in 2015 despite the current low wholesale price environment. In the near term, at current depressed wholesale prices

July

British Gas cuts prices again

British Gas announced its second gas price reduction in six months bringing the average total savings in 2015 to £72 for British Gas customers. The price cut benefits 6.9 million British Gas customers on Standard and Fix & Fall tariffs.

Conclusion of the strategic review

The review identifies a clear direction for the business. Growth ambitions will focus on customer-facing activities. Sources of competitive advantage include strong market shares, good brands and deep energy services capability.

Chief Executive's Statement continued

we will only invest in new E&P developments if the Group's cash flows can support the investment and the projects indicate good returns over a range of price environments. We currently expect to invest around £500 million in 2016, reflecting expenditure on existing in-flight projects such as Cygnus and Maria. However, in the absence of a recovery in oil and gas prices, we could potentially make further reductions to the levels of E&P capital expenditure.

We will also be pursuing further cost reductions. We now expect cash production costs to be 15%, or £150 million, lower in 2016 when compared to 2014. This is £50 million lower than the levels previously announced. We will explore all options to strengthen our E&P business.

Our E&P focus is on the UK, Netherlands and Norway, and as such we continue to review options to release capital from our Trinidad and Tobago assets, while we now consider our positions in Canada to be non-core. We continue to work with our Canadian partners, Qatar Petroleum, as we seek ways to maximise value from our existing position.

In central power generation, we are in the process of rationalising our thermal power generation portfolio with a view to simplification and cost reduction, while retaining low-cost optionality. Our focus for growth is on peaking units and distributed generation. We continue to view our participation in nuclear power as a financial investment, while in wind power generation we announced in July that we intend to dispose of our interests in assets, while continuing to participate to a limited degree through power purchase agreements (PPA). In February 2016, we announced we were disposing of our 50% interest in the Glens of Foudland, Lynn and Inner Dowsing wind farms, with our net share of proceeds expected to be approximately £115 million. This disposal forms part of our divestment programme, under which we expect to realise £0.5 billion–£1 billion of proceeds from the sale of E&P and wind assets by the end of 2017.

COST EFFICIENCY

We announced as part of the strategic review conclusions that we are targeting £750 million per annum of like-for-like cost efficiencies from operating costs and controllable cost of goods, to be delivered over the next five years. We expect to achieve this from a 2015 controllable cost base of around £5 billion, before inflation, one-off investment to achieve the savings, the costs of installing smart meters and additional investment in growth areas. After inflation, we still expect like-for-like operating costs to reduce by around £300 million by 2020, and after additional operating costs to deliver incremental gross margin in the growth areas of services, Connected Home, DE&P and EM&T, we would expect total nominal operating costs in 2020 to be no higher than their 2015 level. We also announced that the programme would result in a reduction in like-for-like headcount of around 6,000 roles by 2020, with around half expected to come from redundancy and half from natural attrition.

The £750 million programme is now underpinned in our business plans. We remain on track to achieve the savings and have already made a number of restructuring announcements across the Group, which will result in the reduction of around 2,000 roles. We expect to achieve a reduction in direct headcount of around 3,000 by the end of 2016, excluding the impact of increased headcount in smart metering and in growth areas such as our Connected Home business. We have also made good progress in delivering savings from our third party cost base, with a number of initiatives ongoing. As a result, we expect to deliver £200 million of annualised savings in 2016 and we are on track to achieve two-thirds, or £500 million, of the savings by 2018.

ORGANISING AROUND OUR CUSTOMERS

In January 2016, we announced fundamental changes to the way that Centrica will be organised, to support delivery of our strategy. Centrica has historically operated as a holding company for a number of different and largely self-contained businesses, each of which had its own organisation and way of doing things. This model made it harder for us to work together across businesses, share ideas and best practice, and meant we have not been taking advantage of Centrica's scale as an international energy and services company.

We have therefore moved to establish a single group of international businesses and have created eleven business units. We have combined our energy and services activities around our residential and business customer segments and a common operating model, with the creation of UK Home, UK Business, North America Home, North America Business and Ireland business units. This will allow us to more effectively deliver products and services which respond to changing customer needs at a competitive price. The Home and Business units in both the UK and North America will be supported by common operating functions of Field Operations and Customer Operations, while our new Connected Home and DE&P business units will also leverage Home and Business respectively to sell their products.

EM&T will continue to provide services to the other businesses, while E&P, Nuclear

August

Smart meter landmark

British Gas announced that 1.5 million smart meters have been installed in UK homes. Smart meters put an end to estimated bills, giving customers greater understanding and control of their energy consumption.

September

Bord Gáis Energy cuts prices again

Bord Gáis Energy announced its second price cut in 2015. Bord Gáis Energy customers unit rate of gas was cut by a further 2.5% and the unit rate of electricity by a further 2.0%.

October

New well at York field

Drilling began for a new well at the York field that will tap into an additional 20 billion cubic feet of gas, enough to heat half a million UK homes for a year. Gas from the field is processed at Easington by Centrica Storage.

and Centrica Storage will all be run as separate business units. All business units will be supported by nine Group functions, specifically Finance, Human Resources, Corporate Affairs, HSES (Health, Safety, Environment & Security), Information Services, Technology & Engineering, Group Marketing, Procurement and Legal, Regulatory & Compliance. These changes will allow Centrica to leverage its scale and operate in a more efficient, effective and joined-up way, allowing us to serve our customers more effectively and efficiently while contributing to underlying cash flow growth.

KEY PERFORMANCE INDICATORS AND NEW SEGMENTS

The execution of our strategy is now underpinned by comprehensive implementation plans across all businesses and functions. We have also now defined the key performance indicators (KPIs) against which we will measure success in delivering our strategy, both at a Group and business unit level. The KPIs for our energy and services businesses are consistent across geographies, in line with the establishment of a common operating model, while the KPIs for all business units are intended to provide an appropriate balance of growth and efficiency metrics.

Details of these KPIs can be found at centrica.com/performance. We intend to report these KPIs in each half year and full year results announcement, starting at our Interim Results in July 2016.

In addition, new reporting segments are in place, effective from 1 January 2016, aligned to the new strategy and the way we now run the business. These will also be reported against for the first time at our Interim Results in July 2016. Details of the new segments can be found on page 13.

COMPETITION AND MARKETS AUTHORITY INVESTIGATION

The CMA investigation into the UK energy market is ongoing and the Provisional Decision on Remedies is now expected in March 2016, with the final report due in June 2016. This follows the publication of the CMA's provisional findings and notice of possible remedies in July 2015. We have contributed constructively to the process and improved customer trust in the functioning of the energy market is something we would welcome.

We have expressed concerns over some of the CMA's provisional findings and proposals including the potential introduction of a transitional 'safeguard regulated tariff'. We also expressed concerns regarding their analysis of profitability and returns. As part of our response to the CMA we suggested an alternative to the 'safeguard regulated tariff', the ending of evergreen tariffs. As long as this is implemented appropriately, we believe it will improve engagement by providing customers with a regular prompt to review their energy tariff, addressing the concerns the CMA may have around customer engagement without the need for a regulated tariff. We will continue to engage with the CMA as their process comes to a conclusion over the coming months.

2016 OUTLOOK AND SUMMARY

The lower commodity price environment will inevitably continue to have an impact on the earnings and operating cash flow from our E&P and central power generation businesses. However, with our focus on cash flow growth and delivery of our £750 million cost efficiency programme, we currently expect to deliver adjusted operating cash flow in excess of £2 billion in 2016.

In summary, Centrica has produced a resilient performance in 2015 and the actions we have taken leave us well positioned to handle the current environment, with sources and uses of cash flow more than balanced at current wholesale commodity prices. With a strategy developed around the customer, we have a clear purpose and direction. Implementation of the strategy is on track and I am pleased with the progress we have made to date. I am confident in our ability to deliver our target of at least 3–5% growth in operating cash flow per annum at flat real commodity prices, underpinning a progressive dividend policy and delivering shareholder value through returns and growth.

Iain Conn
Chief Executive
18 February 2016

November

Major investment at gas-fired South Humber Bank power station

Centrica confirmed a £63 million investment at South Humber Bank gas-fired power station, securing the future of the site up to 2027. The power station is capable of producing enough electricity to meet the needs of over one million UK homes.

December

Growth in Connected Home

Connected Home confirmed sales of over 250,000 smart thermostats in the UK to the end of 2015. Three million customers in the UK, North America and the Republic of Ireland also now have access to our analytics and insight products.

How We Create Value

OUR PURPOSE

We are an energy and services company. Everything we do is focused on satisfying the changing needs of our customers.

OUR STRATEGY

Long-term growth

- Energy Supply & Services
- Distributed Energy & Power (DE&P)
- Connected Home
- Energy Marketing & Trading (EM&T)

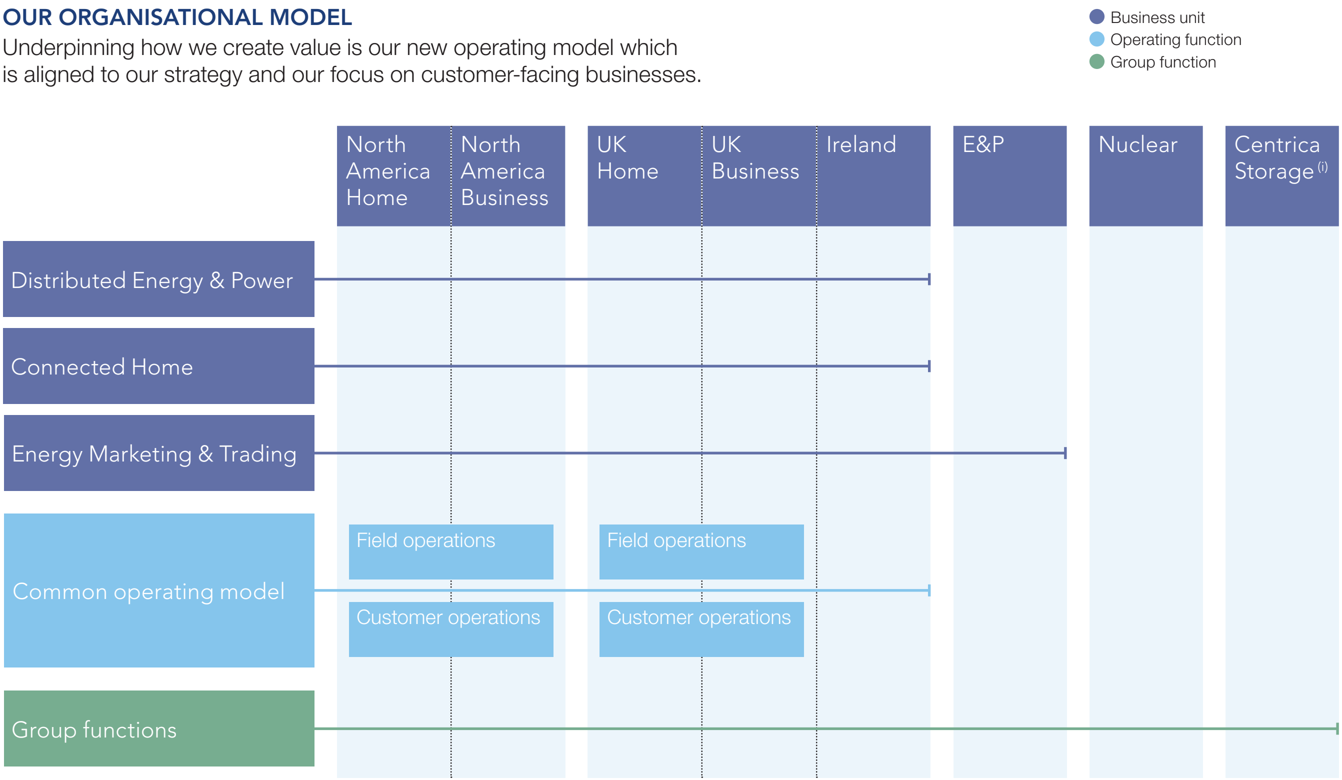
Cash flow and balance sheet strength

- Exploration & Production (E&P)
- Central Power Generation
- Centrica Storage

SEE PAGES 14 TO 19 FOR MORE DETAIL ON OUR STRATEGY AND PAGES 38 TO 42 FOR INFORMATION ON HOW OUR RISKS ARE MANAGED.

OUR ORGANISATIONAL MODEL

Underpinning how we create value is our new operating model which is aligned to our strategy and our focus on customer-facing businesses.



(i) Centrica Storage is operated as a separate ring-fenced entity.

OUR LONG-TERM FINANCIAL GOALS

Deliver long-term shareholder value through returns and growth.

DELIVERING OUR LONG-TERM FINANCIAL GOALS THROUGH A CLEAR FINANCIAL FRAMEWORK

Targets	Metrics
Operating cash flow (OCF)	• 3% to 5% growth per annum
Dividend	• Progressive in line with OCF
Controllable costs	• Cost growth < inflation
Capital reinvestment	• Investment < 70% of OCF • Limited to £1 billion per annum in 2016/2017
Credit rating	• Strong investment grade
Return on average capital employed (post-tax)	• 10% to 12%

OUR COMPETITIVE ADVANTAGE

Serving our customers is what we are known for, what we are good at and where we have distinctive capabilities.

Our customer-facing businesses are a source of competitive advantage, given our distinctive positions and capabilities, and these businesses will be our focus areas for growth. These areas will receive additional operating and capital resources of approximately £1.5 billion over the next five years.

THROUGH THE ACHIEVEMENT OF OUR STRATEGY WE WILL REALISE OUR GOALS TO BECOME

A trusted corporate citizen

An employer of choice

A 21st century energy company

WITH OUR PRIMARY FOCUS ON

- Safety, compliance and conduct
- Customer satisfaction and operational excellence
- Cash flow growth and strategic momentum
- Cost efficiency and simplification
- People and building capability

Our Businesses

OUR BUSINESSES IN 2015

An integrated energy company, participating throughout the energy value chain.

British Gas

British Gas is the UK's leading energy supplier and offers a comprehensive range of services from boiler installation and maintenance to plumbing and drains.

Adjusted operating profit
£809m
2014: £823m

Direct Energy

Direct Energy is one of the largest retail providers of electricity, natural gas and home services across North America.

Adjusted operating profit
£328m
2014: £150m

Bord Gáis Energy

Bord Gáis Energy is a leading supplier of energy in the Republic of Ireland.

Adjusted operating profit
£30m
2014: £7m

Centrica Energy

Centrica is one of the top gas producers on the UK continental shelf.

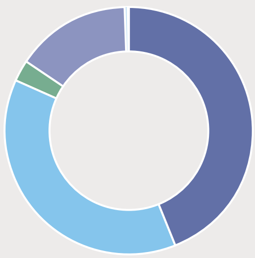
Adjusted operating profit
£255m
2014: £648m*
*Restated – see page 1 for details.

Centrica Storage

Centrica Storage's Rough gas storage facility is the largest in the UK.

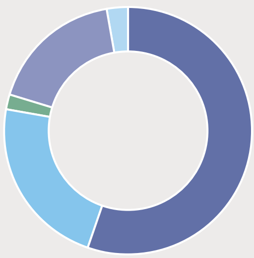
Adjusted operating profit
£37m
2014: £29m

Breakdown by operating revenue



British Gas	£12,303m
Direct Energy	£10,587m
Bord Gáis Energy	£733m
Centrica Energy	£4,242m
Centrica Storage	£106m

Breakdown by adjusted operating profit



British Gas	£809m
Direct Energy	£328m
Bord Gáis Energy	£30m
Centrica Energy	£255m
Centrica Storage	£37m

READ MORE ABOUT OUR 2015 PERFORMANCE IN THE BUSINESS REVIEW ON PAGES 28 TO 33.

OUR GROUP STRATEGIC REVIEW

Our strategic review carried out in 2015 concluded that Centrica's strengths lie in being a customer-facing business.

Our focus is to deliver for the changing needs of our customers, by continuing to develop our existing services and by accessing new strategic opportunities.

We are reducing the scale of our E&P business to a sustainable level which will allow us to participate effectively, diversify our cash flows and help us to manage risk by contributing to the strength of our balance sheet.

READ MORE ABOUT HOW WE CREATE VALUE ON PAGES 10 AND 11.

OUR FUTURE BUSINESSES

A customer-facing energy and services company for the 21st century.

Energy Supply & Services

Supplying energy and services to residential and business customers in the UK, the Republic of Ireland and North America through our new business segments: UK Home; UK Business; Ireland; North America Home; and North America Business.

Distributed Energy & Power

Our vision is to provide large scale C&I consumers with the ability to use energy more intelligently, giving customers tools to generate and manage their energy usage.

Connected Home

Our Hive smart thermostat and other products and services help our customers manage their energy use in the UK, the Republic of Ireland and North America. We plan to build a global business providing new and innovative solutions for consumers across the world.

Energy Marketing & Trading

Operating in UK and European energy markets we trade in energy produced both inside and outside the business. EM&T is the trading arm of Centrica and provides the route to market for our production and power generation operations.

Exploration & Production

Targeting production of between 40–50mmboe per year focused on the North Sea and East Irish Sea.

Central Power Generation

We are rationalising our thermal power generation portfolio with a view to simplification and cost reduction while retaining low cost optionality.

Centrica Storage

We intend to hold our Rough gas storage facility to ensure it fulfils its role as the main strategic storage asset for the UK.

