



Centrica

'We continued to make progress
by concentrating on what our
customers want.'

Sir Michael Perry, Chairman

Before exceptionals and goodwill amortisation including joint ventures and associates

Earnings per share (pence)

| | |
|----|------|
| 02 | 15.2 |
| 01 | 12.1 |
| 00 | 10.2 |
| 99 | 7.9 |
| 98 | 4.0 |

Operating profit (£m)

| | |
|----|-----|
| 02 | 932 |
| 01 | 679 |
| 00 | 526 |
| 99 | 424 |
| 98 | 213 |

After exceptionals and goodwill amortisation including joint ventures and associates

Earnings per share (pence)

| | |
|----|------|
| 02 | 11.4 |
| 01 | 8.1 |
| 00 | 8.4 |
| 99 | 4.3 |
| 98 | 2.1 |

Operating profit (£m)

| | |
|----|-----|
| 02 | 809 |
| 01 | 511 |
| 00 | 452 |
| 99 | 275 |
| 98 | 128 |

Centrica's vision is to be a leading supplier of essential services in our chosen markets. Our strategy is to retain and attract customers in our core businesses with continual improvements in service and value, while at the same time developing new opportunities in the UK and internationally.

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Visit our websites

You can find out more about Centrica and the businesses in our group by visiting our websites.

www.centrica.com provides information about the group, including our corporate responsibility activity, and shareholder services.

You can find out more about the products and services we offer by visiting our customer sites:

- www.theAA.com
- www.house.co.uk
- www.britishgasbusiness.co.uk
- www.goldfish.com
- www.onetel.co.uk
- www.directenergy.com
- www.energyamerica.com
- www.luminus.be

Throughout this document references to British Gas include Scottish Gas.

All operating profit numbers and earnings are stated, throughout the commentary, before exceptionals and goodwill amortisation unless otherwise stated. The directors believe this measure assists with understanding the underlying performance of the group. The equivalent amounts after exceptionals and goodwill amortisation are reflected in the segmental analysis on page 13 and are reconciled at group level in the summary group profit and loss account on page 12.



Our strong brands, enhanced customer insight and asset management expertise will continue to enable us to create value for customers and shareholders.

During 2002, Centrica continued to make progress towards our vision of 'taking care of the essentials' for customers in our chosen markets. We have done this by concentrating on what our customers want. This has led to top-line growth across our business units and helped drive adjusted earnings per share up 26% (before exceptional items and goodwill amortisation).

We took significant steps to ensure that British Gas remains the market leader in residential energy and continues to improve its performance in other home services. The AA had a year of solid performance as we repositioned the AA brand to increase awareness of the wide range of products and services available to motorists. Our North American business has made progress despite a challenging regulatory environment.

Centrica remains well placed to compete in an increasingly international energy marketplace where we expect further consolidation.

In the UK, the measures to underpin a competitive energy market enable us to continue to deliver benefits to customers. In the wider European context, good progress was made towards agreeing a framework for introducing competition to the entire energy market. In addition a number of important improvements were made to the competitive conditions in the UK telecoms market but there is still further work to be done.

Dividend

The board of directors is proposing a final dividend of 2.6 pence per share to be paid in June 2003. When combined with the interim dividend of 1.4 pence per share paid in November 2002, the total dividend for 2002 would be 4.0 pence per share. This represents an increase of 29% on the previous year and reflects our positive medium term outlook for both earnings and cash flow.

The board of directors

We announced a number of changes to the board during the year. Sir Sydney Lipworth retired at the annual general meeting in May and we are most grateful for the significant contribution he made to the development of Centrica. In September we announced the appointment of Helen Alexander and in October the appointment of Robert Tobin as non-executive directors with effect from 1 January 2003. I am delighted that Helen and Robert have joined us. Their considerable experience will further strengthen the board.

Corporate responsibility

We recognise that creating sustainable shareholder value depends on a full understanding of our impact on society and the responsible management of our business in a manner consistent with our values and principles. To this end, we established a corporate responsibility committee which sets the framework for developing and reporting our efforts in this area. Our approach was recognised by our inclusion in the FTSE4Good and Dow Jones Sustainability indices.

We recognise that creating sustainable shareholder value depends on a full understanding of our impact on society.

The future

Centrica remains well placed to compete in an increasingly international energy marketplace where we expect further consolidation. Our strong brands, enhanced customer insight and asset management expertise, combined with our financial and operational scale, will continue to enable us to create value for customers and shareholders alike.

The collective efforts of all Centrica employees have ensured that we have made further progress towards our vision during 2002. I would like to thank them for their commitment and I look forward to working with them to deliver the business performance, which will provide our customers with the service that they want and reward our shareholders appropriately.

Sir Michael Perry GBE
Chairman

Centrica at a glance

Every day we touch the lives of millions of people. Through our leading brands, Centrica provides warmth, comfort and peace of mind.

People know us through our brands but behind those brands lie the skill, knowledge and expertise of thousands of employees.

Centrica has unrivalled experience in providing essential services to people in their homes and on the road.



British Gas

www.house.co.uk

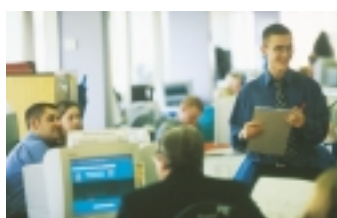
Gas: We supply gas to homes throughout Britain, under the British Gas and Scottish Gas brands. Against the background of a highly competitive energy market, millions of customers continue to choose us as their gas supplier.

Electricity: Since the residential electricity market opened to competition in 1998 we've become one of the largest suppliers of electricity in Britain.

We are committed to providing our customers with excellent service and great value for money.

Telecommunications: British Gas Communications was launched in September 2000, and offers customers fixed line, mobile and internet services.

Home services: We continue to be the largest provider of gas central heating installation and servicing in the country. We also offer our customers the reassurance of protection in other areas of the home, providing services for kitchen appliances, plumbing and drains, electrical wiring and home security systems.



Centrica Business Services

www.britishgasbusiness.co.uk

During the year we created Centrica Business Services.

We supply gas, electricity and telecoms to industrial and commercial customers across Britain using the British Gas, Scottish Gas and One.Tel brands.

In addition to increasing our share of the energy market for small and medium sized enterprises, we are creating broader bundled offers. These build on emerging operational synergies, as well as our local and national presence.



Centrica energy management group (CEMG)

www.centrica.com

Gas and electricity operations: Our equity gas production and electricity generation capabilities, along with third party supply and transportation contracts are managed to optimise value and assure reliable supply for customers.

Energy trading: Our trading and wholesaling business, Accord Energy, trades with all the major participants in the

wholesale UK energy market and is an active player in the emerging European markets.

We aim to enhance the service we provide to our customers and the value we give to our shareholders by continually deepening our understanding of what our customers want.

We do this by training our people, enhancing our systems and developing our brands. Centrica strives to ensure that all our experience and knowledge is shared across our businesses for the benefit of customers and shareholders alike.



The AA

www.theaa.com

Roadside services: We provide reassurance and services to motorists in the UK and Ireland through the AA. The roadside assistance service remains at the core of our activities, with members choosing the level of cover that best suits their needs.

are a growing provider of personal loans and financial services.

Other AA services: AA Service Centres offer a range of maintenance and repair services to motorists across Britain.

Personal finance: We are the UK's number one independent insurance intermediary, and we

We are the only national driving school exclusively using fully qualified driving instructors.



One.Tel

www.onetel.co.uk

With a fresh and innovative approach, we provide a range of landline, mobile and internet services across the UK.

Our mobile service offers one of the lowest monthly line rental charges in the country.

One.Tel)))



Goldfish Bank

www.goldfish.com

Building on the success of the Goldfish card, we have launched the Goldfish Bank in partnership with Lloyds TSB to develop a wide range of financial services products.

New products include a savings account, personal loans and a guaranteed savings bond.



North America and Europe

www.directenergy.com
www.energyamerica.com
www.luminus.be

North America: Through Direct Energy in Canada and Energy America in the US we supply energy to homes and businesses in several provinces and states.

ventilation installation and maintenance services.

Our Direct Energy home services division provides heating and

Europe: Our joint venture energy business, Luminus, is an active participant in the liberalising Belgian market.





We have a strong business with leading market positions and I am confident that our strategy will continue to deliver value for our shareholders.

During 2002 we have continued to see strong overall financial performance, in particular from our core UK energy business, where improvement in margins and growth were accompanied by new momentum in our services to business customers and expansion of our upstream energy asset portfolio. Our AA roadside and personal finance operations continue to deliver solid underlying profit growth and at Goldfish we are developing a more focused product range. Despite slow regulatory progress in our UK telecoms and North American energy markets, we are expanding in both businesses.

Turnover and profitability

Group turnover (excluding Accord trading revenue) was £10 billion in 2002, up 11% from the previous year. Higher sales to our business customers – through Centrica Business Services – were complemented by an increase in residential electricity sales as well as growth in North America, the AA's roadside and personal finance businesses, home services and One.Tel. UK gas sales volumes were lower, largely due to unusually warm weather in the first and fourth quarters of the year.

Customer service

We maintained our focus on improving customer service across all of our brands. We are now placing greater importance on qualitative and value-based measures which are built into a scorecard evaluation and reflected in the remuneration of staff at all levels.

As a result of our focus on these areas, we continue to be highly rated by external agencies. In particular, the AA won the JD Power & Associates 2002 UK Roadside Assistance Study award for customer satisfaction for the

third time in five years. Further accolades include Which? magazine naming the AA as the UK's best motoring organisation, and www.house.co.uk winning the 2002 Customer Management National E-commerce Customer Service Award.

Outlook

We are now moving from a period of considerable investment in growth opportunities and strategic market entries, to a period of delivery from these investments, underpinned by new customer relationship management (CRM) systems and common processes for building deeper customer relationships.

For British Gas, we expect continuing recovery in residential gas margins and further electricity growth to improve profit, although this will be partially offset by the higher costs of the government's Energy Efficiency Commitment and peak CRM system implementation expenses through to 2004. We expect the benefits from CRM to drive further medium term growth in British Gas operating margins.

The launch of Centrica Business Services has resulted in increased management focus on the commercial energy market, and on growing product portfolios. We expect to increase market share and profitability in the future.

We anticipate output from our Morecambe Bay gas production facilities to decline by around 10% a year. However, this will be offset over time by gas from other assets we currently hold, or will acquire.

We expect the profitability of the AA to continue to improve, with expenditure on information technology peaking in 2003. For One.Tel, we expect that regulatory improvements will warrant renewed

investment in brand and product marketing at the same time as developing our growing mobile and internet businesses. For Goldfish, significant improvement to credit card and loans contributions are expected in 2003 and, with a more focused rollout of new products, breakeven will occur towards the end of the year.

We are now moving from a period of considerable investment in growth opportunities and strategic market entries, to a period of delivery from these investments.

North America continues to offer significant opportunities, given our focus on the marketing and service elements of deregulated energy supply. We continue to lobby to maintain legal frameworks and pricing controls, which allow sufficient headroom to attract new market entrants. We will build the business through either organic growth, or through the acquisition of customers from existing suppliers. The timing for achievement of our broader scale ambition in North America will also depend upon the availability and pace of key acquisition opportunities.

Our strategy in continental Europe is to build a significant customer base in the medium term. Although the pace of energy deregulation varies across individual countries the whole of the European Union residential energy market is expected to be open by mid 2007.

We are focusing on those countries where markets are opening more quickly and regulatory and political conditions are more favourable.

Employees

Our employees are central to the delivery of our strategy and we need to continue to attract and retain high quality, highly motivated people. I am committed to making Centrica an employer of choice and the recent accreditation of our AA brand unit as 'Investors in People' is just one indication that we are developing the highest standards of employment policies and practices. Increased scores in our satisfaction survey in 2002 demonstrate that our employees share our vision and are committed to delivering our strategy. I would like to join the chairman in thanking them all for their ongoing and valued commitment.

Conclusion

To sum up, we have a strong business with leading market positions. Our core businesses are growing and are strongly cash generative and our investment in new businesses is proceeding as market opportunities emerge. I am confident therefore that our strategy will continue to deliver value for shareholders.

Sir Roy Gardner
Chief Executive

British Gas

2002 saw progression in the financial performance of the business. This was helped by improved gas margins, continuing growth in electricity and home services and reduced

losses in communications. Some of this improvement was due to a reversal of the over-recovery of transportation payments to pipeline operator Transco made in the previous year.

During 2002 we integrated our energy and home services activities to give us a greater understanding of our customers, and to increase revenue and operational efficiencies. We are now well placed to offer a wide range of reliable products and services with the aim of becoming Britain's leading home services provider. We are making major investments to enhance the quality of service we provide to customers. Investing in our staff helps us build durable relationships with our customers, so we are increasing the number of engineers and building up skills and expertise. Our operations will benefit from our investment in customer relationship management (CRM) infrastructure, leading to improved service levels and lower costs.

Home services



www.house.co.uk gives customers online access to British Gas 24 hours a day.

Our home services business grew strongly, with higher revenues from installing and maintaining central heating systems. New services such as home electrical care were also well received. We are the only major energy supplier to deliver such a wide range of services under our own brand using our own people. This gives us a competitive advantage and provides a strong incentive for customers to stay with us.

Key home services performance indicators

| | 2002 | 2001 | Δ % |
|--|--------------|--------------|-----------|
| Customer relationships (period end) (000) | | | |
| Central heating service contracts | 3,482 | 3,314 | 5 |
| Kitchen appliances care (no. of appliances) | 871 | 562 | 55 |
| Plumbing and drains care | 905 | 743 | 22 |
| Electrical care | 367 | 143 | 157 |
| Home security | 28 | 28 | - |
| Total relationships | 5,653 | 4,790 | 18 |
| Central heating installations | 102 | 109 | (6) |
| Total turnover (£m) | 810 | 722 | 12 |
| Total operating profit (£m) | 61 | 36 | 69 |

The number of engineers we employ grew by 13% in 2002 and we have set up the British Gas Engineering Academy to co-ordinate the recruitment, training and development of our engineers throughout the company. Our plan is to train about 5,000 new engineers in the next five years.

British Gas Communications

Key British Gas Communications performance indicators

| | 2002 | 2001 | Δ % |
|---|------|-------|-----|
| Customer numbers (fixed line) (period end) (000) | | | |
| | 367 | 400 | (8) |
| Turnover (£m) | 52 | 37 | 41 |
| Operating profit (£m) | (35) | (101) | 65 |

The efficiency and value of our telecoms business was greatly improved by transferring British Gas call traffic to our One.Tel managed switches. These enable us to use the lowest cost routing for each call. An improved system of carrier pre-selection, which replaces the need to use an adaptor box to route calls, has been introduced as standard with all new connections since July. Initial results have seen an increase in average revenue per customer.



British Gas serves millions of customers every day.

Residential energy

Key residential energy performance indicators

| | 2002 | 2001 | Δ % |
|--|--------|--------|---------|
| Customer numbers (period end) (000) | | | |
| Residential gas | 12,839 | 13,451 | (4.5) |
| Residential electricity | 5,795 | 5,374 | 8 |
| Estimated market share (%) | | | |
| Residential gas | 64 | 67 | (3 pts) |
| Residential electricity* | 22 | 21 | 1ppt |
| Turnover (£m) | | | |
| Residential gas | 3,805 | 4,029 | (6) |
| Residential electricity | 1,380 | 1,121 | 23 |
| Operating profit (£m) | | | |
| Residential energy | 218 | 19 | n/m |

During the year our share of residential energy customers has remained steady at 40% of the total market. Customer losses reflect a longer term trend of stabilising market share and the rate at which people are switching suppliers has shown signs of slowing down. While we expect the result of this reduced industry churn to be slower growth in our residential electricity customer base than we had previously anticipated, reduced customer acquisition expenses should contribute to better electricity profits. Against this background of lower industry



churn, we have still managed to grow our electricity customer numbers by 8%. Our market share for residential gas at the end of the year was around 64%. In residential electricity we estimate our market share at year end was 22%.