OUR BRANDS

Strong customer-facing brands and distinctive capabilities.

British Gas

Direct Energy

Bord Gáis Energy

hive

DYNO

phJones

Benjamin Franklin

Mister Sparky

One Hour Heating & Air Conditioning

bounce energy

First Choice Power

READ MORE ABOUT OUR NEW BUSINESSES ON PAGES 14 TO 19.

Our focus for long-term growth

Supplying energy and providing distinctive and leading services

1 Energy Supply & Services

UK & IRELAND

Our energy supply businesses will continue to be a key contributor to Group cash flow. In the UK, given a highly competitive market, our focus for growth will be through significantly improved cost efficiency and customer service to underpin better retention levels. We expect these to offset the impacts of competitive intensity and reducing consumption. By leveraging our capability to innovate and compete, we believe that we can offer compelling propositions to customers.

In services, we are building on our capability in service delivery to develop new propositions to appeal to new customer segments.

In the Republic of Ireland we will look to increase our share of electricity supply and energy services facilitated by a market more recently deregulated than the UK.

NORTH AMERICA

Our North American customer-facing businesses are an important part of the Group and we see opportunities to increase market share. In residential energy supply, we are focused on developing a more sustainable business model through the development of improved bundled propositions, greater focus on customer mix and achieving better retention levels. In business energy supply, the acquisition of Hess Energy Marketing in 2013 has provided us with a market leading position and a strong base from which to deliver sustainable returns over the long term.

In our North American services business we are the US market leader, albeit with a small market share in a very fragmented market, and believe there is strong potential for growth from the wide range of products we are able to offer.

Our focus for long-term growth

Focusing on distributed energy offerings

2 Distributed Energy & Power

Distributed energy, including energy efficiency, flexible generation and new technologies, is an activity which, alongside energy management and optimisation, we expect to provide significant growth potential for Centrica in the long term. This activity will be targeted at commercial and industrial (C&I) customers in all the geographies in which we operate. Although building up our capability in this area will require additional investment, many of the skills associated with distributed energy already exist in the Group.

We have a good starting position and this is an attractive opportunity for Centrica. We expect to invest up to £700 million of additional operating and capital resources in this area over the next five years.

Investing in Smart technologies in the home

3 Connected Home

We believe that our Connected Home offerings will become increasingly important, with propositions linked to our core energy and services products in the UK, the Republic of Ireland and North America. These propositions will help to underpin better retention levels as well as provide growth opportunities in their own right.

We already have products in the market under our Hive brand and have built high quality end-to-end capability in this area, with operating platform design and operation, hardware and software development, data analytics, installation and maintenance. Given these capabilities, the scale of our existing customer relationships and our ability to directly support customers through our national network of engineers and technicians, we will be able to compete effectively in this space.

To drive growth, we are investing £500 million in operating costs and capital expenditure in our Connected Home activities over the next five years.

Our focus for long-term growth

Building our international capability in energy marketing and trading

4 Energy Marketing & Trading

EM&T provides a good opportunity for growth and is an area where we already have strong capabilities. In LNG, the first commercial delivery under our US gas export contract with Cheniere is expected in late 2018 or early 2019 and we have been actively building both our capability and market presence in LNG.

We will also continue to expand our route to market services and to utilise our knowledge of European energy markets to benefit from trading and optimisation activity.

We expect to invest an additional £150 million of operating costs and capital expenditure in this area over the next five years.

Supplying energy and providing cash flow and balance sheet strength

Exploration & Production

The role of Exploration & Production (E&P) in the portfolio is to provide cash flow and balance sheet strength. We have determined that a stable E&P business which produces around 40–50mmboe per annum, and requires £400 million to £600 million of capital expenditure each year, is sufficient to fulfil this role. This compares to a business which produced 75-80mmboe and incurred capital expenditure of around £1.1 billion in both 2013 and 2014 as we sought to grow E&P.

We will focus our E&P activity on the North Sea and East Irish Sea, where we are material enough to play a major role in the UK and Netherlands as well as having the capability and presence in Norway to allow us to access additional value opportunities.

Central Power Generation

In thermal power, we will continue to operate our existing small gas-fired fleet, maximising optimisation activity and seeking opportunities to make investments in improving the fleet where economics allow. We will maintain a watching brief as the capacity market evolves, and will retain sufficient capability to enable us to continue to manage power assets in the future. However, we will not increase our emphasis on central thermal generation, preferring to seek opportunities in peaking units and distributed generation. Additionally, we intend to continue to dispose of our interests in wind generation.

Our participation in nuclear power generation is an attractive financial investment but provides limited strategic optionality for the Group.

Centrica Storage

Our offshore gas storage asset, Rough, is the largest in the UK. We do not see it as a growth option in the current environment and will focus on safety, compliance and efficiency of the asset. We will continue to work with the UK Government on any changes necessary to ensure Rough fulfils its role as a strategic asset for UK energy security.

Key Performance Indicators

We monitor our performance by measuring and tracking key performance indicators (KPIs).

Link to reward in 2015

The performance of these KPIs is linked to the remuneration arrangements for Executive Directors.

For 2016

The primary long-term financial goal for the Group is now adjusted operating cash flow (AOCF) growth. AOCF is now the basis of the Annual Incentive Plan (AIP) financial measure.

Non-financial KPIs

Deloitte LLP review selected non-financial KPIs and provide limited assurance using the International Standard on Assurance Engagements ISAE 3000 (Revised). The full assurance statement and Basis of Reporting are available online.

CENTRICA.COM/CRASSURANCE.

Financial key performance indicators

Adjusted operating profit

Operating profit is our key measure for financial performance. For remuneration purposes, operating profit is adjusted to a post-tax basis and by a charge on capital to set the economic profit performance targets.

With the impact of continued falls in wholesale oil and gas prices only partially offset by higher profit in our customer-facing businesses, adjusted operating profit was down 12%.

Link to reward
Short and long-term incentive

Adjusted operating profit

£1,459m

2015	£1,459m
2014	£1,657m*
2013	£2,586m*

* Restated – see page 1 for details.

Adjusted basic earnings per share (EPS)

EPS is an industry standard determining corporate profitability for shareholders. EPS is adjusted to reflect better the performance of the business.

Reflecting the lower adjusted operating profit, partially offset by a lower tax rate due to lower profits from the highly-taxed E&P business, adjusted basic EPS was down 4%.

Link to reward
Long-term incentive

Adjusted EPS

17.2p

2015	17.2p
2014	18.0p*
2013	25.9p*

* Restated – see page 1 for details.

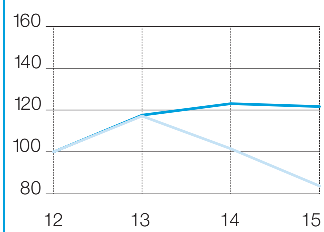
Total shareholder return (TSR)

The Board believes that TSR is a valuable KPI to assess the Company's performance in the delivery of shareholder value.

Centrica underperformed the FTSE 100 return index over the three-year period ending in 2015 by 12.5%.

Link to reward
Short and long-term incentive

TSR indices (unaudited)



Centrica return index
FTSE 100 return index
Source: Datastream

(i) Unit has been updated from 100,000 hours worked to better align with industry standards.
(ii) Restated to align with the updated unit.
(iii) British Gas and Direct Energy NPS is not comparable due to different methodologies.
(iv) Restated due to changes in methodology which now focuses on experiences at the end of key customer journeys.
(v) Data is not comparable with 2014 or 2015 due to changes in methodology.

Non-financial key performance indicators

Lost time injury frequency rate (LTIFR)

We prioritise safety because it spans all of our activities, from working in customer homes to securing energy offshore.

In 2015, our LTIFR rose by 21% to 0.34 per 200,000 hours worked[i] (high performance zone).

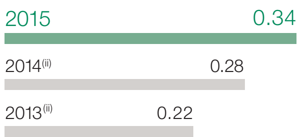
We are working hard to reduce the occurrence of these injuries by delivering new leadership training and embedding a stronger health and safety culture among our people.

Link to reward

Long-term incentive

LTIFR per 200,000 hours worked

0.34



Process safety

Process safety is a key focus where we source, generate and store energy so that we can prevent potential major incidents, such as fires and explosions.

One significant process safety event occurred in 2015 (high performance zone). The event resulted in the permanent disablement of a contractor.

We have created a three-year process safety improvement plan that will strengthen employee leadership and capability alongside enhancing asset management and assurance processes.

Link to reward

Long-term incentive

Significant events

1

2014 and 2013: 0

Customer satisfaction

Everything we do is focused on satisfying the changing needs of our customers. To measure customer satisfaction we use net promoter scores (NPS)[iii].

NPS for British Gas increased to +4 (median performance zone) in 2015. The rise was mainly due to service improvements in key customer journeys as well as competitive price reductions.

NPS for Direct Energy declined slightly to +37 (high performance zone).

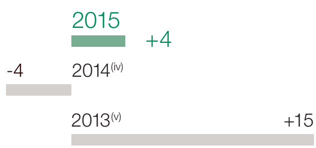
Link to reward

Long-term incentive

NPS

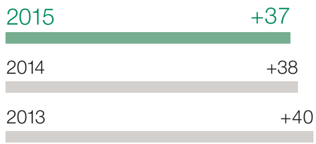
British Gas

+4



Direct Energy

+37



Employee engagement

Creating a great place to work, that motivates and enables our people to fulfil their potential, is a key driver of employee engagement and being an employer of choice.

To achieve this, our people provide feedback which helps us understand what we are doing well and where we need to improve.

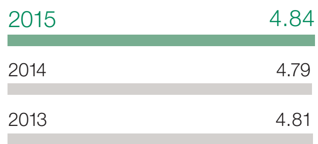
In 2015, our employee engagement score increased slightly to 4.84 out of 6 (median performance zone). This is our highest result to date and remains above average compared to peer companies.

Link to reward

Long-term incentive

Employee engagement

4.84 out of 6



How We Do Business

As a leading energy and services company with more than 200 years of experience, we are well positioned to satisfy the changing needs of our customers.

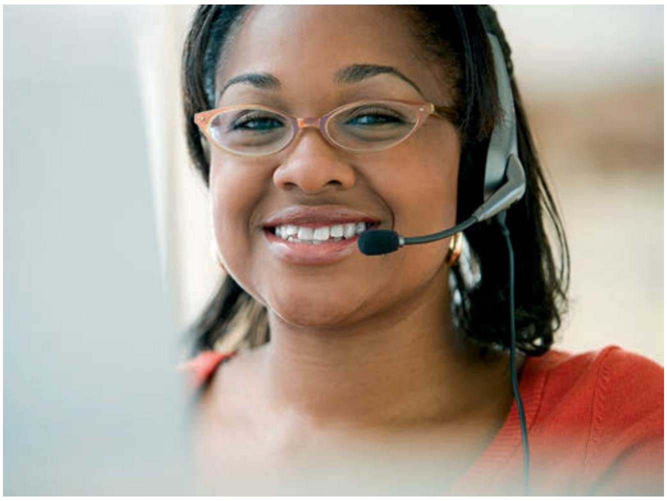
To deliver this purpose, we must continue to improve and evolve how we do business. We are building stronger relationships with key stakeholders that help us become a better corporate citizen and an employer of choice, with the capabilities necessary for delivering an excellent service in a safe and responsible way. We are also making an important contribution to address big issues in society related to energy: from energy pricing and vulnerability to energy security and climate change.

By improving how we do business, we will better adapt to the challenges and opportunities that arise in the rapidly-changing world of energy and build trustworthiness in our business and sector. Not only will this secure our long-term sustainable growth, it will define us as a 21st century energy and services company acting for, and on behalf of, our current and future customers.

EXPLORE MORE ABOUT HOW WE DO BUSINESS AT CENTRICA.COM/CR.

Strengthening relationships for a better energy future

Quality relationships with key stakeholders help evolve how we do business and determines our long-term success.



PRIORITISING SAFETY

Ensuring the safety of our people, customers and communities is our top priority. Focus on safety also makes us a stronger, more productive business for meeting our customers' needs.

All our engineers undergo training to reduce safety risks in customer homes. Despite this, 46 incidents such as trips and falls occurred compared with 29 in 2014. In 2016, we will re-focus our approach to customer safety and introduce improved working practices that reduce risk for our customers.

Our lost time injury frequency rate for employees increased from 0.28 per 200,000 hours worked in 2014 to 0.34[(i)]. Our total recordable injury frequency rate also rose to 1.10 per 200,000 hours worked against 1.00 in 2014[(i)].

Across exploration and production, we received three Improvement Notices from the UK Health and Safety Executive and experienced one significant process safety event in Canada, which led to a contractor being disabled following exposure to liquid nitrogen while filling a storage tank. This was up from one Improvement Notice and zero significant process safety events in 2014. Eight high potential events that could have resulted in a serious incident also occurred in 2015. Process safety therefore remains a major focus and we have created a three-year improvement plan that will strengthen employee leadership and capability alongside enhancing asset management and assurance processes.

DEVELOPING SKILLS

We must secure skills that satisfy our customers' changing needs while helping our people fulfil their potential.

During 2015, British Gas invested £24.5 million in training 9,000 engineers and 1,200 apprentices. We additionally improved the skills of over 20 apprentices in exploration, production and power alongside 70 people on the graduate programme. Following a successful pilot, Direct Energy will train 100 new technicians in 2016 through our partnership with a local technical school.

In order to retain and reward our skilled workforce, we are determined to provide fair remuneration. That is why in 2015, we made the commitment to pay at least the Living Wage to our people located in the UK.

IMPROVING CUSTOMER SERVICE

Customers are at the heart of our business and we recognise the need to strengthen our relationship with them by improving our service.

British Gas is investing an additional £50 million between 2015 and 2017 to deliver a better service for residential consumers which will enhance customer service systems, increase resourcing by around 10% and deliver extra training to call centre advisers. More than 350 advisers have already been recruited, while training rose 24% towards our aim of 30% more training days by the end of 2016 compared to 2013. This brings the average monthly training hours per person to 14, up from 11 in 2014.

Meanwhile, service levels for business customers were lower than planned following issues relating to the migration to new customer service systems. We are, however, beginning to see improvements that are expected to continue in 2016.

In North America, Direct Energy increased overall training per person from 10 hours in 2014, to 12 hours on average each month. Furthermore, new call centre advisers underwent training to increase call-handling efficiency.

Over time, these investments should help reduce complaints and improve satisfaction. Our net promoter score (NPS)[(ii)] which measures satisfaction, increased in British Gas to +4 from -4[(iii)] in 2014. Direct Energy NPS declined from +38 in 2014, to +37.

British Gas invested £24.5 million in training 9,000 engineers and 1,200 apprentices.

EMBEDDING ETHICS

To create sustainable business success and value in society, it is vital we have a strong moral compass underpinning all of our relationships and activities.

Our Business Principles set out the ethical standards we expect and in 2016, we will evolve our approach to ethics to ensure we obtain the highest levels of conduct and compliance.

We also work with suppliers to uphold ethical, social and environmental standards in the products and services we buy. This reduces risk while increasing transparency and reliability in our supply chain. In 2015, 46 potentially higher risk suppliers completed assessment on these issues, resulting in an average supplier risk score of 54 (low risk). This is better than the multi-industry average of 42 (medium risk) and marks an improvement from 51 (low risk) in 2014. Where suppliers receive a medium or high risk rating, we collaborate to raise standards by creating corrective action plans.

(i) Unit has been updated from 100,000 hours worked to better align with industry standards. 2014 performance has been restated to align with the updated unit.

(ii) British Gas and Direct Energy NPS is not comparable due to different methodologies.

(iii) Restated due to changes in methodology which now focuses on experiences at the end of key customer journeys.

Supporting changing customer needs

Energy can be complex but we are making it easier to understand and control, while ensuring support for those most in need.

THE ISSUE AND OUR ROLE

Every household receives energy bills but not enough people understand their costs or how to reduce them. At the same time, changing and challenging financial circumstances mean some people struggle to pay for their energy.

We offer competitively priced tariffs to win and retain customers while providing innovative products and services that satisfy their changing needs. This gives customers greater understanding and control over energy, helping them use less of what we sell and lower their energy bills.

We also recognise our role to help government support vulnerable people with their energy needs. We are working across sectors and have formed strategic partnerships that deliver invaluable debt advice and financial support for those who need it most.

OUR PROGRESS

Providing competitive prices

We regularly review our energy prices to ensure they remain competitive. In the UK since November 2014, wholesale gas prices have reduced by 41% but as most of our energy is bought in advance to help protect customers from pricing volatility, our cost of gas has reduced by 24%. Wholesale energy costs make up 40% of the average British Gas residential dual fuel bill and was offset to some extent by other rising external costs, such as distribution charges alongside social and environmental taxes. British Gas was, however, able to reduce household gas prices three times since the start of 2015 and was the only major supplier to do so. The average residential dual fuel bill was cut by 14%, bringing the average daily charge for energy to around £3.14. Our post-tax profit margin for our UK residential customers was 5.6% in 2015.

To help reduce bills, we continued to advocate for a more cost-effective UK energy policy. This included engagement with government on our Energy Choices report, which outlines alternative pathways by prioritising lower cost technologies, setting cost-effective carbon targets while maintaining support for vulnerable people.