We believe selling practices across the energy industry must continue to improve and we have taken a leading role in developing a new code of sales practice, and in removing commission-only sales agents.



We continue to invest in the development of employees.

Δ % has been used to express 'percentage change'
n/m has been used to represent 'not meaningful'.

Centrica Business Services

Centrica Business Services has become the leading supplier of energy to the UK commercial sector during the year with 27% of the market (measured by share of supply points). This amounts to 51% of the gas market and 20% of the electricity market.

We set out to maintain our position in the gas market, keeping our focus on customer service and value, rather than aggressively acquiring market share.

We completed the integration of Enron Direct, which we acquired at the end of 2000, and expanded the business with the acquisition of Electricity Direct. These acquisitions and better targeted organic growth have led to a 39% increase in average electricity consumption per customer.

Towards the end of the year we added to our range of services by launching a telecoms product under the One.Tel brand.



Centrica Business Services focuses on the needs of small and medium sized enterprises.



We now have interests in four power stations across the country.

Key Centrica Business Services performance indicators

| | 2002 | 2001 | Δ % |
|--|------------|------------|-----------|
| Customer supply points (period end) (000) | | | |
| Gas | 383 | 389 | (1.6) |
| Electricity | 516 | 337 | 53 |
| Turnover (£m) | 971 | 581 | 67 |
| Operating profit (£m) | 65 | 44 | 48 |

The AA

The underlying profitability of the AA's core roadside and personal finance businesses continued to grow in 2002. Key to this growth was the investment in the 'Just AAsk' campaign to reposition the AA brand. As a result of the campaign product awareness increased from 33% to 43%. This repositioning of the brand supports the AA's continued drive towards providing end-to-end motoring services to members and cross-sales across the whole product range.

TheAA.com website, which provides an easy way to buy AA products online, attracted 21 million visitors and supplied 16 million route maps in 2002. Judged the most popular UK motoring related site in 2002, it also won a national award for e-business strategy.



All our patrols are being equipped with diagnostic computers.

The AA continues to act as the independent voice of the motorist. Highlights included February's launch of EuroRAP, a system to give a safety star rating to Europe's roads, and the Chancellor's budget commitment not to make any further fuel tax increases.

AA roadside services

Membership numbers grew during the year, with our share of the personal and business market rising to 31%. Customer satisfaction levels were also up two points at 68%. The AA won the JD Power & Associates UK Roadside Assistance Study award for customer satisfaction and was named the UK's best motoring organisation in a Which? magazine survey.

We continued to invest in new patrol vehicles, route guidance technology and management systems, and AA patrols received the first of their new all weather diagnostic computers, helping them to fix more faults at the roadside. This system is being rolled out to all our 3,600 patrols in 2003. Our AA training college trained 125 new patrols as well as Service Centre technicians during the year.

AA personal finance

More than 70,000 car and personal loans were taken out during 2002, with product awareness

Key AA performance indicators

| | 2002 | 2001 | Δ % |
|-------------------------------------|------------|------------|-----------|
| Roadside services | | | |
| Customer numbers (period end) (000) | 12,975 | 12,194 | 6 |
| Personal finance | | | |
| Insurance customers (000) | | | |
| Motor | 959 | 906 | 6 |
| Home | 664 | 618 | 7 |
| Loans (fixed term) book size (£m) | 661 | 428 | 54 |
| AA Service Centres | | | |
| Site numbers | 129 | 129 | - |
| Turnover (£m) | 760 | 689 | 10 |
| Operating profit (£m) | 73 | 72 | 1 |





Centrica energy management group

Centrica energy management group (CEMG) controls our upstream operations: gas production and storage, electricity generation, large volume industrial and wholesale gas sales and energy procurement. Competitively priced supplies play a key part in ensuring the success of our customer focused businesses.

Gas production

Upstream gas profits fell in line with the reduction in wholesale prices. During the year, a number of transactions were concluded in line with our strategy of increasing gas equity ownership beyond the Morecambe fields. Centrica customers will benefit from an estimated 135 billion cubic feet (1.3 billion therms) of additional gas acquired. Production volumes represented 27% of our downstream demand in 2002.



Key CEMG performance indicators

| | 2002 | 2001 | Δ % |
|-------------------------------------|------------|------------|------------|
| Gas production and storage | | | |
| Total production volumes (m/therms) | 4,056 | 4,287 | (5) |
| Turnover* (£m) | 932 | 1,033 | (10) |
| Operating profit (£m) | 448 | 552 | (19) |
| Industrial and wholesale | | | |
| Operating profit (£m) | 72 | 5 | n/m |
| Accord | | | |
| Operating profit (£m) | 0 | 16 | (100) |
| CEMG operating profit (£m) | 520 | 573 | (9) |

*91% was to group companies.

Storage

In November, Centrica acquired the Rough gas storage facilities in the North Sea. During the period of Centrica's ownership, turnover was £9 million with an operating profit of £1 million. The Secretary of State for Trade and Industry has to decide whether to clear the acquisition, refer it to the Competition Commission for further investigation or accept undertakings in lieu of a reference.

Industrial sales and wholesaling

Sales volumes were down by 8% against 2001, but profits rose due to better gross margins and a one-off profit on the termination of a European gas supply contract.

Electricity generation

Our interests in four power stations and in the entire output of Spalding power station when it comes onstream will give us a peak capacity of 2.6 gigawatts by the end of 2004. Production volumes in 2002 rose 160% to 7,662 gigawatt hours due partly to the acquisition of the Glanford Brigg power station. Our stations provided 22% of our annual downstream demand and 20% of peak requirements.

Accord Energy

Our Accord trading business continued to support our energy procurement strategy. The business broke even despite the highly volatile trading environment in 2002, including problems caused by the unplanned shutdown of the continental European interconnector and the highly publicised difficulties of other energy companies.



Our network of Service Centres has now been fully rebranded.

increased by the 'Just AAsk' campaign. We had more than 117,000 fixed term personal loans at the end of the year, up 40,000 from the previous year. Our advertising emphasised the benefit of getting 'car loans from car people'.

Our volume of insurance policies grew, and the customer renewal rate rose to 78%. We launched a motor insurance policy especially for members, which takes breakdown history into account as a key factor in setting the premium. This policy achieved 6,000 sales in the first year. The number of customers taking out our parts

and labour policy for vehicle repair expanded to 130,000.

Other AA services

Our 129 garages – acquired from Halfords in 2001 – were rebranded AA Service Centres during the year, increasing our presence in towns and cities across the country. Our purchase of Tyreserve provided a further step to providing a complete motoring service, and as a result our customers now have access to more than 3,000 AA approved fixed and mobile tyre centres.

In the Republic of Ireland, the AA continued to grow and remained the leading provider of roadside assistance and personal insurance services.

Publishing, car data check, the driving school and road signs all did well during the year.



The 'JustAAsk' campaign launched in May has helped broaden awareness of the AA product range.

Business review continued



One.Tel

Key One.Tel performance indicators

| | 2002 | 2001 | Δ % |
|--------------------------------------|------|------|------|
| Customer numbers* (period end) (000) | 962 | 785 | 23 |
| Turnover** (£m) | 153 | 65 | 135 |
| Operating profit (£m) | 2.1 | 4 | (48) |

*30 day tolling

**2001 turnover is from date of acquisition (3 July 2001)



One.Tel now offers a complete telecoms service covering landline, mobile and internet.

During the year we saw a 23% increase in customers. Our focus on increasing customer value with better products and greater efficiencies gives us a good basis for growth so long as regulatory improvements continue as planned.

We invested in new products – particularly mobile – and in raising awareness of One.Tel as a full telephone, mobile and internet provider. We launched our first call inclusive package in the second half of the year.

With the introduction of a new industry process for carrier pre-selection in July, our new connections using this method grew to 37% in December.

Attractive pricing and greater retail distribution contributed to very encouraging mobile sales of more than 35,000 contracts since the launch in July. The migration of our broadband customers onto the One.Tel customer care and billing system – due to be completed in the first quarter of 2003 – allows us to charge all our services on a single bill.