Investing for smarter energy use

With the most customers in the UK, British Gas is leading the mandatory smart meter roll-out, having installed 2.5 million in homes and businesses since 2009. This is around 70% of all smart meters installed in the UK[(i)]. Smart meters enable accurate billing and help customers explore their energy use and costs in real-time, allowing for more informed choices that can reduce bills. As a result, we are prioritising the roll-out to our vulnerable customers.

Using smart meter data, Direct Energy was able to launch North America's first online energy insights dashboard, 'Direct Your Energy'. Similar to British Gas' 'my energy' tool, energy use is shown by categories such as appliance and compares it to similar households, highlighting where savings might be made.

Hive is also a powerful tool for giving greater control over energy. Over 300,000 smart thermostats have been sold in the UK to control heating and hot water remotely, with 58% of Hive users saying it has helped save money on their energy bills. Hive is now available in the Republic of Ireland while a new family of products including smart plugs, lights and sensors, are being introduced throughout 2016, enabling more of the home to be controlled via an app.

We have also sold nearly 200,000 smart thermostats in North America, helping Direct Energy customers save up to 20% on their energy bills.

To further develop our leadership capabilities in cutting-edge products, we acquired AlertMe, an energy management and services company and have established a global Connected Home business in which we will invest £500 million over the next five years. Panoramic Power were also acquired to lead the future development of wireless sensors that identify ways businesses can reduce operating costs.

Helping those who need support

Over 3,000 customers in North America were supported through our Neighbor-to-Neighbor bill assistance programme in Texas, while 1.9 million vulnerable customer households were helped in the UK.

Our mandatory contributions in the UK included one-off payments of £140 to over 650,000 vulnerable customers as part of the Warm Home Discount scheme. Through the delivery of energy efficiency products via ECO, those most in need will also save an estimated £400 million on their energy bills. £11.6 million in mandatory contributions for customers and non-customers were additionally made to the independent charity, the British Gas Energy Trust. This assisted over 24,500 people with household debt advice and grants as well as funding debt advisers at organisations like Shelter, British Gas' strategic charity partner.

Through partnership with National Energy Action, we also developed targeted fuel poverty strategies for communities across the UK.

Overall, we spent more than £220 million supporting those most in need during 2015, mainly through mandatory government programmes in the UK.

1.9 million vulnerable customer households were helped in the UK.

(i) Based on Department of Energy & Climate Change quarterly statistics, September 2015.

Securing energy to fuel society

The world of energy is changing and we must adapt to it by sourcing and optimising energy supplies that satisfy the changing needs of our customers.

THE ISSUE AND OUR ROLE

Energy is an enabler of society's progress and global demand for it is expected to rise by nearly a third by 2040[i]. With millions of people increasingly reliant on energy, we have an ongoing responsibility to source, generate and supply competitively priced energy for our customers.

We must evolve how we do this to create stronger energy propositions that meet the needs of our customers, the environment and makes us a more resilient business.

Gas remains an important part of our strategy because it is one of the most affordable energy sources for heating homes and running businesses, is the lowest carbon fossil fuel and backs-up intermittent renewable energy.

We continue to be a sizeable producer of gas and oil. We are, however, reducing the scale of our oil and gas E&P business to reflect the conclusions of our strategic review to rebalance the Group's investments in favour of our customer-facing activities.

We will continue to concentrate on serving our customers' energy needs by expanding trading capabilities while taking a leading role in creating a new model for generating and supplying energy through our new global DE&P business.

Together with our innovative products and services (see page 24), this approach will improve energy security by diversifying supply and reducing demand.

OUR PROGRESS

Evolving our energy supply

In 2015, we produced 78.6mmboe of gas and oil. We increased our focus on purchasing more competitive and diverse energy supplies on the global market. In 2016 and beyond, we will concentrate on significantly growing our presence in LNG which is forecast to account for a growing share of the world's energy mix.

The development of natural gas from shale could also strengthen energy security in the UK and throughout 2015, we continued to explore its potential through our 25% stake in the Bowland exploration licence operated by Cuadrilla Resources. Despite plans to mitigate possible adverse impacts on the local community such as noise and traffic, planning consent was refused in July. Our partners have since appealed the decision and we await the outcome in 2016.

Alternatives to fossil fuels are important as we transition to a lower carbon future. We hold a 20% stake in the UK's existing nuclear power fleet and while we have been pivotal in shaping the UK's wind industry through our role as an early developer, we have taken the decision to sell our 245MW wind farm capacity by the end of 2017.

Owning and operating wind farms no longer fit with our customer-focused strategy which is why we will instead continue to be an enabler of other operators' wind projects, committing to take electricity through a limited number of PPAs.

To reduce risks associated with increased energy trading, particularly in respect of LNG, PPAs and entry into new markets, we have sought to maintain rigorous controls in contracting to ensure future partners meet the legal standards we expect.

At the end of 2015, our overall commitment to secure gas and power for customers totalled over £50 billion.

> We have taken the decision to sell our 245MW wind farm capacity.

Revolutionising energy supply

We have established a new global DE&P business and expect to invest £700 million over the next five years to revolutionise the traditional, centralised way of generating and supplying energy.

We will give large scale energy users such as businesses and hospitals, the ability to take control of their energy and use it more intelligently to reduce, generate and manage it themselves. DE&P will bring together flexible, local generation with storage and renewable technologies alongside energy efficiency measures and smart building management systems. All of these technologies will be managed from a smart energy control centre to help keep costs and carbon emissions as low as possible.

DE&P will also develop new propositions and technologies that reduce demand on the grid and reward customers with lower bills for shifting use away from peak times. Together with battery storage and smarter grids, this will help energy use become more efficient, reduce consumption and improve future energy security.

(i) International Energy Agency, 2015.

Reducing carbon emissions to combat climate change

Fossil fuels contribute to climate change so we are helping customers reduce their carbon footprint while driving down emissions across our business.

THE ISSUE AND OUR ROLE

Energy is essential to the lives of individuals, families and businesses but we recognise that fossil fuels are also the biggest contributor to climate change; one of society's greatest global challenges.

We fully support climate change targets set at a national and international level by helping customers cut carbon emissions from their energy consumption alongside those generated by our business.

With over 90% of our carbon emissions coming from customers, empowering them to reduce emissions is vital. We are well placed to do this through market-leading products and services that give customers greater choice and control over their energy.

OUR PROGRESS

Our commitment to disclose and effectively manage risks related to climate change were again recognised in 2015 by CDP, an international non-governmental organisation (NGO), who ranked Centrica as a leader in disclosure and awarded us a 'B' for performance[(i)]. This was down from an 'A' the previous year, due mainly to reduced low carbon nuclear and renewable generation.

Enabling customers to cut carbon

Our expected £1.2 billion investment over the next five years in Connected Home (see page 24) and DE&P (see page 25), can help our customers lower their emissions through greater insights and control over how they use and generate energy.

Cost-effective energy efficiency measures such as insulation, are also delivered as part of ECO. During 2015, we installed 149,000 measures through ECO which will generate lifetime savings of 2.8mtCO_2e.

Furthermore, we help customers reduce reliance on fossil fuels by investing in alternative energy sources. Solar energy is growing in North America and during 2015, Direct Energy installed solar panels in 2,164 homes and businesses, generating 28MWp. This was up from 19MWp the previous year, following the acquisition of residential solar capabilities in July 2014. In the UK, British Gas exited residential solar due to challenging market conditions and will now focus on large scale solar for businesses. Combined, installations rose from 7MWp to 34MWp across 697 UK homes and businesses.

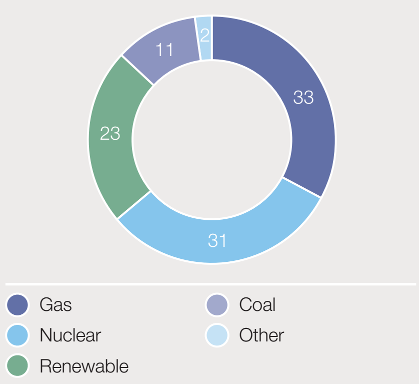
Balancing demand on the grid also reduces impact from fossil fuels because less energy needs to be generated to meet peak demand. In 2015, Direct Energy launched Reduce Your Use Rewards where customers save 5% on their bill by lowering usage during a peak event. In 2016, British Gas expects to roll-out its own Time-of-Use tariff to reduce consumption at peak hours.

In total, we calculate that we have helped our UK customers save over 22mtCO_2e since 2008, the majority of which was through mandated government schemes.

Reducing our own emissions

We now emit nearly 70% less carbon for every pound of revenue raised than in 2010, having gradually shifted away from being a large scale energy producer.

Our UK fuel mix of power sold %



In 2015, the carbon intensity of our power generation fell by 24% to 117gCO_2/kWh. This surpasses our target of 260gCO_2/kWh by 2020, largely due to reduced gas generation, stronger nuclear generation and divestments made in 2014. We have now revised our target to 200gCO_2/kWh by 2020, which better reflects our business.

The carbon intensity of all power sold to our UK customers during 2014/15, was one of the lowest among major UK energy suppliers at 240gCO_2/kWh; well below the UK average of 360gCO_2/kWh[(iii)].

Meanwhile, the internal carbon footprint of our core business was 79,096tCO_2e. This meant we exceeded our target to reduce emissions by 20% since 2007, achieving a total reduction of 27%.

Our carbon emissions

	2015	2014
Total carbon emissions	**4,393,016tCO_2e**	5,587,885tCO_2e[(ii)]
Scope 1	**4,272,477tCO_2e**	5,452,079tCO_2e[(ii)]
Scope 2	**120,539tCO_2e**	135,806tCO_2e[(ii)]
Total carbon intensity by revenue	**157tCO_2e/£m**	190tCO_2e/£m

We report on an equity basis with practices drawn from WRI/WBCSD Greenhouse Gas Protocol, IPIECA's Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions and Defra's Environmental Reporting Guidelines.

(i) Based on 2014 data.
(ii) Restated due to availability of improved data.
(iii) ElectricityInfo.org.

Our view on taxation

The Group takes its obligations to pay and collect the correct amount of tax very seriously. Responsibility for tax governance and strategy lies with the Group Chief Financial Officer, with the oversight of the Board and the Audit Committee.

OUR APPROACH

Wherever we do business in the world we take great care to ensure we fully comply with all of our obligations to pay or collect taxes and to meet local reporting and disclosure requirements.

We fully disclose information on ownership, transactions and financing structures to the relevant tax authorities. Our cross-border tax reporting reflects the underlying commercial reality of our business.

We ensure that income and costs, including costs of financing operations, are appropriately recognised on a fair and sustainable basis across all countries where the Group has a business presence. We understand that this is not an exact science and we engage openly with tax authorities to explain our approach.

TAXES PAID IN THE UK

We maintain a transparent and constructive relationship with HMRC in the UK. This includes regular, open dialogue on issues of significance to HMRC and Centrica. Our relationship with fiscal authorities in other countries where we do business is conducted on the same principles.

We carefully manage the tax risks and costs inherent in every commercial transaction, in the same way as any other cost. However, we do not enter into artificial arrangements in order to avoid taxation nor to defeat the stated purpose of tax legislation.

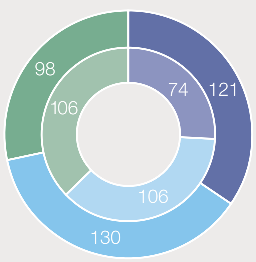
We actively engage in consultation with government on tax policy where we believe we are in a position as a Group to provide valuable commercial insight.

TAXES PAID OUTSIDE THE UK

Outside the UK the Group's businesses are subject to corporate income tax rates in excess of the UK Corporation Tax Rate (see below).

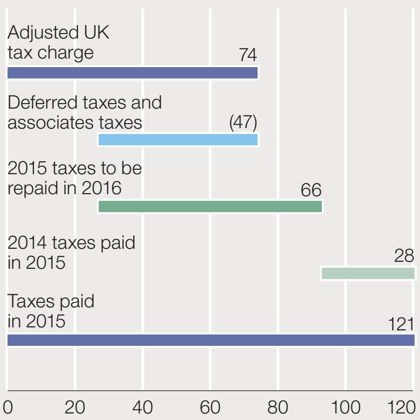
A more detailed explanation of the way the Group's tax liability is calculated and the timing of cash payments is provided on our website at centrica.com/responsibletax.

Tax charge v. cash tax by country 2015 £m



- UK tax charge
- UK cash tax paid
- Mainland Europe tax charge
- Mainland Europe cash tax paid
- North America tax charge
- North America cash tax paid

Breakdown of UK adjusted tax charge £m



Statutory tax rates on profits

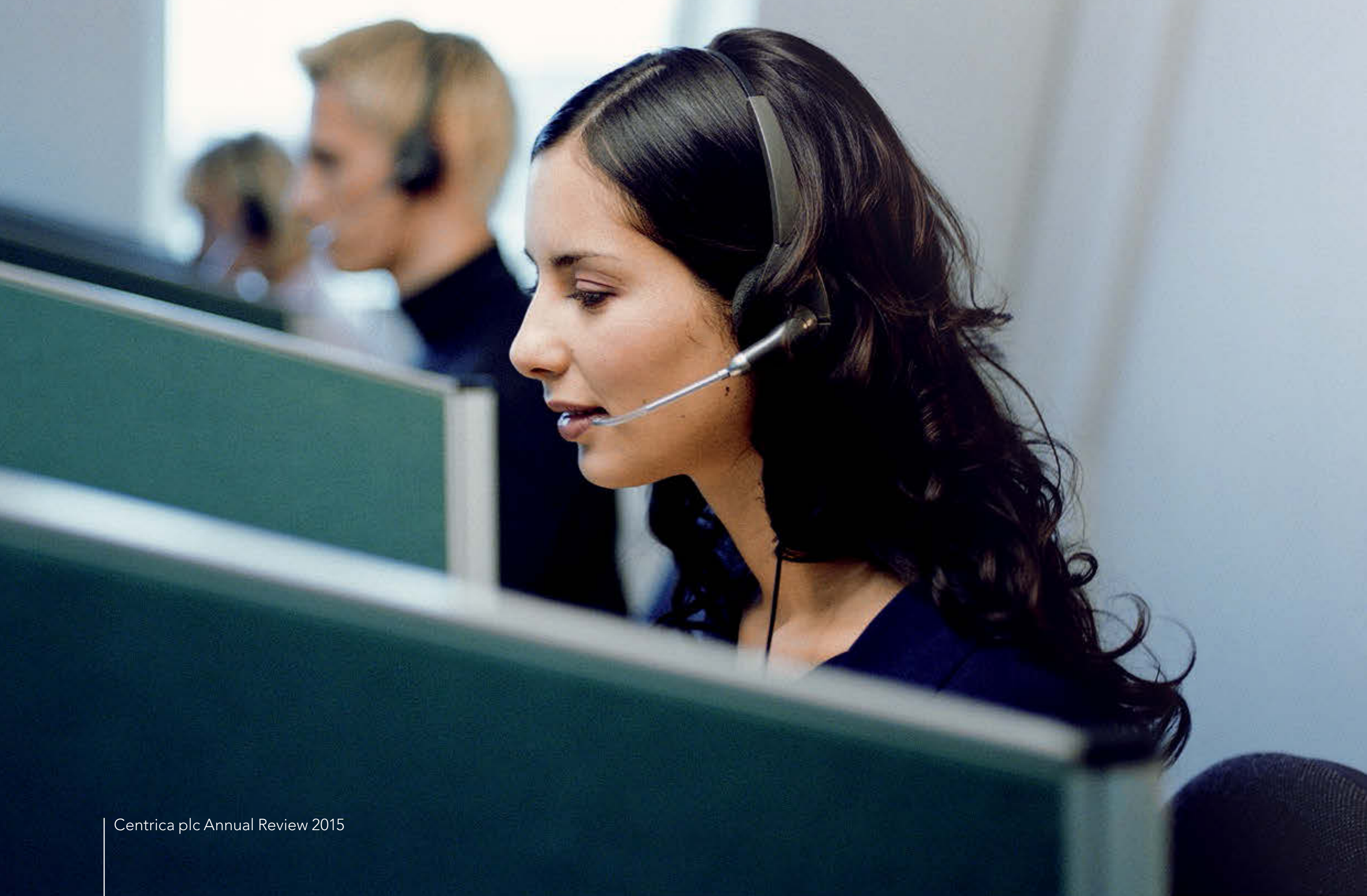
Group activities	%
UK supply of energy and services	20
UK oil and gas production	50/75
Norway oil and gas production	78
Netherlands oil and gas production	50
United States supply of energy and services	35
Canada supply of energy and services and oil and gas production	26
Republic of Ireland supply of energy and services	12.5

As at December 2015.

Business Review

This review reports on our performance during 2015 under the business unit reporting structure in place at the time. In January 2016, we announced fundamental changes to the way that Centrica will be organised. Our new reporting segments, aligned to support the delivery of our strategy, are set out on page 13.

READ MORE ABOUT OUR BUSINESS UNIT KEY PERFORMANCE INDICATORS ON CENTRICA.COM/PERFORMANCE.



British Gas: Operating profit

£809m

2014: £823m

British Gas: Residential energy accounts

14.7m

2014: 14.8m

British Gas

British Gas operating profit fell 2% in 2015, with an operating loss in British Gas Business (BGB) caused by issues resulting from the implementation of a new billing and customer relationship management (CRM) system mostly offset by an increase in British Gas Residential (BGR) operating profit, with consumption returning to more normal levels following a mild 2014. In a competitive environment we are focused on delivering increased efficiencies, improved customer service and innovative customer propositions across British Gas.

CUSTOMER SERVICE

Improving our levels of customer service is a key focus and in April we announced we were dedicating a further £50 million of resources over three years in serving our residential energy customers, to help achieve our goal of delivering excellent service. We completed recruitment of more than 350 additional customer service agents by the end of September, which enabled us to provide resilient service levels in the fourth quarter and our residential energy contact centre NPS increased by nine points over 2015, to +28. In Services, our engineer NPS increased to a record high of +70 for the year. Our nationwide network of around 8,000 highly trained service engineers with trusted access to customers' homes remains a competitive advantage for British Gas. We have also seen a consistent improvement during 2015 in our brand reputation.

Providing customers with the tools to interact and engage through digital channels is increasingly important, to improve customer satisfaction and to help reduce costs, and we are focused on transforming the digital customer experience. We have made good progress in developing our digital platforms and during the year we launched a new simplified 'homemove' customer journey, which has helped increase retention of customers moving home by 23 percentage points.

CONNECTED HOME, INNOVATION AND SMART METERING

Innovative customer offerings, including connected home products, are increasingly important to improve customer satisfaction and retention. We have established a significant position in connected homes in the UK and in March 2015 we completed the acquisition of AlertMe, the provider of the technical platform that underpins our existing connected home activity, including our 'in-house' developed Hive smart thermostat. The acquisition means Centrica has ownership and control over a scalable technology platform, software development capability and data analytics, to enable us to provide a full end-to-end customer experience.

In July 2015, we launched Hive Active Heating™ 2, the next generation of our smart thermostat. We have now sold over 300,000 smart thermostats in the UK, providing us with the largest installed base of connected thermostats. Around 80% of Hive customers say they have recommended the product, and 42% of Hive customers who also have one of our energy or services products say they feel more positive about British Gas as a result. In early 2016, we launched a range of connected home products in the UK, including Hive Window or Door sensor, Hive Active Plug™ and Hive Motion Sensors. We have a strong development pipeline of further innovative products planned for 2016, including Hive Active Lights and our 'connected boiler', which is currently on commercial trial.

Smart meters will bring significant benefits to customers, including an end to estimated bills, greater ability to monitor and reduce consumption and simpler and faster switching between suppliers, helping to improve trust in the UK energy industry. We have now installed more than two million residential smart meters in the UK, significantly more than any of our competitors, as we scale the business to ensure we are fully mobilised for delivery of the mandated roll-out by 2020. We are currently trialling smart meters to our pre-payment customers, with around 50,000 customers participating in the trial and a full commercial launch is planned for the second half of 2016. Over 800,000 of our smart meter customers now regularly receive our unique smart energy report, 'my energy', which provides a comprehensive analysis of their energy consumption.

The report is helping to improve levels of customer satisfaction and the overall perception of British Gas, with a +21 NPS improvement for customers engaging with the report. We are also trialling 'my energy live' which allows customers to access many of the in-home display functions on their smart phone or tablet device.

BRITISH GAS RESIDENTIAL

British Gas Residential operating profit increased, reflecting a 5% increase in average gas consumption despite the warmest December on record, with more normal UK temperatures on average in the year compared to a mild 2014. In addition, costs associated with delivery of the ECO programme were lower, predominantly reflecting improved efficiency and the phasing of expenditure on the programme as we accelerated delivery in 2014 to ensure we met our obligations under Phase 1 of the programme. We have helped nearly 500,000 households under the ECO programme to date.

Our residential energy customer accounts fell by less than 1% over the year, in a competitive market environment. We are adapting to the changing market with competitive fixed price and collective switch offerings and our fixed-price Sainsbury's tariff delivered particularly strong sales, generating new to brand customers. In February 2016, we announced a further cut in our residential gas prices, becoming the only major UK energy supplier to cut prices three times since the start of 2015. The average British Gas customer bill is around £100 less now than at the start of 2015.

BRITISH GAS SERVICES

The sales environment remains challenging for our UK services business, with a continued shift in customer demand towards cheaper on-demand and home emergency products. Against this backdrop, we are focused on improving sales performance through enhancing the online journey and the development of new propositions to better meet this changing customer demand. In the fourth quarter of 2015 we launched our new, simpler 'Homecare' product range and although accounts declined during the second half of 2015, the net rate of loss was reduced compared to the first half. The market for central heating installations is also proving challenging, with market demand changing towards simpler and faster installations.

Business Review
continued

Direct Energy: Operating profit
£328m
2014: £150m

Direct Energy: Residential energy accounts
3.0m
2014: 3.3m

British Gas continued

Reflecting this, in the second half of 2015 we launched new propositions, such as 'straight swaps', targeted at these customer segments.

British Gas Services operating profit fell by 5%, with the impact of lower contract holdings partly offset by a continued focus on cost management. Costs are a key area of focus and we are committed to managing our cost base to improve efficiency and effectiveness. In support of this, we made changes to our defined benefit pension schemes, resulting in a £23 million credit.

BRITISH GAS BUSINESS

British Gas Business was affected by issues following the migration of customer accounts and associated data onto a new billing and CRM system from multiple legacy systems, which had a significant impact on customer service, including difficulties in producing timely customer bills. To help resolve these issues we recruited additional resource and customer service levels have begun to improve. Complaints in the second half were down 9% compared to the first half of the year, while unresolved complaints fell by 50% in comparison to the peak in early 2015.

All our business customer accounts have been migrated onto the new system and billing performance is now better than under the old legacy system, with cash collection continuing to be a key area of focus. The new system is enabling us to digitise the customer journey, allowing us to target further improvements in customer service at reduced cost.

The number of business energy supply points fell by 11% during 2015, with our focus on resolving the billing issues for existing customers limiting the opportunity for new sales in a competitive market. In addition, the business incurred temporary increases in operating costs to help resolve the system issues and an increase in the bad debt charge. As a result, the business reported an operating loss in the year.

Business services and distributed energy are key sources of differentiation and will help us retain existing customers and acquire new ones, as well as providing growth opportunities in their own right. We have good capabilities in this space, and will continue to develop propositions for our C&I customers through the newly established Distributed Energy & Power business unit.

Direct Energy

Direct Energy delivered significantly higher operating profit than in 2014. Much colder than normal weather at the start of 2015 benefited the business, as a more stable physical infrastructure, in addition to market redesign and management action meant we did not see a repeat of the additional network system charges resulting from the polar vortex in 2014. Although this benefit was partially offset by un-seasonally warm weather in the fourth quarter of 2015. In addition, our C&I business benefited from higher unit margins on contracts sold in prior years and our residential energy business benefited from acquiring higher consuming customers. However, the services business reported an operating loss, primarily due to ongoing investments in residential solar.

In November, we announced we were combining our residential energy and services activities, organising the business around our customer segments. This will allow us to develop a more sustainable residential business, improving commercial performance and delivering cost efficiency. We also made good progress in building the Direct Energy brand across North America. During the year we joined a range of well-known brands to launch Plenti, the first United States-based coalition loyalty programme, and we re-launched our Direct Energy and First Choice Power brands in residential energy.

DIRECT ENERGY BUSINESS

Direct Energy Business reported a significant increase in operating profit in 2015, even after taking into account the absence of the one-off Polar Vortex costs in 2014. This reflects higher margins on contracts sold from 2014 onwards, lower amortisation costs related to the Hess Energy Marketing acquisition and a more balanced business between power and gas. In addition, natural gas pipeline and storage capacity contracts were utilised to deliver strong optimisation performance during periods of cold weather in the first quarter of the year.

Overall gas and electricity volumes delivered to customers were slightly down compared to 2014 due to a warm December. However, Direct Energy maintained its position as the largest C&I gas supplier and the second largest C&I power supplier in the United States. Unit margins on new C&I gas and power sales have remained broadly at the levels achieved in 2014, with increased margins on power sales and lower margins on gas sales.

During 2015 we continued to enhance our online customer experience, through the launch of 'MyAccount'. This online platform simplifies online bill payment and account management. We are currently experiencing over 14,500 'MyAccount' log-ins each month.

We continue to look for opportunities to enhance our offerings to our C&I customers. Through our relationship with SolarCity, we completed a number of commercial solar installations for customers across the US. In November, we completed the acquisition of Panoramic Power with whom we have had a successful partnership since 2014. The acquisition provides Centrica with leading capabilities in energy management technology and data science expertise, with around 25,000 sensors deployed across 700 sites in 30 countries, and enables us to offer enhanced and innovative propositions to customers which allow them to better understand their energy consumption. It will also help advance our Distributed Energy & Power offering in North America.

Bord Gáis Energy: Operating profit

£30m

2014: £7m

DIRECT ENERGY RESIDENTIAL

Direct Energy Residential operating profit increased in 2015. This predominantly reflects the absence of polar vortex costs incurred in 2014.

The number of customer accounts declined by 223,000, reflecting competitive market pressures in the US North East and the continued impact of the Energy Consumer Protection Act (ECPA) in Ontario. Against this backdrop, we continue to build our capabilities to deliver enhanced and innovative customer propositions, including the bundling of energy and services products as we aim to retain and attract the highest value customers. In 2015, 46% of residential customers acquired also took a services protection plan or smart thermostat, up from 11% in 2014. We also began to execute on our strategy of attracting higher consuming customers.

We continue to offer innovative products and have now sold nearly 200,000 smart thermostats in North America, enabling our customers to reduce and better control their energy consumption. Our 'Direct Your Energy' insight tool, launched in July 2015, allows customers to itemise their energy usage by major household appliance. In addition, we launched 'Reduce Your Use Rewards' which incentivises customers to use less energy in peak demand periods. In July 2015, we launched 'Direct Your Plan', a personalised service enabling residential customers to build their own energy plan from a number of options such as length of contract, energy type, energy efficiency tools, reward programmes and home services.

We remain focused on delivering high levels of customer service and in 2015 our 'right first time' metric increased by 10 percentage points. We also continue to drive digital customer interactions, helping improve the customer experience and reducing costs, and 21% of new customer acquisitions in 2015 were obtained through digital channels, an increase of 2 percentage points in comparison to 2014. Cost efficiency is also a key focus and in 2015 we delivered a 2% year-on-year reduction in residential energy 'cost to serve' per customer.

DIRECT ENERGY SERVICES

Direct Energy Services reported an operating loss of £34 million in 2015, compared to a £4 million like-for-like operating profit in 2014, which excludes the contribution from the Ontario home services business, which was sold in October 2014. The loss in 2015 reflects an accelerated investment in Direct Energy Solar.

We continue to grow our services annuity business and the number of contract relationships across North America increased by 12% and is now over one million. During the year we re-priced our protection plan offerings to better reflect the costs and risks associated with the portfolio of product offerings, while maintaining a competitive offer to our customers. Our residential new construction business performed well, as did our franchise operations as we expanded our reach to 78 new locations and now serve 650 in total. The combining of our residential activities into DE Home will help us to achieve our goal of building long-term customer relationships.

> Our Energy Supply & Services businesses in the UK and North America will share a common operating model and be supported by common operating functions.

Bord Gáis Energy

Bord Gáis Energy performed strongly in 2015, ahead of its acquisition case, and reported an operating profit of £30 million in the first full reporting year since its acquisition in June 2014. Employee engagement has remained high since the acquisition. Having introduced a more robust procedure for measuring contact NPS in the first quarter, we recorded an overall NPS of +16 for the year including an NPS of +66 in our boiler servicing department.

Bord Gáis Energy was the first energy provider to announce price reductions in the Republic of Ireland in both January and September 2015, with residential gas and electricity price cuts totalling 6% and 4.5% respectively. These reductions positioned us with the cheapest standard dual fuel offering amongst our major competitors. Reflecting this, the business returned to residential energy account growth in both gas and electricity, the first time this has grown since 2011, while the number of multi-product customers increased by 30% during 2015. In addition, the number of business energy service supply points also increased by 16% to 36,000 in the year.

Bord Gáis Energy is also leveraging Centrica's expertise in deregulated energy markets, having launched the first residential fixed price tariff in the Republic of Ireland and also introduced Hive Active Heating™. Early take up has been positive.

In power generation, our flexible 445MW Whitegate gas-fired station operated ahead of expectations and delivered high reliability, protecting our customers from power price volatility during peak times in a highly vertically integrated market.

Business Review
continued

Centrica Energy: Operating profit

£255m

2014: £648m*

* Restated – see page 1 for details.

Centrica Energy: UK power generated

19.3TWh

2014: 22.1TWh

Centrica Energy

Centrica Energy delivered good operational performance in 2015, with higher than planned levels of E&P production and nuclear generation. However, the business reported a significantly reduced operating profit and recognised post-tax impairments and onerous provisions totalling £1,950 million on E&P and power generation assets, predominantly reflecting the impact of falling wholesale commodity prices, spark spreads and forecast capacity auction prices. Against this backdrop we made significant progress in repositioning the business, achieving reductions in both E&P cash production costs and capital expenditure, and the E&P business was free cash flow positive in the year.

GAS

Our E&P business delivered good production performance, with total gas and liquids production down 1% to 78.6mmboe. Gas production was down 3% and liquids production was up 7%.

We have clarified the role of E&P in the portfolio – to provide diversity of cash flows and balance sheet strength.

In Europe, total production was down 1%. Norwegian production increased by 16% reflecting consistently high production from Kvitebjorn and Statfjord and a first contribution from the large-scale Valemon project in the North Sea, which came on-stream in January 2015. UK and Netherlands production decreased by 14%, reflecting the natural decline of producing fields and an extended maintenance shutdown at Morecambe.

In the Americas, total production decreased 2%, with the benefit from new wells acquired and drilled in Canada in 2014 largely offsetting natural decline in the portfolio. Trinidad and Tobago production was down 5% compared to 2014.

We have made significant progress in refocusing our E&P business. A number of initiatives have enabled us to deliver cost efficiencies, including management action to renegotiate contractor rates, headcount reductions in support roles and working with licence partners and operators to deliver savings. European unit cash production costs were down 6% compared to 2014. In the Americas, unit cash production costs reduced by 13%, in part reflecting reduced Canadian royalties as a result of lower North American gas prices. We have increased our target reduction in lifting and other cash production costs in 2016 to 15%, or £150 million, compared to 2014.

Organic capital expenditure in 2015 was £728 million, 33% lower than in 2014. This included spend on the large-scale Cygnus project, which is expected to achieve first gas in the first half of 2016. In the current price environment we have acted to minimise other capital expenditure, including exploration. We are focusing on maintaining and optimising production from our assets and on completing committed development projects. These projects include Cygnus and Maria, on which we took a final investment decision during 2015 and which is due to produce first oil in 2018. We expect capital expenditure to be around £500 million in 2016. Centrica Energy's proven and probable (2P) reserves of 528mmboe at the end of 2015 were 10% lower than in 2014, with positive revisions to reserves in Norway and Canada partially offsetting the impact of production during the year.

Our gas midstream business delivered a strong trading performance in the second half of the year, including recognising a £24 million gain following the settlement of a disputed long-term gas field contract. This more than offset a first half operating loss, following the optimisation of a number of flexible gas contracts for value during a period of falling prices in 2014, with a consequential impact on 2015. In LNG, the Federal Energy Regulatory Commission (FERC) issued authorisation in April 2015 to allow Sabine Pass Liquefaction LLC to construct and operate the fifth train expansion at their LNG facility in Louisiana. At the end of June 2015 the project received a Non-Free Trade Agreement licence from the Department of Energy (DOE), and with a positive final investment decision now having been made on the project Centrica expects to take delivery of its first cargo under its US export contract in late 2018 or in 2019. We continue to increase our capabilities and presence in global LNG and have completed a number of FOB cargoes, including our first delivery to South America, and have secured further cargoes scheduled for delivery in 2016.

Overall, Gas operating profit fell 73%, predominantly reflecting lower achieved oil and gas prices and a reduced contribution from the gas midstream business. We also recognised exceptional post-tax impairments of £1,477 million relating to our E&P assets, as a result of declining oil and gas prices.

POWER

Our share of nuclear power generation for the year was up 8%, reflecting good reliability from the fleet. The four reactors at Heysham 1 and Hartlepool power stations were all operational in the year, albeit at reduced load, having been temporarily shut-down in the second half of 2014 following the identification of an issue on one boiler spine at Heysham 1 in 2014. A programme of cooling modifications was successfully implemented during 2015, and temperature restrictions have now been lifted. This means that three of the reactors can now reach 100% output, with further work planned in 2016 at Heysham 1 to increase power.

Centrica Storage: Operating profit

£37m

2014: £29m

In thermal power generation, market spark spreads and our plant's load factors remained low during the year. Gas-fired volumes were down 37%, which also reflects an unplanned outage at Langage in the first half. In December 2015, the second UK power capacity auction took place for 2019/20 capacity, clearing at £18.0/kW/year. Our Humber and Langage plants were successful in the auction, as were all the nuclear reactors in which we have a 20% equity interest. Humber and Langage remain core assets, alongside Brigg, which is now operating as a distributed energy asset and Peterborough, where we have the potential to make a similar conversion. Killingholme will close in March 2016 once its Supplemental Balancing Reserve (SBR) contract ends, while Barry will only continue to operate if profitability can be secured in short-term flexibility markets.

Our wind assets delivered increased wind yields but generation volumes fell by 3%, reflecting the disposal of our share in the Barrow offshore wind farm in December 2014.