One.Tel



Goldfish Bank

Goldfish Bank continues to make progress, and during the year we concentrated on building awareness of Goldfish as a financial services provider, rather than simply a credit card. Spontaneous awareness, which doubled to 12% by the end of the year, placed us towards the top end of the new banking brands.

Key Goldfish Bank performance indicators

| | 2002 | 2001 | Δ % |
|--|-------|-------|------|
| Credit cards in force (000) | 1,082 | 1,025 | 6 |
| Average monthly spend per active card (£) | 541 | 476 | 14 |
| Goldfish Bank operating loss before minority interest (£m) | (40) | (32) | (25) |

The number of cards in force rose 6% to 1.08 million with 77,000 new accounts opened during the year. The average monthly spend on

the Goldfish card increased by 14% against 2001, making it among the highest in the UK market. In the second half we started offering

personal loans, attracting high quality applicants with a flexible product and no redemption penalties.

We attracted 11,000 applicants for our new internet savings account – half of them from new Goldfish customers.

In November we transferred our customers across to a

new customer services system. This was a complex process involving the transfer of credit card records and their associated loyalty points.

A new internet based savings account was launched during the year.



Centrica North America

Retail energy

We are the leading supplier of energy in Ontario, marketing under the Direct Energy brand, and in May we entered the province's electricity market, successfully converting around 500,000 pre-signed contracts on to supply on day one. In August, we acquired a further 212,000 customers in Michigan, Ohio and Pennsylvania from the NewPower Company. We also entered the energy markets in Texas and by the end of the year we were serving 890,000 retail energy customers across the state.

The pace of organic growth in North America slowed in 2002 owing to a combination of legislative delays, political pressures and large wholesale price swings. However, we continue to lobby in support of market liberalisation, and we believe momentum will pick up again.

In November, the Ontario government decided to cap residential and small business prices below the market rate, effectively suspending competition until 2006. We are paid the difference between the capped and market prices as a subsidy which is protected until 2006. Further organic growth is unlikely until the subsidy expires so in the meantime we will focus on maximising sales to our customer base across the full range of gas and home services products.

We continue to look for opportunities to take over customers from companies who want to leave the retail market. In December we agreed to purchase ATCO's retail energy business in Alberta subject to legislative changes and regulatory consents. This will give us about 820,000 gas and 160,000 electricity customers and provides a good starting point for introducing the benefits of unregulated energy and services packages.

Home and business services

We bought Enbridge Services Inc for £438 million in May 2002, but raised more than £300 million by selling some of our interests in the waterheater assets that came as part of the deal. However, we have retained relationships with around 1.3 million households as the exclusive provider of their waterheater installation and maintenance.

In Ontario we are a leading installer of heating, ventilation and air-conditioning (HVAC) and some 330,000 households have contracted with us for HVAC maintenance and protection plans.

Upstream gas

We continue developing our gas fields in Alberta, which supplied us with 24% of our sales to North American customers.

Key North America performance indicators

| | 2002 | 2001 | Δ % |
|--|--------------|------------|------------|
| Customer numbers (period end) | | | |
| Residential and small commercial gas (000) | 1,339 | 1,230 | 9 |
| Residential and small commercial electricity (000) | 1,416 | n/a | n/a |
| Home and business services (000) | 1,627 | n/a | n/a |
| Industrial and commercial energy (sites served) | 61 | 49 | 24 |
| Gas production and energy trading | | | |
| Gas production volumes (m therms) | 356 | 344 | 3 |
| Average sales price (p/therm) | 21.4 | 27.9 | (23) |
| Total turnover (£m) | 1,118 | 768 | 46 |
| Total operating profit (£m) | 63 | 68 | (7) |

Europe

In Europe, we are focusing on countries where market liberalisation is most advanced. Through Luminus, our joint venture in Belgium, we now have about 18% of the electricity market above one gigawatt hour in Flanders, which opened for business in January 2002. In 2003 the residential and business markets will open fully for both electricity and gas.

In Spain we aim to enter the small and medium business sector and build organically, using the skills we have developed in other markets. We hope to open for business in the second quarter of 2003.



The integration of Enbridge Services Inc has allowed us to broaden the range of products we offer to customers.

Corporate responsibility



Rod Kenyon, director of the British Gas Engineering Academy, is joined by a group of trainees to launch the academy.

We try to understand the impact we have on society, the economy and the environment, so that we can build positive relationships with stakeholders for the benefit of both business and the community.

Corporate responsibility has a bearing on all our activities, and detailed information of how we approach this can be found at www.centrica.com/responsibility. We are listed in the 2002 FTSE4Good Index and also, for the first time, in the Dow Jones Sustainability Indexes for 2003. We are conscious not only of the business benefits of good corporate responsibility, but also of the risks presented by poor performance, not least for the reputation of our brands.

Marketplace

We try and sell our products and services responsibly, enabling our customers to make informed choices and benefit fully. Some customers have special needs. We now issue more than 500 communications each day to blind or visually impaired customers in the format of their choice, such as Braille, large print or audio. We have developed website accessibility guidelines based on international standards, which all our business websites will meet or exceed in the near future. Text phones have been installed throughout the business and the AA has developed a text messaging service to enable hearing- and speech-impaired members to communicate effectively via their mobile phones.

British Gas is investing more than £70 million in a scheme to tackle household poverty in deprived communities,

with a range of support services including energy efficiency measures.

Workplace

Relationships with our employees are based on trust and respect. We aim to attract, reward and keep high quality people who want to achieve our business objectives. Our policies aim to motivate employees, support equal opportunity and reward results. A new guide to sound business practice, developed in 2002, sets out how we expect our employees to act in a variety of situations.

In a competitive world it is important we embrace diversity in our workforce and select the very best employees from a wide and varied choice of applicants. Our staff are trained in diversity issues and in disability awareness. More than 180 people from disadvantaged backgrounds joined our workforce in 2002 through a targeted recruitment programme. British Gas aims to recruit 200 gas engineers from the long term unemployed and from people such as single parents who find it hard to fit in their career with their lifestyle. This initiative is

part of the government backed Ambition Energy programme, chaired by Sir Roy Gardner, to address an anticipated shortage of qualified gas engineers.

Nearly three quarters of our employees took part in our worldwide employee satisfaction survey, which measures customer focus, performance and development, management impact and working life. The results of this survey affect how much performance-related remuneration directors receive for the year.

The health and safety of our employees is of paramount

importance to us. The amount of time lost to injuries or occupational ill health in 2002 was low. Injuries have been attributable mainly to slips, trips and falls, which are being addressed by our accident prevention programmes.

Other programmes include measures to protect staff at risk of violence in the course of their jobs, such as gas engineers, roadside patrols and debt collectors. Good practice workshops share new techniques for safety and performance, particularly in our power generation and upstream gas businesses.



Energy Angel Eleanor Whitehead whose school, Little Gaddesden Primary, signed on for the next stage of British Gas's award winning 'Think Energy' educational programme.

Community

A sound business case is the best basis for sustained involvement and benefit to the community. Our contribution to community causes in 2002 was £5.66 million as measured by the London Benchmarking Group model. Each year, our staff raise funds for a charity of their choice. The Cystic Fibrosis Trust received more than £475,000 and over £150,000 was raised for its successor, the Meningitis Trust, in the last quarter. Our employees in North America are also involved in local community projects.

There have been 1.6 million beneficiaries of initiatives since British Gas launched its partnership with Help the Aged in 1999. British Gas has provided support of more than £5.4 million. The partnership received an excellence award from Business in the Community.

The AA Accessible Hotel of the Year Awards emphasise the need for equal access for people with disabilities. The AA Foundation for Road Safety Research published reports on different driver groups and on pan-European tunnels.

One.Tel announced a scheme to support the Samaritans from 2003, donating 1p to the charity for every call made to One.Tel's new directory service.