Total Power operating profit increased by 40%. Nuclear profit was up, with the higher volumes and good cost management more than offsetting the impact of lower market power prices. The operating loss from our gas-fired fleet was broadly flat. Renewables profit increased, with 2014 including net negative one-off impacts of £17 million resulting from development project write-downs partially offset by profits on disposal. Midstream profit was lower in comparison to a strong performance in 2014.

We also recognised an exceptional post-tax impairment of £372 million relating to our nuclear investment and £101 million relating to our Spalding contract asset, which includes an onerous contract provision of £70 million. These arose primarily as a result of declining baseload power, clean spark spread and forecast capacity auction prices.

Centrica Storage

Seasonal gas price spreads fell to historically low levels over the second half of 2015, with an abundance of flexible supply across Europe, and they remain at these low levels creating a challenging outlook for the Rough asset. It was announced in April 2015 that all SBUs for the 2015/16 storage year had been sold at 21.1p, only marginally higher than the 20.0p achieved in 2014/15, which was the lowest SBU price since Centrica acquired the Rough asset in 2003.

In March 2015, Centrica Storage announced that during a routine inspection of Rough a potential technical issue had been discovered. As a result, we decided to limit the maximum operating pressure of the Rough wells to 3,000 psi, the equivalent of limiting the stock in the Rough asset to 29-32TWh. The highest level reached in 2014 was 41.1TWh. Reflecting the reduced maximum operating pressure, Centrica Storage has reduced the number of SBUs it will sell for the 2016/17 storage year to 340 million, from 455 million in 2015/16, and in February 2016 announced that it had sold over 80% of this lower capacity. It is anticipated that the limitation will remain in place at least until the testing and verification works are completed between September 2016 and December 2016.

In July 2015 Centrica Storage received consent from the Oil and Gas Authority to increase the reservoir size of Rough by 4.5TWh. As a result, the capacity of Rough has been partially recovered and a proportion of the cushion gas associated with this was sold in the second half of the year. Operating profit was slightly higher in 2015 than in 2014, with the sale of this cushion gas more than offsetting the negative impact of the pressure limitation on Rough.

In September 2015, the CMA announced a consultation on the Rough Undertakings, following a request from Centrica Storage in light of the operating pressure limitations of the Rough wells. The final report is expected in April 2016.

Against a challenging external environment, Centrica Storage has completed a reorganisation of the business, allowing it to focus on health and safety, efficiency and cost control, while maintaining the integrity of the ageing Rough asset.

We do not see Storage as a growth option in the current environment.

Group Financial Review

Centrica has delivered a resilient financial performance, with solid 2015 adjusted earnings despite the challenge of falling wholesale oil and gas prices.

Group revenue £28.0bn 2014: £29.4bn	**Adjusted operating profit** £1,459m 2014: £1,657m (restated)
Adjusted effective tax rate 26% 2014: 30%	**Adjusted earnings** £863m 2014: £903m (restated)
Adjusted basic EPS 17.2p 2014: 18.0p (restated)	**Dividend per share** 12.0p 2014: 13.5p
Adjusted operating cash flow £2,253m 2014: £2,201m	**Net debt** £4,747m 2014: £5,196m
Statutory loss £(747)m 2014: £(1,012)m	**Basic earnings per share** (14.9)p 2014: (20.2)p

GROUP REVENUE

Group revenue decreased by 5% to £28.0 billion (2014: £29.4 billion). British Gas gross revenue fell 4% to £12.4 billion, primarily as a result of lower average sales prices reflecting the lower price environment and a lower number of business energy supply points. Direct Energy gross revenue fell by 11%, also reflecting the impact of lower gas prices on energy unit tariffs, and the impact of the disposal of the Ontario home services business in October 2014. Bord Gáis Energy gross revenue increased by 87% reflecting 12 months of ownership in 2015 compared to six months in 2014. Centrica Energy gross revenue fell by 6%, primarily reflecting lower achieved prices in the current commodity environment, partially offset by increased midstream revenue. Centrica Storage gross revenue increased by 5% with the sale of cushion gas more than offsetting the impact of lower seasonal gas price spreads and reduced capacity at the Rough asset.

OPERATING PROFIT

All profit and earnings figures now include fair value depreciation related to our Strategic Investments in Venture and Nuclear, which was previously excluded from adjusted measures. Throughout the statement, reference is made to a number of different profit measures, which are shown on page 35.

Total adjusted operating profit fell 12%. British Gas operating profit fell 2%. Within this, residential energy supply operating profit increased, reflecting higher gas volumes due to more normal weather conditions, and lower costs, including those associated with delivery of the ECO programme. Residential services profit fell by 5%, with the impact of lower accounts and inflationary cost increases partially offset by cost efficiency measures, including a £23 million one-time credit relating to the implementation of a Pension Increase Exchange (PIE) for our defined benefit scheme members. Business energy supply and services reported an operating loss, primarily reflecting a higher bad debt charge and temporary additional operating costs relating to the implementation of a new billing and CRM system.

Direct Energy operating profit increased significantly, with no repeat of additional polar vortex related costs incurred in 2014 and the realisation of higher margins on business energy supply contracts. This more than offset an operating loss in Direct Energy Services, as a result of the sale in 2014 of the Ontario home services business and additional costs related to accelerated investment in our solar business. Bord Gáis Energy made an operating profit of £30 million in the first full year since its acquisition.

Centrica Energy operating profit fell by 61%. Gas operating profit fell 73%, predominantly reflecting the impact of lower commodity prices. Power profitability increased by 40% with higher output from the nuclear fleet, the absence of net one-off negative impacts of £17 million on renewables in 2014 and a reduced loss on gas-fired assets due to a lower depreciation charge reflecting prior year impairments. Centrica Storage operating profit increased by 28%, predominantly reflecting additional revenue from the sale of cushion gas.

GROUP FINANCE CHARGE AND TAX

Net finance costs increased slightly to £279 million (2014: £266 million), reflecting a higher interest cost on bonds following the issuance of £1 billion equivalent of hybrid securities. The taxation charge reduced to £286 million (2014: £375 million) and after taking account of tax on joint ventures and associates the adjusted tax charge was £294 million (2014: £402 million). The resultant adjusted effective tax rate for the Group was 26% (2014: 30%), predominantly reflecting a shift in the mix of profit towards the lower taxed downstream businesses. An effective tax rate calculation, showing the UK and non-UK components, is shown below:

Operating profit

Year ended 31 December	Notes	2015 Business performance £m	2015 Exceptional items and certain re-measurements £m	2015 Statutory result £m	2014* Business performance £m	2014* Exceptional items and certain re-measurements £m	2014* Statutory result £m
Adjusted operating profit							
British Gas		**809**			823		
Direct Energy		**328**			150		
Bord Gáis Energy		**30**			7		
Centrica Energy		**255**			648		
Centrica Storage		**37**			29		
Total adjusted operating profit	4(c)	**1,459**			1,657		
Interest and taxation on joint ventures and associates	4(c)	**(61)**			(89)		
Group operating profit/(loss)	4(c)	**1,398**	**(2,255)**	**(857)**	1,568	(2,705)	(1,137)
Net finance cost	8	**(279)**	**–**	**(279)**	(266)	–	(266)
Taxation	9	**(286)**	**538**	**252**	(375)	773	398
Profit/(loss) for the year		**833**	**(1,717)**	**(884)**	927	(1,932)	(1,005)
Attributable to non-controlling interests		**30**			(24)		
Adjusted earnings		**863**			903		

Group finance charge and tax

Year ended 31 December	2015 UK £m	2015 Non-UK £m	2015 Total £m	2014* UK £m	2014* Non-UK £m	2014* Total £m
Adjusted operating profit	**1,057**	**402**	**1,459**	1,196	461	1,657
Share of joint ventures'/associates' interest	**(53)**	**–**	**(53)**	(62)	–	(62)
Net finance cost	**(156)**	**(123)**	**(279)**	(152)	(114)	(266)
Adjusted profit before taxation	**848**	**279**	**1,127**	982	347	1,329
Taxation on profit	**74**	**212**	**286**	125	250	375
Share of joint ventures'/associates' taxation	**8**	**–**	**8**	27	–	27
Adjusted tax charge	**82**	**212**	**294**	152	250	402
Adjusted effective tax rate	**10%**	**76%**	**26%**	15%	72%	30%

* Restated – see page 1 for details.

Group Financial Review continued

Adjusted operating cash flow

Year ended 31 December	2015 £m	2014 £m
Net cash flow from operating activities	**2,197**	1,217
Add back/(deduct):		
Net margin and cash collateral (inflow)/outflow (i)	**(282)**	640
Payments relating to exceptional charges	**81**	125
Dividends received from joint ventures and associates	**180**	138
Defined benefit deficit pension payment	**77**	81
Adjusted operating cash flow	**2,253**	2,201

(i) Net margin and cash collateral (inflow)/outflow includes the reversal of collateral amounts posted when the related derivative contract settles.

GROUP EARNINGS AND DIVIDEND

Reflecting all of the above, profit for the year fell to £833 million (2014: £927 million) and after adjusting for losses attributable to non-controlling interests, adjusted earnings were £863 million (2014: £903 million). Adjusted basic earnings per share (EPS) was 17.2p (2014: 18.0p).

The statutory loss attributable to shareholders for the period was £747 million (2014: loss of £1,012 million). The reconciling items between Group profit for the period from business performance and statutory profit are related to exceptional items and certain re-measurements. The change compared to 2014 is principally due to a net gain from certain re-measurements of £129 million compared to a net loss of £771 million in 2014, partially offset by higher post-tax exceptional charges of £1,846 million (2014: £1,161 million). The Group reported a statutory basic EPS loss of 14.9p (2014: loss of 20.2p).

In addition to the interim dividend of 3.57p per share, we propose a final dividend of 8.43p, giving a total ordinary dividend of 12.0p for the year (2014: 13.5p).

GROUP CASH FLOW, NET DEBT AND BALANCE SHEET

Group operating cash flow before movements in working capital fell to £2,324 million (2014: £2,726 million). After working capital adjustments, tax and payments relating to exceptional charges, net cash flow from operating activities was £2,197 million (2014: £1,217 million). Adjusted operating cash flow, reconciled to operating cash flow in the table above, was up 2%, to £2,253 million (2014: £2,201 million).

The net cash outflow from investing activities decreased to £611 million (2014: £651 million), with lower organic capital expenditure broadly offsetting reduced proceeds from disposals.

The net cash outflow from financing activities was £1,331 million (2014: £663 million). The impact of lower cash dividends resulting from our decision to rebase the dividend by 30% and high take-up of our scrip dividend alternative, combined with no repurchase of shares, was more than offset by the impact of a net repayment of borrowings of £650 million compared to net inflow from borrowings of £793 million in 2014.

Reflecting all of the above, the Group's net debt at the end of 2015 fell to £4,747 million (2014: £5,196 million), which includes cash collateral posted or received in support of wholesale energy procurement.

During the year net assets decreased to £1,342 million (2014: £3,071 million) primarily reflecting the statutory loss in the year.

ACQUISITIONS AND DISPOSALS

On 17 March 2015, the Group gained control of AlertMe, a UK-based connected homes business that provides innovative energy management products and services. Prior to this date, the Group held an interest in the company and under this transaction acquired the remaining share capital. The purchase consideration, net of cash received for the previously held interest, was £44 million.

On 30 November 2015, the Group acquired Panoramic Power, a leading provider of device-level energy management solutions for a net purchase consideration of $64 million (£42 million).

EXCEPTIONAL ITEMS

Net exceptional pre-tax charges of £2,358 million were incurred during the year (2014: £1,597 million).

The Group recognised a pre-tax impairment charge of £1,865 million (post-tax £1,396 million) on a number of E&P production assets, reflecting declining wholesale gas and oil prices.

On power assets, the Group recognised a pre-tax impairment charge of £31 million and an onerous power procurement provision of £70 million relating to our finance leased UK gas-fired power station, reflecting declining forecast capacity market auction prices and clean spark spreads. The Group also recognised a further pre-tax onerous contract provision of £20 million for the Direct Energy wind power procurement arrangement. In addition, the Group recognised a pre-tax impairment charge of £372 million on its nuclear investment due to declining forecast power prices and capacity market auction prices.

Taxation on these charges generated a credit of £477 million (2014: £436 million), and combined with a reduction in net deferred tax liabilities of £116 million related to the effect of a change in UK tax rates and an £81 million impairment charge on E&P deferred tax assets which are no longer expected to be recoverable against future tax profits, meant that exceptional post-tax charges totalled £1,846 million (2014: £1,161 million).

"Operating cash flow has been strong and with capital discipline this has allowed the Group to reduce net debt."

CERTAIN RE-MEASUREMENTS

The Group enters into a number of forward energy trades to protect and optimise the value of its underlying production, generation, storage and transportation assets (and similar capacity or off-take contracts), as well as to meet the future needs of our customers. A number of these arrangements are considered to be derivative financial instruments and are required to be fair-valued under IAS 39. The Group has shown the fair value adjustments on these commodity derivative trades separately as certain re-measurements, as they do not reflect the underlying performance of the business because they are economically related to our upstream assets, capacity/off-take contracts or downstream demand, which are typically not fair valued. The operating loss in the statutory results includes a net pre-tax gain of £103 million (2014: net loss of £1,108 million) relating to these re-measurements. The Group recognises the realised gains and losses on these contracts in business performance when the underlying transaction occurs. The profits arising from the physical purchase and sale of commodities during the year, which reflect the prices in the underlying contracts, are not impacted by these re-measurements.

EVENTS AFTER THE BALANCE SHEET DATE

On 5 February 2016, Centrica and its joint venture partner announced the joint sale of the Glens of Foudland, Lynn and Inner Dowsing (GLID) wind farms. After repayment of debt associated with GLID and other costs, Centrica's net share of the sales proceeds will be approximately £115 million, which exceeds the carrying value of the disposed assets. It is anticipated that the transaction will be completed during March 2016.

RISKS AND CAPITAL MANAGEMENT

The Group's principal risks and uncertainties are set out on pages 38 to 42.

ACCOUNTING POLICIES

UK listed companies are required to comply with the European regulation to report consolidated financial statements in conformity with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Our Principal Risks and Uncertainties

A summary of our principal risks and uncertainties which may impact the delivery of our strategic priorities is shown below.

A summary of our principal risks and uncertainties (i)

	Strategic risks	Risk climate (ii)
1	**Strategy delivery**	Increased risk
2	**External market environment**	Increased risk
3	**Political and regulatory intervention**	No change in risk
4	**Brand, trust and perception**	No change in risk
5	**Business planning, forecasting and performance**	No change in risk
	Operational risks	Risk climate (ii)
6	**Customer service**	No change in risk
7	**People**	Increased risk
8	**Change management**	Increased risk
9	**Asset development, availability and performance**	No change in risk
10	**Sourcing and supplier management**	No change in risk
11	**Health, safety, environment and security**	No change in risk
12	**Information systems and security**	No change in risk
	Compliance risks	Risk climate (ii)
13	**Legal, regulatory and ethical standards compliance**	Decreased risk
	Financial risks	Risk climate (ii)
14	**Financial market**	Increased risk
15	**Credit and liquidity**	Increased risk
16	**Financial processing and reporting**	No change in risk

(i) This list is not exhaustive and items are not prioritised.
(ii) The risk rating is based on our current understanding of our risk environment, but may change over time as our business and the operating environment continue to evolve.

In 2015, we reviewed the design of our risk universe to ensure a more consistent and comprehensive approach to risk identification.

This provides an overarching framework, which includes processes for identifying, achieving and managing principal risks to the achievement of our strategic priorities. These processes are reinforced through regular performance management and are subject to internal and external review.

Principal risks and uncertainties

Description	Potential impact	Controls and mitigating activities
1 Strategy delivery Failure to deliver Centrica strategy.	The Group is being reorganised to achieve the strategic objectives announced in 2015. The delivery of this strategy creates additional uncertainties, including in relation to growth of new businesses, the achievement of disposals and the realisation of substantial cost efficiencies.	• Delivery of the strategy is the primary objective of the Board and Executive who are directly engaged in regular progress reviews. • The Board approves the Group annual plan setting the strategic direction. • We have a clear financial framework to ensure capital is allocated in line with strategy and towards projects best able to deliver expected business benefits. • Where necessary, experienced leaders have been identified and appointed to ensure the delivery of the critical strategic goals. • Strategic definition is provided through clear delegated targets embedded in business plans.
2 External market environment Changes and events in the external market or environment that could impact delivery of Centrica's strategy.	Customer behaviour, downstream competitive positions and upstream operational results are impacted by: improved energy efficiency, competitor activity, climate change, commodity price movement, long-term weather patterns and the general economic outlook.	• Regular analysis undertaken on commodity price fundamentals and their potential impact on business plans and expectations. • Strategic discussions focused in 2015 on a broad range of external scenarios and sensitivities to underpin the viability of the strategic review. • Clarity provided during 2015 on the strategic desire for an integrated business operating across the value chain, providing a balanced risk portfolio. • Investments in businesses such as Connected Home in response to changing external trends and requirements. • We support climate change targets set at a national and international level by driving down carbon emissions across our business as well as giving customers greater control over their energy through innovative and energy efficient products and services.
3 Political and regulatory intervention Changes, intervention or a failure to influence change to the political or regulatory landscape.	We are subject to oversight by a range of political and regulatory bodies. UK regulators continue to impose significant obligations to implement carbon reduction measures and energy affordability. We await the final outcome of the CMA investigation into the energy markets in the UK and the implications for our businesses.	• Constructive and regular engagement with regulatory bodies such as the CMA, with a clear commitment to an open, transparent and competitive UK energy market that provides choice for consumers. • The Safety, Health, Environment, Security and Ethics Committee (SHESEC) has oversight of regulatory risk, in addition to the discussions within the Board. • Work with regulators to find a better approach to intervention that agrees clear targets against which we can demonstrate progress. • Consistent engagement with political parties to bring about agreement on critical areas in energy policy.
4 Brand, trust and perception Competitive positioning and protection of the Centrica and subsidiary brands.	Our customers are critical to our business and are at the heart of our strategy. To grow and evolve our business we must protect and develop our brand, building trust across a wide range of stakeholders.	• NPS and other customer service and brand metrics regularly reviewed by Executive Committee and the Board. • Focus on providing affordable energy and excellent service through a fair and simplified transparent offering. • Seek to protect the most vulnerable households through financial advice and aid. • Engage with stakeholders to understand their views and identify solutions to help reduce bills and improve transparency.

Our Principal Risks and Uncertainties continued

Principal risks and uncertainties

Description	Potential impact	Controls and mitigating activities
5 Business planning, forecasting and performance Business planning, forecasting, risk management and achievement of anticipated benefits.	We prioritise how we use our resources based on our business plans and forecasts. Failure to accurately plan and forecast could result in suboptimal decisions and may impact expected benefits.	• Planning processes revised to underpin the strategic objectives for 2016 and beyond, as well as to support the shape of the future operating model. • Board and Executive Committee directly engaged in constructive challenge of the planning, forecasting and risk management processes. • Direct interaction between the strategy, fundamentals, planning and finance teams in arriving at forecasts and plans. • Performance review process designed to provide challenge and a forum for discussion of critical uncertainties in the business planning processes.
6 Customer service Failure to provide good quality customer service.	The delivery of high quality customer service is central to our business strategy. With the entry of new competitors to the market, customers are increasingly likely to switch supplier if they face an unacceptable customer experience. We must remain at the forefront of technological development to provide choice and efficiency.	• Providing the optimal service to our customers is discussed regularly at both Board and Executive Committee meetings. • Where we are known to have experienced issues, such as the service to our British Gas Business customers, we have ensured a full and focused response. • Commitment to continually strengthen our controls for customer service and complaints management. • Increased investment in Connected Home to give customers greater visibility, control and engagement over their energy usage.
7 People Attraction, retention, and succession of the right people with the right skills in the right role at the right time.	The change in our business model means attracting and retaining the right skills to meet evolving priorities is critical. Similarly, maintaining industrial relations across our businesses becomes more challenging, given our announced level of job losses. Insufficient capability and capacity in senior management and key skills will limit our ability to grow and execute our strategy at the speed required.	• People Committee established at the executive level to provide focus on the key talent challenges. • Board level consideration of values, culture and succession matters. • Clearly defined people strategy, based on organisational capability and requirements, culture and engagement, equality and wellbeing, talent development, training and reward and recognition. • Active engagement with trade unions on restructuring and issues that could impact terms and conditions, with clear and open processes to promote an environment of trust and honesty. • Annual employee engagement survey to identify what we are doing well and where we need to improve.
8 Change management Execution of change programmes and business restructuring.	The scale of change planned in our business is significant. Any substantial delay or challenge experienced with the organisational restructuring, system implementation or growth of new businesses could adversely affect stakeholder expectations. At the same time we must maintain our systems of internal control throughout the change.	• Monthly Executive Committee review of the strategy implementation and required change programmes, allow for the open discussion of emerging risks and control requirements. • Progress and issues reported to and discussed by the Board. • Appointment of a senior executive in 2015 to lead the transformation programme bringing focused attention on benefits realisation, risk prioritisation and milestone tracking. • Focused on our people throughout the change, recognising the need for appropriate capability to be built across the organisation. • Established forums for sharing of good practice as we seek to standardise and simplify the business model.

Principal risks and uncertainties

Description	Potential impact	Controls and mitigating activities
9 Asset development, availability and performance Investment, development and integrity of operated and non-operated assets.	Failure to invest in the maintenance and development of our assets could result in underperformance, assets being out of service or significant safety issues. The Company must have confidence in its operational integrity and ability to perform and deliver in line with objectives.	• The Board takes a direct interest in the oversight of our significant assets and in ensuring we have the highest operational standards. • Group-wide minimum standards applied to all assets, whether operated or non-operated, in order to have confidence in their integrity. • Clarity on future direction of E&P assets provided through the strategic review underpinning our continued commitment to this sector. • Capital allocation and investment decisions governed through the Investment Committee chaired by the Chief Executive.
10 Sourcing and supplier management Dependency on and management of third parties to deliver the products and services for which they have been contracted to the agreed time, cost and quality.	Across our business operations we rely on services provided by third parties. These include outsourced activities and third party infrastructure as well as operating responsibility in some assets. As with any contractual relationship there are no guarantees that suppliers will always comply with legal, regulatory or corporate responsibility requirements.	• Board level oversight is provided through the SHESEC, with the executive level Ethics & Compliance Committee also focused on this area. • All suppliers are required to sign up to our 'Responsible Procurement' policies and procedures. • Financial health risk and anti-bribery and corruption due diligence and monitoring is implemented in supplier selection and contract renewal processes. • Corporate responsibility processes in place for procurement of all goods and services.
11 Health, safety, environment and security (HSES) HSES hazards and regulations associated with Centrica's operations.	Our operations have the potential to result in personal, environmental or operational harm. Significant HSES events could also have regulatory, legal, financial, and reputational impacts that would adversely affect some or all of our brands and businesses.	• HSES is considered to be of upmost significance to the Group and receives Board level oversight through the dedicated SHESEC. • Specific HSES executive level committee also established, chaired by the Chief Executive on a monthly basis. • Strengthening of the second line of defence assurance capability, to provide independent assessments of the controls and processes in place to manage these risks, to ensure they remain effective and continue to develop. • Investment in capability development and awareness activities to ensure we maintain safe operating practices in all our businesses. • Regular evaluation of security intelligence, operating procedures, crisis management and business continuity plans, to provide assurance of our capability to respond rapidly and appropriately to any incident.
12 Information systems and security Effectiveness, availability, integrity and security of IT systems and data essential for Centrica's operations.	Our substantial customer base and strategic requirement to be at the forefront of technology development, means that it is critical our technology is robust, our systems are secure and our data protected. Sensitive data faces the threat of misappropriation from hackers, viruses and other sources, including disaffected employees.	• Information systems and cyber security received substantial Board level focus during 2015 and remain a continued focus for the SHESEC. • Detection and investigation of threats and incidents were prioritised, through further investment in 2015 and by engaging with key technology partners and suppliers. • Increased focus on employee awareness and training in relation to sensitive data and digital information. • Policies over new technology development reviewed and tested regularly. • Collaborative working with other parties across the energy industry and within the wider public and private sectors to share threat information. • Evaluation and testing of cyber security crisis management and wider business continuity plans.

Our Principal Risks and Uncertainties continued

Principal risks and uncertainties		
Description	Potential impact	Controls and mitigating activities
13 Legal, regulatory and ethical standards compliance Compliance with legal, regulatory and ethical requirements.	Our operations are the subject of intense regulatory focus and we seek to deliver the highest standards in compliance and ethical conduct. We recognise any real or perceived failure to follow our global Business Principles or comply with legal or regulatory obligations would undermine trust in our business. Non-compliance could also result in fines and other penalties.	• SHESEC established in 2015 to provide Board level oversight of this risk, alongside the executive level Ethics & Compliance Committee. The Disclosure Committee will review all external regulatory announcements. • The Chairman is directly responsible for promoting high ethical standards and best practice in corporate governance and ensures the effective contribution of all Directors. • Experienced Group Ethics and Compliance Officer appointed in 2016 to bring additional strength and focus. • Group Business Principles govern how we conduct our affairs. Managers are required to declare that they will uphold these principles on an annual basis to ensure that we remain a responsible and fully compliant business. • Speak Up process in place to enable employees to raise and report any concerns.
14 Financial market Exposure to market movements, including commodity prices and volumes, inflation, interest rates and currency fluctuations.	Our financial performance and price competitiveness is dependent upon our ability to manage exposure to wholesale commodity prices for gas, oil, coal, carbon and power, interest rates for our long-term borrowing, fluctuations in various foreign currencies and environmental factors.	• Audit Committee reviews, assesses and challenges the effectiveness of the governance and control mechanisms within EM&T. • Group Financial Risk Management Committee meets monthly to review Group financial exposures and assess compliance with risk limits. • Governance and controls exist to manage liquidity and funding exposures. • Active hedging programmes in place to mitigate exposure to commodity and financial market volatility.
15 Credit and liquidity Management of counterparty exposures and funding uncertainties.	The seasonal nature of our business, contractual obligations, pension and decommissioning funding and margin cash arrangements associated with certain wholesale commodity contracts, have a significant impact on our liquidity. Certain events and activities may have a direct impact on our credit, ratings and liquidity, which could increase the cost of, and access to, financing.	• Significant committed facilities are maintained with sufficient cash held on deposit to meet fluctuations as they arise. • A regular assessment of available resources is made including that required to support the viability and going concern assumptions within this report. • Counterparty exposures are restricted by setting credit limits for each counterparty, where possible by reference to published credit ratings. • Wholesale credit risks associated with commodity trading and treasury positions are managed in accordance with Group policy.
16 Financial processing and reporting Accuracy and completeness of internal and external financial information.	We must be able to maintain robust financial systems and produce accurate financial statements that adequately disclose all applicable accounting policies. This obligation includes maintaining processes to avoid misstatement through fraud or error. The confidence of our investor and regulatory stakeholders is reliant on the continued integrity of our financial public reporting.	• Audit Committee maintains close oversight of the financial policies and procedures within clearly defined guidelines. • Processes in place provide assurance over the completeness and accuracy of our public financial reporting, with monitoring and internal audit activity designed to identify any misstatements or errors. • We maintain an effective working relationship with our external auditors and value their insight and recommendations.

Summary Governance and Financial Statements

Board of Directors

Full biographies can be found at centrica.com

N

RICK HAYTHORNTHWAITE
Chairman

Rick joined the Board as a Non-Executive Director on 14 October 2013. He was appointed Chairman of the Board on 1 January 2014 and is Chairman of the Nominations Committee.

Skills and experience

Rick has a wealth of knowledge in the energy industry and has significant board experience, both as an executive and non-executive. He led the rescue of Invensys from 2001 to 2005 and the defence, turnaround and subsequent sale of Blue Circle Industries from 1997 to 2001. He has served on the boards of Network Rail as chairman and Cookson, Lafarge, ICI and Land Securities as non-executive director.

External appointments

Chairman of the global board of MasterCard Incorporated, QIO Technologies and Arc International.

D

IAIN CONN
Chief Executive

Iain was appointed Chief Executive on 1 January 2015 and is Chairman of the Disclosure Committee.

Skills and experience

Iain has a wealth of experience heading customer-facing businesses and brands. He possesses a deep understanding of the energy sector built up over a lifetime in the industry with a commitment to customers and safety. Iain was previously chief executive, downstream, BP's refining and marketing division from 2007 to 2014. Iain was a board member of BP for 10 years from 2004 and has previously held a number of senior roles throughout BP.

External appointments

Non-executive director of BT Group plc.

D

JEFF BELL
Group Chief Financial Officer

Jeff was appointed Group Chief Financial Officer and joined the Board on 1 August 2015.

Skills and experience

Jeff has a broad range of finance experience. He joined the Group's Direct Energy business in Toronto in 2002 where he held various senior finance positions before moving to the Company's head office in 2008 to support the Group Chief Executive and to lead the Group Strategy team. In 2011 he was appointed Director of Corporate Finance. Prior to Centrica, Jeff worked in Toronto for both KPMG, where he qualified as a chartered accountant, and the Boston Consulting Group.

A N R S

MARGHERITA DELLA VALLE
Non-Executive Director

Margherita joined the Board on 1 January 2011 and is Chairman of the Audit Committee.

Skills and experience

Margherita brings considerable corporate finance and accounting experience and has a sound background in marketing. She was chief financial officer for Vodafone's European region from April 2007 to October 2010 and chief financial officer of Vodafone Italy from 2004 to 2007. Previously she worked for Omnitel Pronto Italia in Italy and held various consumer marketing positions in business analytics and customer base management prior to moving to finance.

External appointments

Deputy Group CFO of Vodafone Group plc, a member of HM Treasury's Financial Management Review Board of HM Government and a trustee of the Vodafone Foundation.

MARK HANAFIN
Group Executive Director and Chief Executive, Energy Production, Trading and Distributed Energy

Mark joined the Board on 14 July 2008.

Skills and experience

Mark has senior management experience across the energy value chain from E&P through to product sales. He has excellent midstream and trading credentials as well as a strong track record in developing supply and marketing businesses. Before joining Centrica, Mark spent 21 years with Royal Dutch Shell.

External appointments

Non-executive director of EDF Energy Nuclear Generation Group Limited.

MARK HODGES
Group Executive Director and Chief Executive, Energy Supply & Services, UK & Ireland

Mark joined the Board on 1 June 2015.

Skills and experience

Mark brings a strong understanding of the UK consumer market and a track record in improving business performance. He is experienced in working in a regulated environment, driving significant improvements in customer service and efficiency, 'offer innovation', major IT and change projects. Mark was group chief executive officer of Towergate Partnership and prior to this he spent over 20 years with Norwich Union and Aviva plc holding a variety of finance, planning and strategy roles including sitting on both the executive committee and Aviva plc board.

A N R

LESLEY KNOX
Non-Executive Director

Lesley joined the Board on 1 January 2012 and is Chairman of the Remuneration Committee.

Skills and experience

Lesley brings a wealth of strategic and financial experience across a range of businesses to the Board and she is an experienced remuneration committee chair. She was previously with British Linen Bank and was a founder director of British Linen Advisers. Lesley was senior non-executive director of Hays Plc and also spent 15 years with Kleinwort Benson.

External appointments

Non-executive director of SABMiller plc, trustee of the Grosvenor Estate and chairman of Grosvenor Group Limited, Chairman of Design Dundee Limited and a trustee of The National Life Story Collection and National Galleries Scotland.

A Audit Committee
D Disclosure Committee
N Nominations Committee
R Remuneration Committee
S Safety, Health, Environment, Security and Ethics Committee
● Denotes Committee Chairman

N R S

MIKE LINN
Non-Executive Director

Mike joined the Board on 1 June 2013 and is Chairman of the SHESEC.

Skills and experience
Mike has considerable experience in the energy sector, particularly exploration and production and the US market. He founded and was previously chairman, chief executive officer and president of LINN Energy, LLC.

External appointments
Non-executive director of LINN Energy, LLC, non-executive board member of Nabors Industries, Blackstone Minerals Company, LP and Western Refining Logistics and senior advisor to Quantum Energy Partners. Member of the National Petroleum Council and inducted into the All American Wildcatters.

A N R

IAN MEAKINS
Senior Independent Director

Ian joined the Board on 1 October 2010 and is Senior Independent Director.

Skills and experience
Ian has broad general management and board experience and considerable knowledge of managing businesses with strong brands. Ian is currently chief executive officer of Wolseley plc and was, until April 2009, chief executive of Travelex Holdings Ltd. He was chief executive officer of Alliance UniChem plc until its merger with Boots in July 2006 and between 2000 and 2004 he was president, european major markets and global supply for Diageo plc.

External appointments
Group chief executive officer of Wolseley plc. It has been announced that Ian is expected to retire from Wolseley plc on 31 August 2016.

N R S

CARLOS PASCUAL
Non-Executive Director

Carlos joined the Board on 1 January 2015.

Skills and experience
Carlos has held a number of senior positions in the energy industry and is a senior leader in energy geopolitics and economic and commercial development. Between 2011 and 2014 Carlos established and directed the US State Department's Energy Resource Bureau. Until August 2014 Carlos was special envoy and coordinator for international energy affairs, acting as senior adviser to the US Secretary of State on energy issues. He has also served as US ambassador in Mexico and Ukraine.

External appointments
Non-resident senior fellow at the Centre on Global Energy Policy, Columbia University and senior vice president of IHS Inc.

A N S

STEVE PUSEY
Non-Executive Director

Steve joined the Board on 1 April 2015.

Skills and experience
Steve has a wealth of international experience as a senior customer-facing business technology leader. He has considerable experience in the telecommunications industry in both the wireline and wireless sectors and in business applications and solutions. Steve has worked for Vodafone, Nortel and British Telecom and is a graduate of the Advanced Management Program at Harvard University.

External appointments
Non-executive director of FireEye, Inc. and ARM Holdings plc.

Senior Executives

Full biographies can be found at centrica.com

CHARLES CAMERON
Director of Technology & Engineering

Charles was appointed Director of Technology & Engineering on 1 January 2016.

Skills and experience

Charles has extensive technology and engineering experience and has held corporate roles in marketing, planning and M&A. Before joining Centrica he was head of technology, downstream at BP plc and was a member of the downstream executive team.

Prior to his time at BP, Charles spent 23 years with the French Institute of Petroleum and their catalyst, technology licensing and engineering service business, Axens.