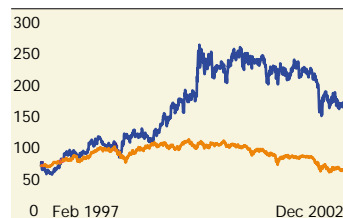
Environment

We have to manage our impact on the environment and enable our customers to make informed choices about our products and services. As part of our energy efficiency programmes we are on target to achieve latest government energy saving targets. In our own offices, recycling almost doubled to 34% and we made energy savings of more than 4.5 million kWh for the year. Our ISO14001 certification was updated at existing sites and newly achieved by British Gas Service Centres and AA Service Centres. To date, about a million schoolchildren from 7 to 14 have been involved in our award winning 'Think Energy' education programme.

Group financial review



Centrica share performance (p)



Smoothed 5 day average.
 ■ Centrica plc.
 ■ FTSE 100 relative.

Group operating cash flow (£m)

| | |
|----|-------|
| 02 | 790 |
| 01 | 885 |
| 00 | 1,149 |
| 99 | 1,464 |
| 98 | 871 |

Including dividends from joint ventures and associates before exceptional payments.

Group operating cash flow (£m)

| | |
|----|-------|
| 02 | 717 |
| 01 | 825 |
| 00 | 1,063 |
| 99 | 1,318 |
| 98 | 659 |

Excluding dividends from joint ventures and associates after exceptional payments.

We aim to grow our earnings and cash flow within a prudent risk management framework. During the year our share price outperformed the FTSE 100 by 3.1% and since demerger in February 1997 to the end of 2002 we outperformed the index by 187%.

Centrica's aim is to achieve a total shareholder return (TSR) ranking in the first quartile of UK FTSE 100 companies, taking account of share price growth and dividends received and reinvested over a sustained period. Centrica promotes continuing growth in earnings and cash flow and seeks to maximise the return on capital it achieves within a prudent risk management framework.

The company's closing share price on 31 December 2002 was 171 pence (31 December 2001: 222 pence), resulting in a market capitalisation of £7.3 billion (2001: £8.9 billion). World stock markets continued to fall in 2002, the FTSE 100 index dropping by 24.5%. The company's share price still outperformed the FTSE 100 by 3.1% (2001: 2.1%) and since demerger we have outperformed the index by 187%.

Earnings

Operating profit* was £932 million (2001: £679 million). Most of the improvement came from our UK residential gas supply business, and growth in our business services and home services operations.

Earnings increased by £155 million to £478 million in 2002. This reflected improved operating profits* up £253 million and lower exceptional charges offset by taxation up from £155 million to £250 million and higher

goodwill amortisation, up by £35 million to £123 million.

Earnings before exceptional charges and goodwill amortisation were up 32% to £636 million. This represents a return on capital employed over the year of 32% or 7.9% on our average market capitalisation.

Basic earnings per share, grew from 8.1 pence to 11.4 pence and adjusted earnings per share from 12.1 pence to 15.2 pence. Over the last three years the adjusted performance measure has grown by an average compound growth rate of 24%.

Exceptional charges and goodwill amortisation

During the year, non operating exceptional charges arose of £26 million, net of tax (2001: £71 million operating exceptionals net of tax). These related to changes in our Golf England operation and disposal of our LPG cylinder business. In addition, a £9 million (2001: £ nil) exceptional tax charge arose (see Taxation below). The goodwill amortisation charge for the year was £123 million (2001: £88 million), in line with our programme of continuing acquisitions.

Net interest

Net interest charged to the profit and loss account was £62 million compared with £43 million in 2001 and was covered 15 times by operating profit* compared with 16 times a year earlier. The increase in interest payable was due to higher average indebtedness mainly as a result of acquisitions, offset by lower interest rates and the net proceeds of the share placement during the year.

Taxation

The ongoing taxation charge of £243 million for 2002 represents a 28% rate on profits adjusted for goodwill amortisation and exceptionals (2001 comparative rate: 26%). The increase in the effective rate is principally due to the introduction of a 10% corporation tax surcharge on UK offshore gas production, with effect from 17 April 2002. This surcharge increased the tax charge for the year by £12 million and resulted in a restatement of the deferred tax liability of £9 million, which has been treated as exceptional. The overall charge is still less than the UK 30% statutory rate, primarily because previously unrecognised deferred tax assets have been utilised during 2002.

Cash flow

Group operating cash flow (including dividends from joint ventures and associates, from continuing operations before exceptional payments) was £790 million for 2002, compared with £885 million in 2001. An increase of £299 million in operating profit* before depreciation and amortisation of investments was more than offset by changes in working capital, including growth in trade debtors, the timing of gas transportation payments, petroleum revenue tax (PRT) and gas production royalty payments.

Total capital expenditure was £449 million this year, up from £312 million in 2001. This includes £180 million of costs capitalised for information systems investments associated with our new customer relationship management (CRM) infrastructure. Acquisition expenditures (net of cash and overdrafts acquired)

were £989 million in 2002 (2001: £1,204 million), consisting primarily of our purchases of the Brigg power station and Rough gas storage facilities in the UK, Enbridge Services Inc in Canada and WTU Retail Energy LP and CPL Retail Energy LP in the US. The group's net cash outflow before liquid resources and financing was, as a result, £918 million, against a net outflow of £342 million in 2001.

Balance sheet

The net assets of the group increased during the year from £1,536 million to £2,402 million. Net debt (excluding the Goldfish Bank facility of £430 million and the £196 million of non-recourse debt raised on the water heater assets acquired with Enbridge Services Inc) increased to £529 million at 31 December 2002 from £433 million at the previous year end.

Phillip Bentley
Group Finance Director

*Before exceptional charges and goodwill amortisation, including joint ventures and associates.

Summary financial statement

| | 2002 | | | 2001 | | |
|---|---|---|----------------------------|---|---|----------------------------|
| | Results for the year before goodwill amortisation and exceptional charges £m | Goodwill amortisation and exceptional charges £m | Results for the year £m | Results for the year before goodwill amortisation and exceptional charges £m | Goodwill amortisation and exceptional charges £m | Results for the year £m |
| Summary group profit and loss account | | | | | | |
| Year ended 31 December | | | | | | |
| Turnover | 14,315 | - | 14,315 | 12,611 | - | 12,611 |
| Cost of sales | (11,328) | - | (11,328) | (10,224) | - | (10,224) |
| Gross profit | 2,987 | - | 2,987 | 2,387 | - | 2,387 |
| Operating costs: | | | | | | |
| Exceptional items | - | - | - | - | (80) | (80) |
| Other | (2,108) | (116) | (2,224) | (1,755) | (86) | (1,841) |
| | (2,108) | (116) | (2,224) | (1,755) | (166) | (1,921) |
| Group operating profit | 879 | (116) | 763 | 632 | (166) | 466 |
| Share of operating profit in joint ventures and associates | 53 | (7) | 46 | 47 | (2) | 45 |
| Operating profit including joint ventures and associates | 932 | (123) | 809 | 679 | (168) | 511 |
| Continuing operations: | | | | | | |
| Loss on disposal of business | - | (14) | (14) | - | - | - |
| Loss on disposal of fixed assets | - | (14) | (14) | - | - | - |
| Interest payable | (91) | - | (91) | (77) | - | (77) |
| Interest receivable | 29 | - | 29 | 34 | - | 34 |
| Profit on ordinary activities before taxation | 870 | (151) | 719 | 636 | (168) | 468 |
| Taxation | (243) | (7) | (250) | (164) | 9 | (155) |
| Profit on ordinary activities after taxation | 627 | (158) | 469 | 472 | (159) | 313 |
| Minority interest | 9 | - | 9 | 10 | - | 10 |
| Profit attributable to the group | 636 | (158) | 478 | 482 | (159) | 323 |
| Dividends | | | (172) | | | (124) |
| Transfer to reserves | | | 306 | | | 199 |

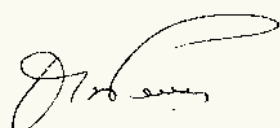
| | Pence | Pence | Pence | Pence |
|------------------------------------|-------|-------|-------|-------|
| Earnings per ordinary share | | | | |
| basic | | 11.4 | | 8.1 |
| diluted | | 11.3 | | 8.0 |
| adjusted basic | 15.2 | | 12.1 | |

| | £000 | £000 |
|------------------------------|-------|-------|
| Directors' emoluments | 3,935 | 3,366 |