CHRIS COX
Managing Director, Exploration & Production

Chris was appointed Managing Director, Exploration & Production on 1 February 2016.

Skills and experience

Chris has extensive experience in global oil and gas upstream activities. Since 2006 and prior to his appointment with Centrica, he held a number of senior roles at BG Group plc and was latterly the executive vice president, BG Advance and a member of the group executive team. Prior to his time at BG Group plc, Chris was with Amerada Hess and Chevron Corporation.

GRANT DAWSON
D

Group General Counsel & Company Secretary

Grant was appointed Group General Counsel & Company Secretary in February 1997.

Skills and experience

Grant joined British Gas plc in October 1996 and has been Group General Counsel & Company Secretary of Centrica plc since the demerger of British Gas plc on 17 February 1997. He was called to the Bar in 1982 and has spent most of his career in industry joining the legal department of Racal Electronics plc in 1984 and then STC plc as legal adviser in 1986 until they were taken over in 1991 by Northern Telecom Limited. Between 1991 and 1996, he was the associate general counsel for Nortel in Europe, Africa and the Middle East.

BADAR KHAN
Chief Executive, Energy Supply & Services, North America

Badar was appointed President and CEO, Direct Energy on 1 April 2013.

Skills and experience

Badar has extensive expertise in both upstream and customer-facing energy businesses. Prior to his appointment as President and CEO, Direct Energy, he was President, Upstream and Trading of Direct Energy. Prior to joining Centrica in 2003, he was a senior officer of a private retail energy company in the US and a management consultant with Deloitte.

JILL SHEDDEN
Group HR Director

Jill was appointed Group Director, Human Resources on 1 July 2011.

Skills and experience

Jill joined British Gas plc as a graduate in 1988 and has since held a wide range of roles across the Group. Prior to her appointment as Group HR Director, Jill was HR Director for Centrica Energy and was previously HR Director for British Gas Business and HR Director for British Gas Energy.


Charles Cameron


Chris Cox


Grant Dawson


Badar Khan


Jill Shedden

Independent Auditors' Statement

to the members of Centrica plc

We have examined the supplementary financial information included within the Strategic Report with supplementary material for the year ended 31 December 2015, which comprises the Summary Group Balance Sheet as at 31 December 2015 and the Summary Group Income Statement, Summary Group Statement of Changes in Equity and Summary Group Cash Flow Statement for the year then ended.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

The Directors are responsible for preparing the Strategic Report with supplementary material, in accordance with the Companies Act 2006, which includes information extracted from the full annual Financial Statements and the auditable part of the Directors' Remuneration Report of Centrica plc for the year ended 31 December 2015.

Our responsibility is to report to you our opinion on the consistency of the summary financial information, included within the Strategic Report with supplementary material, with those full annual Financial Statements and the auditable part of the Directors' Remuneration Report.

This statement, including the opinion, has been prepared for and only for the Company's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

BASIS OF OPINION

Our examination involved agreeing the balances disclosed in the summary financial information to full annual Financial Statements. Our audit report on the Company's full annual Financial Statements and the auditable part of the Directors' Remuneration Report describes the basis of our opinion on those Financial Statements and the auditable part of that report.

OPINION

In our opinion the supplementary financial information is consistent with the full annual Financial Statements and the auditable part of the Directors' Remuneration Report of Centrica plc for the year ended 31 December 2015.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

18 February 2016

Summary Group Income Statement

Year ended 31 December	2015 Business performance £m	2015 Exceptional items and certain re-measurements £m	2015 Results for the year £m	2014 Business performance £m	2014 Exceptional items and certain re-measurements £m	2014 Results for the year £m
Group revenue	27,971	–	27,971	29,408	–	29,408
Cost of sales before exceptional items and certain re-measurements	(23,734)	–	(23,734)	(25,043)	–	(25,043)
Re-measurement of energy contracts	–	116	116	–	(1,134)	(1,134)
Gross profit	4,237	116	4,353	4,365	(1,134)	3,231
Operating costs before exceptional items	(3,039)	–	(3,039)	(2,903)	–	(2,903)
Exceptional items – impairments	–	(2,268)	(2,268)	–	(1,938)	(1,938)
Exceptional items – onerous provisions	–	(90)	(90)	–	–	–
Exceptional items – gains on disposals	–	–	–	–	341	341
Share of profits of joint ventures and associates, net of interest and taxation	200	(13)	187	106	26	132
Group operating loss	1,398	(2,255)	(857)	1,568	(2,705)	(1,137)
Net finance cost	(279)	–	(279)	(266)	–	(266)
Loss before taxation	1,119	(2,255)	(1,136)	1,302	(2,705)	(1,403)
Taxation on loss	(286)	538	252	(375)	773	398
Loss for the year	833	(1,717)	(884)	927	(1,932)	(1,005)
Attributable to:						
Owners of the parent	863	(1,610)	(747)	903	(1,915)	(1,012)
Non-controlling interests	(30)	(107)	(137)	24	(17)	7

Earnings per ordinary share	2015 Pence	2014 Pence
Basic	(14.9)	(20.2)
Diluted	(14.9)	(20.2)
Interim dividend paid per ordinary share	3.57	5.10
Final dividend proposed per ordinary share	8.43	8.40

	2015 £000	2014 £000
Directors' remuneration	7,028	8,345

Summary Group Balance Sheet

31 December	2015 £m	2014 £m
Non-current assets	**11,614**	14,574
Current assets	**7,233**	8,118
Assets of disposal groups classified as held for sale	**13**	–
Current liabilities	**(7,754)**	(9,610)
Non-current liabilities	**(9,718)**	(10,011)
Liabilities of disposal groups classified as held for sale	**(46)**	–
Net assets	**1,342**	3,071
Total shareholders' equity and non-controlling interests	**1,342**	3,071

Summary Group Statement of Changes in Equity

	2015 £m	2014 £m
1 January	**3,071**	5,257
Loss for the year	**(747)**	(1,012)
Other comprehensive loss	**(480)**	(222)
	1,844	4,023
Employee share schemes	**60**	71
Purchase of treasury shares	**–**	(422)
Dividends (net of scrip dividends)	**(388)**	(867)
Taxation on share based payments	**(2)**	(5)
Non-controlling interests	**(172)**	271
31 December	**1,342**	3,071

Summary Group Cash Flow Statement

Year ended 31 December	2015 £m	2014 £m
Cash generated from operations	**2,627**	2,049
Taxation and other operating cash flows	**(430)**	(832)
Net cash flow from operating activities	**2,197**	1,217
Net cash flow from investing activities	**(611)**	(651)
Net cash flow from financing activities	**(1,331)**	(663)
Net increase/(decrease) in cash and cash equivalents	**255**	(97)
Cash and cash equivalents at 1 January	**621**	719
Effect of foreign exchange rate changes	**(16)**	(1)
Cash and cash equivalents at 31 December	**860**	621

The Summary Financial Statements on pages 48 and 49 were approved and authorised for issue by the Board of Directors on 18 February 2016 and were signed on its behalf by:

Iain Conn
Chief Executive

Jeff Bell
Group Chief Financial Officer

Summary Directors' and Corporate Governance Report

BOARD CONSTITUTION

Governance profile

Chairman and Chief Executive
The roles of the Chairman and Chief Executive are split and are set out in their respective job descriptions.

Independence
Almost two-thirds of our Board is made up of independent Non-Executive Directors, including the Chairman.

Compliance
The Company complied with the UK Corporate Governance Code in 2015.

Senior Independent Director
Ian Meakins is our Senior Independent Director.

Financial experience
The chair of the Audit Committee is deemed to have recent, relevant financial experience.

centrica.com
For further information on our Board and our corporate governance framework, please refer to our website.

ANNUAL REPORT AND ACCOUNTS

The Auditors have issued an unqualified report on the Annual Financial Statements and the auditable part of the Remuneration Report containing no statement under section 498 of the Companies Act 2006 (the Act). The Auditors' Report in respect of consistency between the Strategic Report and the Group Financial Statements is also unqualified. These Summary Financial Statements are a summary of the Annual Report and Accounts 2015 and the Summary Governance Report contains information from the Annual Report and Accounts but not the full text of that report. They do not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group and of its policies and arrangements concerning the Directors' remuneration as would be provided by the Annual Report and Accounts 2015.

The Annual Report and Accounts 2015 can be downloaded from the Company's website at centrica.com or can be obtained, free of charge, from Equiniti, the Company's Registrars. Shareholders may also elect to receive the Annual Report and Accounts instead of the Annual Review for all future years. Contact details for Equiniti can be found on page 55.

DIVIDENDS

For 2015, an interim dividend of 3.57p per share was paid on 26 November 2015. The Directors propose that, subject to approval at the 2016 Annual General Meeting (AGM), a final dividend of 8.43p per share will be paid on 23 June 2016 to those shareholders registered on 13 May 2016. This would make a total dividend for the year of 12.0p per share (2014: 13.5p per share).

SUMMARY CORPORATE GOVERNANCE REPORT

The Board believes that good corporate governance is central to contributing to Centrica's performance. A clearly defined framework of roles, responsibilities and delegated authorities is in place and this supports the Board's aim to deliver sustainable growth for the benefit of shareholders, employees and customers. The powers of the Directors are set out in the Company's Articles of Association (Articles), which are available on the Company's website. The Articles may be amended by special resolution. In addition, the Directors have responsibilities and duties under legislation, in particular the Companies Act 2006 (the Act).

Board of Directors

We have sought to ensure we have a balanced Board where individual merit and relevance are the key entry requirements but collectively we have an appropriate mix of diversity and skills to ensure constructive debate and thoughtful decision making. In addition, we believe it is important to maintain a blend within the Non-Executive group where some are in full-time executive employment and others are pursuing a non-executive portfolio career path.

A balance of Executive Directors and independent Non-Executive Directors on our Board promotes thorough debate and consideration of the important issues facing Centrica and the Group's performance. At present, there are a total of 11 Directors, of whom four are Executive and six are Non-Executive, in addition to our Chairman. This represents more than half the Board, which satisfies the requirements of the Code.

All of our Non-Executive Directors are considered to be independent and free from any business interest which could materially interfere with the exercise of their judgement. In addition, all of our Non-Executive Directors have assured the Board that they remain committed to their respective roles and, having considered these assurances, the Board is satisfied that each Non-Executive Director is able to dedicate the necessary amount of time to the Company's affairs. Our Non-Executive Directors are members of various Committees of the Board, which are the Audit, the Nominations, the Remuneration and the Safety, Health, Environment, Security and Ethics Committees.

Board appointments, evaluation and development

The Company's current approach to Board composition, evaluation, diversity and succession planning is detailed in the Directors' and Corporate Governance Report in the Annual Report and Accounts.

During the year under review, there were a number of changes to the Board. As announced in December 2014, Ian Meakins succeeded Mary Francis to become the Company's Senior Independent Director with effect from 1 January 2015.

Iain Conn was appointed as a Director of the Company and became Chief Executive on 1 January 2015. In addition, Carlos Pascual and Steve Pusey were appointed as Directors of the Company with effect from 1 January 2015 and 1 April 2015 respectively. Jeff Bell, our Interim Group Chief Financial Officer, was confirmed in post on 1 August 2015 and Mark Hodges was appointed as a Director with effect from 1 June 2015.

The Board has agreed that each Director shall stand for reappointment at each AGM. Details of the Directors of the Company are set out with their biographies and their Board Committee memberships on pages 44 and 45. All new Directors appointed to the Board receive a comprehensive induction programme tailored to meet their individual needs.

Our policy over many years has been to conduct a thorough review of Board process, practice and culture on an annual basis with the input of an external facilitator at least once every three years. The Board considers the annual review of the Board, its Committees and Directors as an essential part of good corporate governance. On each occasion, the Board has received positive reports and has adopted recommendations to improve Board, Committee and individual Director performance.

Recognising that it could take some time for the new Board to 'settle', we undertook an internal Board review in 2015, which is set out in the diagram below:

Internal Board review

Stage 01

November 2015
The completion of Board questionnaires on governance, management and best practice benchmarks; our progress against our improvement agenda; and reflections and insights in response to the Board's evolving context and composition.

↓

Stage 02

January 2016
Interviews between the Chairman and each Director to explore thematic areas and specific points raised in the survey as well as to peer review individual Director performance.

↓

Stage 03

February 2016
Consideration by the Board of the final report on the results of the survey.

↓

Stage 04

March 2016
Feedback meetings on the peer review results.

Ongoing development and training is also provided to all Directors, as agreed with the Chairman. During the year, Directors received regular updates and presentations on changes and developments to the business and to the legislative and regulatory environments in which the Group operates.

Board and senior management diversity

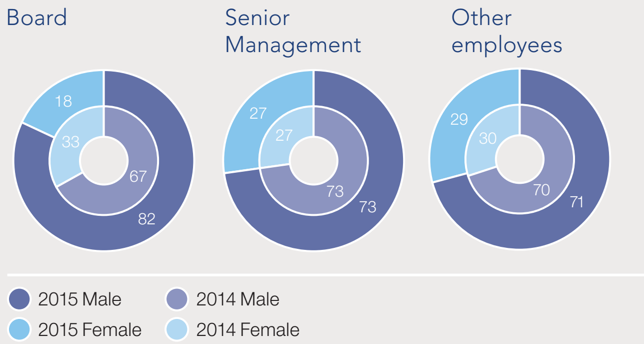
Our employment policies and practices reflect a culture where decisions are based on individual ability and potential in relation to the business' needs. We are committed to promoting equal opportunities and diversity as part of creating an inclusive working environment that attracts and retains the best people and that enables everyone in Centrica to fulfil their potential. Individuals are treated in a non-discriminatory manner at all stages of their employment, including recruitment and selection, reward, training and development and promotion and career development. By delivering on our commitment to diversity and inclusion (D&I) we are able to:

- attract a diverse range of talent which we believe is the 'fuel' for the company of the future;
- create an inclusive environment so that everyone can bring their 'whole self' to work, to be themselves, have their voice heard and contribute to innovation and ideas; and
- ensure people get career opportunities based on merit so that we have the right people in the right jobs.

At senior management level, 27% are women, whilst 29% of employees, excluding the Board and senior management, are women as indicated in the charts below. Our senior management level includes categories of employees as defined in the Act. During the year, Centrica was recognised for our commitment to D&I by a number of awards for our policies promoting and supporting carers, older workers and family-friendly practices.

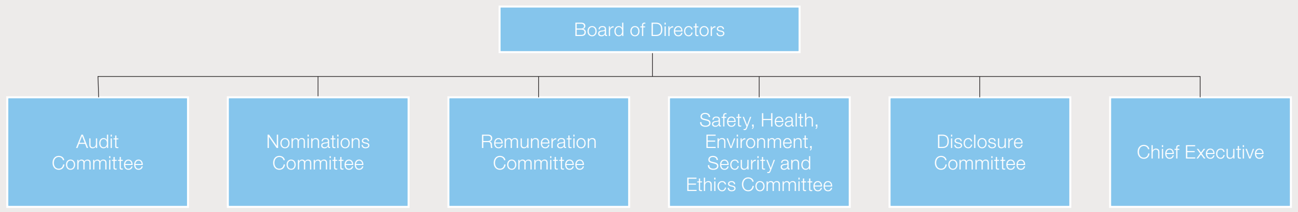
Centrica has various programmes taking place relating to diversity in all its forms. These include coaching and mentoring and our participation in the 30% Club's cross-company, cross-sector mentoring scheme for mid-career women who will benefit from mentoring at the current stage of their career. In partnership with Mars and Vodafone, we launched HitReturn, a new UK programme in the Thames Valley area for senior professionals who have taken a career break as either a parent or a carer. The 12-week paid 'return-ship' offers the opportunity to work on professional assignments and get expert coaching from people who have also returned to work after some time out. Centrica is working with the Women's Business Council which makes recommendations to government and UK businesses on how women's contribution to growth can be optimised.

Breakdown by gender (%)



Summary Directors' and Corporate Governance Report continued

Board governance structure



RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Group's system of financial reporting, internal controls and risk management. The Audit Committee's key function is to support the Board in fulfilling its responsibilities in reviewing the effectiveness of the Company's financial reporting, internal controls and risk management. As part of this role, the Committee provides advice to the Board on whether the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable and provides all the necessary information for shareholders to assess the Company's performance, business model and strategy.

The Board, with the advice of the Audit Committee, has reviewed the effectiveness of the system of risk management and internal control, for the period from 1 January 2015 to the date of this report and is satisfied that the Group complies with the guidance issued by the Financial Reporting Council.

The Board will continue to routinely challenge management in order to ensure that the system of risk management and internal controls is constantly improving and remains fit for purpose.

Relations with shareholders

The Board recognises and values the importance of maintaining an effective investor relations and communication programme. The Board is proactive in obtaining an understanding of shareholder views on a number of key matters affecting the Group and receives formal investor feedback regularly.

In 2015, Centrica's shareholder engagement programme included:

- formal presentations for the announcement of the Group's 2014 preliminary and 2015 interim results;
- meetings between the Chief Executive and Group Chief Financial Officer and the Company's major shareholders during the year;
- meetings between Iain Conn and the Company's major shareholders, as part of Iain Conn's induction process;
- the Chairman of the Remuneration Committee meeting with a number of the Company's major shareholders during the year to discuss the Company's remuneration arrangements;
- the Chairman and Senior Independent Director meeting with major institutional shareholders in order to gain a first-hand understanding of their concerns and key issues and provide regular updates of these to the Board; and
- a meeting with our largest investors and leading proxy advisers to provide insight into the key focus and considerations of the Board and its Committees and a better understanding of the governance measures operating across the business.