Summary group balance sheet

| | 2002 £m | 2001 £m |
|---|------------|------------|
| Fixed assets | 4,678 | 3,749 |
| Current assets | 4,052 | 3,445 |
| Creditors (amounts falling due within one year) | (4,160) | (3,842) |
| Net current liabilities | (108) | (397) |
| Total assets less current liabilities | 4,570 | 3,352 |
| Creditors (amounts falling due after more than one year) | (906) | (632) |
| Provisions for liabilities and charges | (1,262) | (1,184) |
| Net assets | 2,402 | 1,536 |
| Shareholders' funds | 2,248 | 1,502 |
| Minority interests (equity and non-equity) | 154 | 34 |
| Total capital employed | 2,402 | 1,536 |

The summary financial statement on pages 12 and 13 was approved by the board of directors on 20 February 2003 and was signed on its behalf by:



Sir Michael Perry CBE
Chairman



Phillip Bentley
Group Finance Director

Summary group cash flow statement

| Year ended 31 December | 2002 £m | 2001 £m |
|---|------------|------------|
| Cash inflow from operating activities | 717 | 825 |
| Dividends received from joint ventures and associates | 57 | 16 |
| Returns on investments and servicing of finance | (25) | (15) |
| Taxation paid | (192) | (109) |
| Capital expenditure and financial investment | (402) | (337) |
| Acquisitions and disposals | (935) | (607) |
| Equity dividends paid | (138) | (115) |
| Cash outflow before use of liquid resources and financing | (918) | (342) |
| Management of liquid resources | 134 | (257) |
| Financing | 747 | 686 |
| (Decrease)/increase in net cash | (37) | 87 |

Segmental analysis

| | Turnover year ended 31 December | | Operating profit/(loss) before exceptional charges and goodwill amortisation, including share of results of joint ventures and associates year ended 31 December | | Operating profit/(loss) after exceptional charges and goodwill amortisation, including share of results of joint ventures and associates year ended 31 December | |
|-----------------------------------|------------------------------------|------------|--|------------|---|------------|
| | 2002 £m | 2001 £m | 2002 £m | 2001 £m | 2002 £m | 2001 £m |
| British Gas residential: | | | | | | |
| Continuing operations | 6,047 | 5,909 | 244 | (46) | 243 | (81) |
| Acquisitions | - | - | - | - | - | - |
| | 6,047 | 5,909 | 244 | (46) | 243 | (81) |
| Centrica Business Services: | | | | | | |
| Continuing operations | 883 | 581 | 64 | 44 | 60 | 37 |
| Acquisitions | 88 | - | 1 | - | (1) | - |
| | 971 | 581 | 65 | 44 | 59 | 37 |
| Centrica energy management group: | | | | | | |
| Continuing operations | 5,160 | 4,571 | 522 | 573 | 522 | 543 |
| Acquisitions | 11 | - | (2) | - | (2) | - |
| | 5,171 | 4,571 | 520 | 573 | 520 | 543 |
| The AA: | | | | | | |
| Continuing operations | 758 | 689 | 74 | 72 | 24 | 8 |
| Acquisitions | 2 | - | (1) | - | (1) | - |
| | 760 | 689 | 73 | 72 | 23 | 8 |
| Goldfish Bank: | | | | | | |
| Continuing operations | 93 | 22 | (40) | (32) | (54) | (37) |
| Acquisitions | - | - | - | - | - | - |
| | 93 | 22 | (40) | (32) | (54) | (37) |
| One.Tel: | | | | | | |
| Continuing operations | 151 | 65 | 5 | 4 | 1 | 5 |
| Acquisitions | 2 | - | (3) | - | (5) | - |
| | 153 | 65 | 2 | 4 | (4) | 5 |
| Centrica North America: | | | | | | |
| Continuing operations | 909 | 768 | 36 | 68 | 5 | 39 |
| Acquisitions | 209 | - | 27 | - | 19 | - |
| | 1,118 | 768 | 63 | 68 | 24 | 39 |
| Other operations: | 2 | 6 | 5 | (4) | (2) | (3) |
| Group | 14,315 | 12,611 | 932 | 679 | 809 | 511 |

Summary reports

Independent auditors' statement to the members of Centrica plc

We have examined the summary financial statement of Centrica plc.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual review and summary financial statement in accordance with applicable law. Our responsibility is to report to you our opinion on the consistency of the summary financial statement with the annual financial statement, directors' report and the directors' remuneration report and its compliance with the relevant requirements of section 251 of the United Kingdom Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the annual review and summary financial statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with section 251 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

We conducted our work in accordance with Bulletin 1999/6, 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board for use in the United Kingdom.

Opinion

In our opinion the summary financial statement is consistent with the annual financial statements, the directors' report and the directors' remuneration report of Centrica plc for the year ended 31 December 2002 and complies with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder.

The maintenance and integrity of the Centrica plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
1 Embankment Place, London WC2N 6RH
20 February 2003

The Auditors have issued an unqualified report on the full financial statements and remuneration report containing no statement under section 237 (2) or section 237 (3) of the Companies Act 1985.

Full report and accounts

This summary financial statement is a summary of the information contained in the full Centrica report and accounts. It does not contain sufficient information to allow as full an understanding of the results and state of affairs of the group and of its policies and arrangements concerning the directors' remuneration as would be provided by the full report and accounts. If you would like a copy of the Centrica report and accounts for 2002 and/or future years, free of charge, please contact the Centrica shareholder helpline (see page 16 for contact details).

Corporate governance

The group is committed to high standards of corporate governance. Following the recommendations in the reports on the Role and Effectiveness of Non-Executive Directors (the Higgs Report) and Audit Committees (the Smith Report), the board is reviewing its governance arrangements and will consider making changes as necessary and appropriate. Throughout the year, the company fully complied with the provisions of the Combined Code on Corporate Governance (the Code).

Details of how the company applies the principles of the Code are set out in the report on corporate governance in the full report and accounts for the year ended 31 December 2002.

The board has delegated authority to a number of committees to deal with specific aspects of the management and control of the group, namely the audit, remuneration, nominations, executive and customer service committees. Directors' membership of these committees is shown on page 17.

Summary directors' report

The annual review and summary financial statement is a summary of the information contained in the annual report and accounts for the year ended 31 December 2002.

Directors

The biographical details of the directors appear on page 17. On 19 February 2003 Paul Walsh agreed to become a non-executive director of the company with effect from 1 March 2003.

Principal activities

The principal activities during 2002 were:

- the provision of gas, electricity and energy related products and services in Great Britain, North America and Europe;
- the operation of gas fields in Great Britain and North America and power stations in Great Britain;
- energy trading in the UK, North American and European markets;
- roadside assistance and other motoring services in the UK and Europe;
- the provision of financial services in the UK; and
- the provision of telecommunications services in the UK.

Post balance sheet events

- January 2003 – issue of senior notes in connection with funding for the Consumers' Waterheater Income Fund
- February 2003 – electricity purchase contracts with British Energy plc
- February 2003 – acquisition of legal title to King's Lynn power station.

Dividends

An interim dividend of 1.4 pence per ordinary share was paid on 27 November 2002. The directors recommend that, subject to approval at the annual general meeting (AGM) on 12 May 2003, a final dividend of 2.6 pence per ordinary share be paid on 18 June 2003 to those shareholders registered on 2 May 2003. This makes a total dividend for the year of 4.0 pence per share (2001: 3.1 pence per share).

Political and charitable donations

An outline of the group's involvement in the community appears on page 10. Charitable donations in the UK during the year amounted to £4.7 million (2001: £4.0 million). In line with group policy, no donations were made for political purposes.

Summary remuneration report

This is a summary of the full remuneration report, which is contained in the 2002 annual report, copies of which are available from the Centrica website at www.centrica.com or the Centrica shareholder helpline (see page 16 for contact details).

Composition and role of the remuneration committee

The board has established a remuneration committee, which is chaired by Patricia Mann. The other members of the committee in 2002 were Roger Carr, Sir Sydney Lipworth (until his retirement on 13 May 2002), Sir Michael Perry and Sir Brian Shaw. Helen Alexander and Robert Tobin became members of the committee when they joined the board on 1 January 2003. All of the members of the committee are independent non-executive directors.

The committee makes recommendations to the board, within formal terms of reference, on the policy and framework of executive remuneration and its cost to the company. The committee is also responsible for the implementation of remuneration policy and determining specific remuneration packages for each of the executive directors. The committee has access to advice provided by the group head of reward (Mike New), the group human resources director (Anne Minto), the company secretary (Grant Dawson), the chief executive (Sir Roy Gardner) and external consultants (Towers Perrin).

Summary remuneration report continued

Framework and policy on executive directors' remuneration

The group's remuneration policy is designed to provide competitive rewards for its executive directors and other senior executives, taking into account the company's performance, the markets in which the group operates, and pay and conditions elsewhere in the group.

In constructing the remuneration packages, the committee aims to achieve a balance between fixed and variable compensation for each director. Accordingly, a significant proportion of the remuneration package depends on the attainment of demanding performance objectives, both short and long term. In agreeing the level of base salaries and the annual performance bonus scheme, the committee takes into consideration the total remuneration that executives could receive. The committee reviews the packages and varies individual elements when appropriate from year to year. It is intended that the current remuneration policy, which has previously been approved by shareholders, will continue for 2003 and succeeding years.

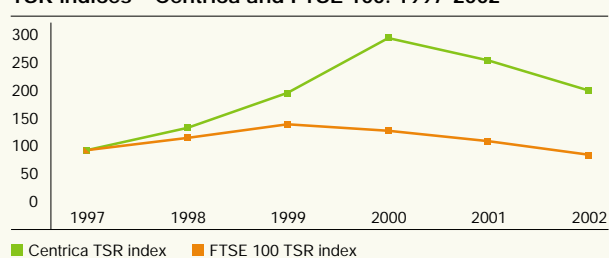
Components of remuneration

The components of remuneration for each executive director include a base salary and an annual performance bonus. In addition, an annual grant of options is made under the executive share option scheme (ESOS) and an allocation of shares is made under the long term incentive scheme (LTIS), both of which are

subject to performance conditions. The performance conditions for LTIS awards are based on the company's total shareholder return (TSR) relative to the returns of FTSE 100 companies over the performance period. The performance conditions for the ESOS are based on the extent to which growth in the company's earnings per share exceeds growth in the Retail Price Index.

The following table shows graphs of the company's TSR performance against that of the FTSE 100 index.

TSR indices – Centrica and FTSE 100: 1997-2002



Executive directors are entitled to a range of other employment benefits, including contributory, final salary pension and company car. They are also eligible on the same basis as other employees to participate in the company's all-employee share schemes.

Directors' emoluments, pension benefits and interests in shares

| | Total emoluments excluding pension 2002 £000 ⁽ⁱ⁾ | Total emoluments excluding pension 2001 £000 ⁽ⁱ⁾ | Accrued annual pension 2002 £ pa ⁽ⁱⁱ⁾ | Beneficial interests in ordinary shares 2002 | Total options under the RESOS 2002 ⁽ⁱⁱⁱ⁾ | Sharesave options 2002 | Total options under the ESOS 2002 ^(iv) | Total allocations under the LTIS 2002 ^(v) |
|--|--|--|---|--|---|------------------------|---|--|
| As at 31 December 2002 | | | | | | | | |
| Executive directors | | | | | | | | |
| Mike Alexander | 617 | 506 | 176,700 | 328,194 | – | 16,830 | 659,692 | 773,614 |
| Phillip Bentley ^(vi) | 647 | 536 | 19,600 | 80,095 | – | 5,071 | 673,037 | 453,857 |
| Mark Clare | 626 | 553 | 74,300 | 354,625 | 177,645 | 9,318 | 707,211 | 840,895 |
| Sir Roy Gardner | 1,098 | 847 | 183,400 | 771,661 | 1,336,446 | 9,318 | 1,131,002 | 1,382,870 |
| Roger Wood | 608 | 559 | 89,300 | 366,011 | – | 9,318 | 659,692 | 800,876 |
| | 3,596 | 3,001 | | | | | | |
| Non-executive directors | | | | | | | | |
| Roger Carr | 34 | 30 | – | 4,700 | – | – | – | – |
| Sir Sydney Lipworth ^(vii) | 22 | 45 | – | – | – | – | – | – |
| Patricia Mann | 34 | 30 | – | 2,142 | – | – | – | – |
| Sir Michael Perry | 195 | 180 | – | 15,900 | – | – | – | – |
| Sir Brian Shaw ^(viii) | 54 | 50 | – | 1,000 | – | – | – | – |
| | 339 | 335 | | | | | | |
| Total emoluments^(ix) | 3,935 | 3,336 | | | | | | |

- (i) Benefits include all taxable benefits arising from employment by the company, mainly the provision of a company car.
- (ii) Accrued pension is that which would be paid annually on retirement at age 65, based on eligible service to 31 December 2002.
- (iii) Options granted to company employees under the British Gas plc executive share option scheme prior to February 1997 were cancelled and replaced at demerger by non-Inland Revenue-approved options to acquire Centrica shares under the Restructured Share Option Scheme (RESOS). The replacement options were granted on the same terms as British Gas executive share options, with the same exercise date and aggregate exercise price per share, and the number of shares placed under option was adjusted to take account of the demerger. No further options have been or will be granted under this scheme.
- (iv) Options were granted under the ESOS on 31 May 2001 and 2 April 2002.
- (v) Total allocations held under the LTIS shown above include allocations of shares that are subject to performance conditions and allocations that have reached the conclusion of the performance period but are subject to a two year retention period.
- (vi) In addition to the emoluments shown above, Phillip Bentley received a payment of £200,000 (2001: £250,000) as the second and final tranche of compensation for loss of entitlement under his previous employer's performance bonus and share option schemes.
- (vii) The figure for Sir Sydney Lipworth for 2002 includes fees of £8,333 in respect of services as a non-executive director of Goldfish Bank Limited.
- (viii) The figures above for Sir Brian Shaw include fees of £20,000 per annum in respect of consultancy services to the AA Motoring Policy Unit.
- (ix) The total emoluments figure for 2001 excludes £30,000 paid to Francis Mackay for his services during that year.
- (x) The aggregate of the amount of gains made by executive directors on the exercise of share options was £305,950; and the aggregate value of shares vested to executive directors under the LTIS was £4,630,479.

As at 17 February 2003, the beneficial shareholding of the directors increased over that which was held at year-end by the following number of shares: Mike Alexander 93; Phillip Bentley 20,093; Mark Clare 10,093; Sir Roy Gardner 30,093; Roger Wood 20,000; and Sir Michael Perry 10,000.

Information for shareholders



Financial calendar

| | |
|--|------------------|
| Ex-dividend date for 2002 final dividend | 30 April 2003 |
| Record date for 2002 final dividend | 2 May 2003 |
| Annual general meeting, International Convention Centre, Birmingham | 12 May 2003 |
| Final dividend payment date | 18 June 2003 |
| 2003 interim results announced | 31 July 2003 |
| Interim dividend payment date | 12 November 2003 |

Centrica shareholder helpline

Centrica's shareholder register is maintained on our behalf by Lloyds TSB Registrars who are responsible for making dividend payments and updating the register, including details of changes to shareholders' addresses and purchases or sales of Centrica shares. If you have a question about your shareholding in Centrica, you should contact:

Centrica shareholder helpline: 0870 600 3985
Text phone: 0870 600 3950
Write to: Lloyds TSB Registrars, The Causeway, Worthing,
West Sussex BN99 6DA

Duplicate shareholder accounts

Shareholders who receive more than one copy of Centrica communications may have shares registered inadvertently in at least two accounts. This happens when the registration details of separate transactions differ slightly. If you wish to co-ordinate these accounts, call the Centrica shareholder helpline to request an account combination form. The form is also available to download from our website.