The Company's AGM provides all shareholders with the opportunity to develop further their understanding of the Company. Shareholders can ask questions of the full Board on the matters put to the meeting, including the Annual Report and Accounts and the running of the Company generally. The Company intends to send the Notice of AGM and any related papers to shareholders at least 20 working days before the meeting. All Directors, including Committee Chairmen, are in attendance at the AGM to take questions, unless unforeseen circumstances arise.

At the AGM, the Chairman and the Chief Executive present a review of the Group's business. A poll is conducted on each resolution at all Company general meetings. All shareholders have the opportunity to cast their votes in respect of proposed resolutions by proxy, either electronically or by post. Following the AGM, the voting results for each resolution are published and are available on our website.

Ian Meakins, the Senior Independent Director, is available to shareholders if they have concerns that contact through the normal channels has failed to resolve.

Our website contains up-to-date information for shareholders and other interested parties including annual reports, shareholder circulars, share price information, news releases, presentations to the investment community and information on shareholder services.

Summary Remuneration Report

EXECUTIVE DIRECTORS' REMUNERATION

The Remuneration Committee (Committee) believes that the remuneration arrangements are completely aligned with the Executive Directors' (Executives) underlying commitment to act in the best interests of sustainable shareholder value creation, whilst ensuring behaviours remain consistent with the governance and values of the business.

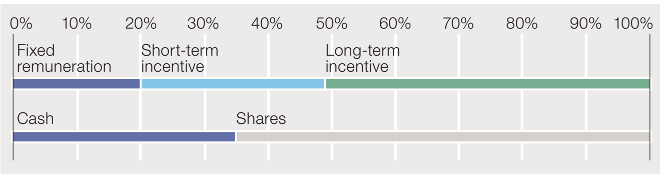
Key objectives of reward framework

The Remuneration Policy aims to deliver a remuneration package:

- to attract and retain high calibre Executives in a challenging and competitive business environment;
- that delivers an appropriate balance between fixed and variable compensation for each Executive;
- that places a strong emphasis on performance, both the short term and long term;
- strongly aligned to the achievement of strategic objectives and the delivery of sustainable value to shareholders; and
- that seeks to avoid creating excessive risks in the achievement of performance targets.

Reward framework

The core design of the total remuneration framework for Executives ensures that a substantial portion of the maximum opportunity is dependent upon performance as indicated in the chart below. Total remuneration comprises fixed pay and variable performance related pay, which is further divided into short-term incentive (with a one-year performance period) and long-term incentive (with a three-year performance period).



Our KPIs, which are set out in detail on pages 20 and 21, influence the design and underpin the selection of performance criteria used within the incentive arrangements as demonstrated in the KPIs and incentives table below. If overall performance is not deemed satisfactory, the award for any year may be reduced or forfeited, at the discretion of the Committee.

Remuneration Policy

In April 2015, we asked shareholders to approve our new Remuneration Policy as well as the new LTIP for Executives. We were pleased to receive votes in support from over 91% of our shareholders for both of these resolutions. We believe the new policy represents a simpler remuneration structure for our Executives and better alignment with the strategic direction of the Group. Overall maximum remuneration has been reduced and the stretching financial and non-financial targets reflect the KPIs that have been set for the business.

The remuneration structure has been designed with a large proportion of awards being delivered in shares which have holding periods of up to five years. Malus and clawback apply to both cash and share awards. In addition, Executives have a minimum shareholding requirement of 200% of gross salary and all vested shares will be held until this level has been reached.

As set out in the Chief Executive's statement, the primary long-term financial goal for the Group is now adjusted operating cash flow (AOCF) growth. In order to ensure continued alignment of Executive remuneration, the Committee believes that AOCF should be the basis of the Annual Incentive Plan (AIP) financial measure. After consulting with a number of key shareholders who indicated strong support, the Committee decided to exercise its discretion and set an AOCF related target for 2016. A summary of the Remuneration Policy is provided over pages 66 to 71 of the Annual Report and Accounts revised only to reflect this amendment.

Performance for the year

Our short-term incentive targets for 2015 were based on adjusted operating profit and achievement against individual strategic objectives, measured in line with the Group's performance management process.

Although Group adjusted operating profit decreased compared with the previous year, this was against a challenging environment with further falls in wholesale gas and power prices during the year. Weak performance in British Gas Business and Direct Energy Services was offset by good results elsewhere in the Group which, together with a strong contribution from Bord Gáis Energy contributed to an increase in total downstream operating profit of 19%. As a result, Group financial performance under the AIP was a fraction ahead of target.

For our long-term incentive plans, performance against Economic Profit (EP), Earnings Per Share (EPS) and non-financial KPIs was measured.

Despite solid performance against our non-financial KPIs across the three-year performance period ending with 2015, as the Group EP target under both the Long Term Incentive Scheme and the Deferred and Matching Share Scheme were not met, there will be no payouts in 2016 for the Executives under either of the long-term incentive plans.

Further detail on targets and outcomes relating to the year as well as total remuneration received in respect of 2015 is set out on pages 64 and 65 of the Annual Report and Accounts.

KPIs and incentives

KPI	Incentive link
Adjusted operating cash flow (AOCF)	AIP primary financial measure (2016)
Adjusted operating profit	AIP primary financial measure (2015), LTIP economic profit three-year measure
Adjusted basic earnings per share (EPS)	LTIP EPS growth measure
Total shareholder return (TSR)	AIP deferred share investment and minimum shareholding requirement
Lost time injury frequency rate (LTIFR)	LTIP non-financial KPI dashboard
Process safety	LTIP non-financial KPI dashboard
Customer satisfaction	LTIP non-financial KPI dashboard
Employee engagement	LTIP non-financial KPI dashboard

Summary Remuneration Report continued

The Directors' Annual Remuneration Report is set out in full on pages 72 to 79 of the Annual Report and Accounts.

DIRECTORS' REMUNERATION IN 2015
Single figure for total remuneration (audited)

£000	**Salary/ fees 2015**	Salary/ fees 2014	**Bonus (cash) 2015**	Bonus (cash) 2014	**Bonus (deferred) 2015**	Bonus (deferred) 2014	**(xi) Benefits 2015**	(xi) Benefits 2014	**(xii) LTIPs 2015**	(xiii) LTIPs (restated) 2014	**(xiv) Recruit-ment award 2015**	Recruit-ment award 2014	**(xv)(xvi) Pension 2015**	Pension 2014	**Total 2015**	Total (restated) 2014
Executives																
Iain Conn(i)	**925**	–	**581**	–	**581**	–	**29**	–	**–**	–	**616**	–	**277**	–	**3,009**	–
Jeff Bell(ii)	**229**	–	**116**	–	**116**	–	**10**	–	**–**	–	**–**	–	**58**	–	**529**	–
Mark Hanafin	**621**	606	**361**	–	**361**	432	**24**	25	**–**	660	**–**	–	**249**	265	**1,616**	1,988
Mark Hodges(iii)	**365**	–	**230**	–	**230**	–	**20**	–	**–**	–	**–**	–	**91**	–	**936**	–
Sam Laidlaw(iv)	**–**	967	**–**	592	**–**	–	**–**	61	**–**	1,234	**–**	–	**–**	418	**–**	3,272
Nick Luff(v)	**–**	407	**–**	–	**–**	–	**–**	28	**–**	–	**–**	–	**–**	187	**–**	622
Chris Weston(vi)	**–**	605	**–**	–	**–**	–	**–**	46	**–**	–	**–**	–	**–**	166	**–**	817
															6,090	6,699
Non-Executives																
Rick Haythornthwaite	**495**	495	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**495**	495
Margherita Della Valle	**88**	88	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**88**	88
Lesley Knox	**85**	85	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**85**	85
Mike Linn	**73**	65	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**73**	65
Ian Meakins	**85**	65	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**85**	65
Carlos Pascual(vii)	**65**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**65**	–
Steve Pusey(viii)	**49**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**49**	–
Mary Francis(ix)	**–**	105	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	105
Paul Rayner(x)	**–**	65	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	65
															940	968
Total															**7,030**	7,667

(i) Iain Conn was appointed as Chief Executive on 1 January 2015.
(ii) Jeff Bell was appointed as an Executive Director on 1 August 2015.
(iii) Mark Hodges was appointed as an Executive Director on 1 June 2015.
(iv) Sam Laidlaw retired from Centrica on 31 December 2014.
(v) Nick Luff resigned as an Executive Director on 31 August 2014.
(vi) Chris Weston resigned as an Executive Director on 30 December 2014.
(vii) Carlos Pascual was appointed as a Non-Executive Director on 1 January 2015.
(viii) Steve Pusey was appointed as a Non-Executive Director on 1 April 2015.
(ix) Mary Francis resigned as a Non-Executive Director on 31 December 2014.
(x) Paul Rayner resigned as a Non-Executive Director on 31 December 2014.
(xi) Taxable benefits include car allowance, health and medical, financial planning advice and long service awards. Non taxable benefits include matching shares received under the Share Incentive Plan and the gain from any options exercised under the HMRC-approved Sharesave plan.
(xii) The long-term incentives include the value of the LTIS and DMSS matching awards due to vest in April 2016, relating to the three-year performance period ending in 2015. The performance targets have not been met and these awards therefore will not vest. Full details of the performance outcome are set out on pages 73 and 74 of the Annual Report and Accounts.
(xiii) The long-term incentives vesting in respect of 2014 have been recalculated based on the share price on the date of vest which was 257p. The previous disclosure in the 2014 single figure table used an estimated share price.
(xiv) The recruitment award shares vesting in April 2016 have been valued to calculate an estimated payout using the share price at 31 December 2015 which was 218p. The value of the estimated dividend equivalent shares has been included. The Committees's assessment of performance against the targets that were set for the first tranche of this award is set out on page 75 of the Annual Report and Accounts.
(xv) Notional contributions to the CUPS DC scheme for Mark Hanafin and Jeff Bell (less an allowance for CPI inflation of 2.7% in 2014 and 1.3% in 2015) have been included in this table as if CUPS DC were a cash balance scheme. Jeff Bell joined the scheme on 1 August 2015 and the figure shown above represents the notional accumulated value of his CUPS DC benefits as at 31 December 2015.
(xvi) Iain Conn and Mark Hodges are entitled to receive a salary supplement of 30% and 25% of base pay respectively.

Shareholder Information

This section provides shareholders with key information to assist in the management of their shareholding.

MANAGING YOUR SHARES

Manage your shares online

We actively encourage our shareholders to receive communications via email and view documents electronically via our website, centrica.com. Receiving communications and Company documents electronically saves our Company money and reduces our environmental impact.

If you sign up for electronic communications, you will receive an email to notify you that new shareholder documents are available to view online, including the Annual Report and Accounts and Annual Review on the day they are published. You will also receive alerts to let you know that you can cast your AGM vote online.

You can also manage your shareholding online by registering for Shareview at shareview.co.uk, a free, secure online site where you can access your information and complete a number of functions including:

- viewing information about your shareholding or dividend payments;
- updating your records, including changing your address or bank mandate instructions; and
- appointing a proxy for the AGM.

Centrica FlexiShare

FlexiShare is an easy way to hold Centrica shares without a share certificate. Your shares are held by a nominee company, Equiniti Corporate Nominees Limited, however, you are able to attend and vote at general meetings as if the shares were held in your own name. Holding your shares in this way is free and comes with a number of benefits:

- low cost share dealing rates, full details of which are available on the Shareholder Centre together with dealing charges;
- no replacement share certificate charges if your share certificate is lost or destroyed; and
- quicker settlement periods for buying and selling shares.

Centrica.com

The Shareholder Centre on our website includes frequently asked questions and forms that are available to download to:

- register for electronic communications;
- transfer your shares;
- change your registered name or address;
- register a lost share certificate and obtain a replacement;
- consolidate your share certificates;
- manage your dividend payments;
- buy, sell or transfer shares through Centrica FlexiShare; and
- notify the death of a shareholder.

A wealth of other information is also available on our website, including:

- regular updates about our business;
- financial results;
- comprehensive share price information;
- dividend payment dates and amounts;
- the Company's Articles of Association; and
- share and dividend history.

This Annual Report and Accounts can also be viewed online by visiting centrica.com/ar15.

General enquiries

Centrica's share register is administered and maintained by Equiniti, our Registrar, whom you can contact directly if you have any questions about your shareholding which are not answered here or on our website. You can contact Equiniti at the following:

Address: Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom.

Telephone: 0371 384 2985*
Outside the UK: +44 (0)121 415 7061

Textphone: 0371 384 2255*
Outside the UK: +44 (0)121 415 7028

Website: help.shareview.co.uk

* Calls to an 03 number cost no more than a national rate call to an 01 or 02 number. Lines open 8.30am to 5.30pm, Monday to Friday (UK time), excluding public holidays in England and Wales.

When contacting Equiniti or registering via shareview.co.uk, you should have your shareholder reference number at hand. This can be found on your share certificate, dividend tax voucher or any other correspondence you have received from Equiniti.

If you hold less than 2,500 shares, you will be able to change your registered address or set up a dividend mandate instruction over the phone, however, for security reasons, if you hold more than 2,500 shares, you will need to put this in writing to Equiniti.

Together with Equiniti, we have introduced an electronic queries service to enable our shareholders to manage their investment at a convenient time. Details of this service can be found at shareview.co.uk.

Duplicate documents

If you receive more than one copy of shareholder documents, it is likely that you have multiple accounts on the share register, perhaps with a slightly different name or address. To combine your shareholdings, please contact Equiniti and provide your shareholder reference numbers. This also helps us to reduce our environmental impact and save paper.

Shareholder Information continued

RANGE ANALYSIS OF REGISTER
Breakdown of shareholdings overall

Range	Number of holdings	Percentage of issued share capital*
1 – 500	441,900	2.0%
501 – 1,000	93,513	1.3%
1,001 – 5,000	63,670	2.3%
Over 5,001	7,346	94.4%
Total*	606,429	100%

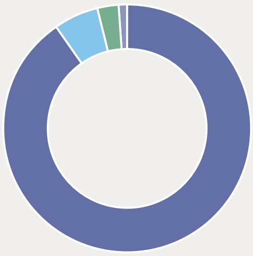
* excludes shares held in Treasury.

RANGE ANALYSIS OF REGISTER
Breakdown of shareholdings with over 5,001 shares

Range	Number of holdings	Percentage of issued share capital*
5,001 – 10,000	4,476	0.6%
10,001 – 50,000	1,827	0.7%
50,001 – 100,000	188	0.3%
100,001 – 1,000,000	495	3.5%
1,000,001 – maximum	360	89.3%
Total*	7,346	

* excludes shares held in Treasury.

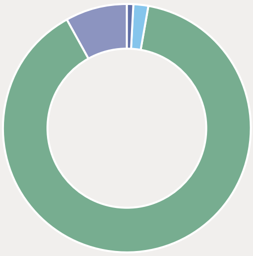
Share distribution



	Number of shares
Institutions	4,635,446,843
Individuals	303,647,145
Centrica FlexiShare	130,746,942
Treasury	58,705,016

When including Centrica FlexiShare holders, individual shareholders equate to 98% of the Company's registered shareholders with institutions making up the remaining 2%. The 98% of individual shareholders hold 8.6% of the Company's issued share capital with institutional investors holding 91.4%. These figures exclude shares held in Treasury which represent 1.2% of the Company's issued share capital.

Shareholder communication preferences as at 31 December 2015

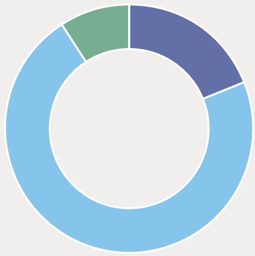


	Number of holdings
Hardcopy Annual Report	5,576
Hardcopy Annual Review	15,916
Notice of Availability	600,407
Electronic communication	54,369

The Company spends over £200,000 on postage of its Annual Report and Accounts and related documents.

Help us to reduce our costs and to reduce our environmental impact by signing up now for electronic shareholder communications. Register now at shareview.co.uk and you will be notified as soon as new shareholder documents are available online.

Shareholder dividend preferences for the 2015 interim dividend



	Number of shares
Scrip dividend reinvestment	959,641,113
Bank mandate	3,647,174,960
Cheque	446,591,274

If you elect to receive cash dividends you are encouraged to have your dividends paid directly to your bank or building society account. This means that you will receive the money on the day it is paid which avoids the risk of dividend cheques being delayed or lost in the post.

TELL SID
2016 is the 30th anniversary of the privatisation of British Gas Corporation in 1986. The famous 'Tell Sid' advertising campaign prompted hundreds of thousands of people to buy shares in British Gas plc. Anyone who kept their British Gas plc shares now owns stakes in BG Group plc and National Grid plc as well as Centrica plc. Our 'Sid' shareholders continue to make up an important part of our shareholder base accounting for 22.5% of our shareholders.

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Disclaimer

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

This Annual Review 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.

CENTRICA PLC

Registered office:
Millstream
Maidenhead Road
Windsor
Berkshire
SL4 5GD

Company registered
in England and Wales
No. 3033654

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