Direct dividend payments

The two dividends each year (see financial calendar) can be paid automatically into your bank or building society account.

This service has a number of benefits:

- there is no risk of the dividend cheque going missing in the post;
- the dividend payment is received more quickly as the cash is paid directly into the account on the payment date without the need to wait for the cheque to clear; and
- a single consolidated tax voucher is issued at the end of the tax year in March, in time for your self-assessment tax return.

Arranging your dividend payment in this way also helps Centrica improve its efficiency by reducing postage and cheque clearance costs. If you wish to register for this service, call the Centrica shareholder helpline to request a direct dividend payment form. The form is also available to download from our website.

Electronic communications

Shareholders who prefer to receive communications from Centrica electronically are encouraged to register their email address via the investor section of our website. The company's annual report is available on the Centrica website and, by registering, shareholders will receive an electronic notification when the company's annual reports and notices of general

meetings become available. Shareholders are also able to complete and return voting papers for the company's AGM electronically. Registration is free and easy to complete. All that is required for registration is the shareholder reference number which is shown on your tax vouchers and share certificates. Once you are registered, you may also look up a range of information including the number of Centrica shares you hold, the registered name and address details and information held for dividend payment instructions.

The Centrica website

The Centrica website at www.centrica.com provides news and details of the company's activities, plus information on the share price and links to our brand sites.

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



Share price information

The Centrica share price, and historical details, may be viewed on our website. Shareholders can find share prices listed in most national newspapers. Ceefax and Teletext pages also display share prices that are updated regularly throughout the trading day. For an accurate buying or selling price, you should contact a stockbroker or High Street bank.

Useful historical information

Demerger

Centrica plc traded on the London Stock Exchange for the first time on 17 February 1997, the date of demerger from British Gas plc. Shares were acquired in Centrica on the basis of one Centrica share for every British Gas plc share held at demerger. Shares in Centrica, acquired at demerger, are treated as having a base cost for Capital Gains Tax purposes (calculated in accordance with taxation legislation) of 64.25 pence each.

Share capital consolidation

On 10 May 1999, the ordinary share capital of Centrica plc was consolidated on the basis of nine new ordinary shares of 5½ pence for every ten ordinary shares of 5 pence held on 7 May 1999. The consolidation was linked to the payment of a special dividend of 12 pence per share on 23 June 1999.

Shareholder benefits

A series of updated benefits on selected products and services from across the group has recently been introduced. Our major brands British Gas, Scottish Gas, The AA, Goldfish and One.Tel are all featured in these offers.

To request a brochure, please call the Centrica shareholder helpline or visit the shareholder benefits page of our website. If you have not previously registered, you will be asked to give your shareholder reference number in order to participate.

ShareGift

ShareGift is a charity share donation scheme for shareholders, administered by the Orr Mackintosh Foundation. It is especially for those who may wish to dispose of a small parcel of shares whose value makes it uneconomic to sell on a commission basis. Further information can be obtained at www.sharegift.org or from the Centrica shareholder helpline.

Board of directors



1 Sir Michael Perry GBE



2 Helen Alexander



3 Mike Alexander



4 Phillip Bentley



5 Roger Carr



6 Mark Clare



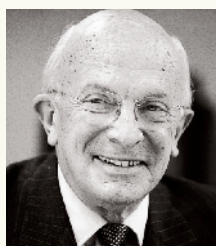
7 Sir Roy Gardner



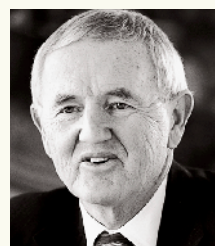
8 Sir Sydney Lipworth



9 Patricia Mann OBE



10 Sir Brian Shaw



11 Robert Tobin



12 Roger Wood

1 Sir Michael Perry GBE

Chairman (69) A, N, R

Sir Michael Perry became chairman of Centrica plc in 1997. He was a non-executive director of British Gas plc from June 1994 until demerger. He is a member of the supervisory board of Royal Ahold NV, president of the Marketing Council, chairman of the Shakespeare Globe Trust and chairman of the Oxford University Faculty Board for Management.

2 Helen Alexander

Non-executive director (46) A, C, R

Helen Alexander joined the board on 1 January 2003. She is chief executive of The Economist Group, a trustee of the Tate Gallery and was formerly a non-executive director of BT Group plc and Northern Foods plc.

3 Mike Alexander

Chief operating officer (55) C, E

It was announced on 4 February 2003 that, by agreement of the company, Mike Alexander would be retiring from the board with effect from 28 February 2003. He was managing director of British Gas Trading from 1997 until the end of 2001 and from 1 January 2002, chief operating officer, Centrica plc.

4 Phillip Bentley

Group finance director (44) E

Phillip Bentley joined Centrica plc in 2000 from Diageo plc, where he was the finance director of GuinnessUDV. Prior to that, he was group treasurer and director of risk management of Diageo plc from 1997, and group treasurer of Grand Metropolitan plc from 1995. He is a non-executive director of Kingfisher plc.

5 Roger Carr

Non-executive director (56) A, R

Roger Carr was appointed to the board in 2001. He is the senior non-executive director of Six Continents plc and Cadbury Schweppes plc and a senior adviser to Kohlberg, Kravis Roberts Co Ltd. He was previously chief executive of Williams plc and chairman of Thames Water plc and Chubb plc. He is a member of the Industrial Development Advisory Board and the CBI council.

6 Mark Clare

Deputy chief executive and managing director, British Gas (45) C, E

Mark Clare joined British Gas in 1994 as group financial controller, and was appointed finance director of Centrica plc, in 1997. In 2000, he was appointed deputy chief executive, and from 1 January 2002, managing director of British Gas. He is a non-executive director of BAA plc and The Energy Saving Trust Ltd.

7 Sir Roy Gardner

Chief executive (57) E, N

Sir Roy Gardner was appointed finance director of British Gas plc in 1994. From 1995, he had responsibility for the business units which subsequently formed Centrica plc. Prior to joining British Gas plc, he was managing director of GEC-Marconi Ltd and a director of GEC plc. He is non-executive chairman of Manchester United plc, president of Carers UK and chairman of the Employers' Forum on Disability.

8 Sir Sydney Lipworth

Non-executive director (71) A, C, R

Sir Sydney Lipworth was appointed to the board in 1999 and retired from the board following the annual general meeting on 12 May 2002.

9 Patricia Mann OBE

Senior non-executive director (65) A, C, N, R

Patricia Mann was a non-executive director of British Gas plc from 1995 until demerger. She was vice president international of J Walter Thompson Co Ltd and remains a director of JWT Trustees Ltd. She is on the board of the UK Centre for Economic and Environmental Development and is a former director of the Woolwich Building Society and Yale and Valor plc.

10 Sir Brian Shaw

Non-executive director (69) A, R

Sir Brian Shaw joined the board in 1999 following the acquisition of the Automobile Association, of which he was non-executive chairman. He is a former chairman of Furness Withy, ANZ Grindlays Bank and the Port of London Authority. Sir Brian is an elder brother of Trinity House and a bencher of Gray's Inn.

11 Robert Tobin

Non-executive director, US citizen (64) A, R

Robert Tobin was appointed to the board on 1 January 2003. He is a member of the supervisory board of Royal Ahold NV.

Until September 2001 Mr Tobin was the chairman of Ahold USA, a subsidiary of Royal Ahold NV. Since 2000 Mr Tobin has been chairman of the board of directors of the Worldwide Retail Exchange.

12 Roger Wood

Managing director, the AA (60) C, E

Roger Wood joined British Gas plc in 1996 as managing director of British Gas Services. In 1999, following acquisition of the AA business, he became managing director, home & road services. On 1 January 2002, he was appointed managing director of the AA. Previously, he was director general of Matra Marconi Space NV, group vice president of Northern Telecom Ltd and a UK director at ICL.

Key to membership of committees

A Audit committee
C Customer service committee
E Executive committee
N Nominations committee
R Remuneration committee

If you would like this annual review in an appropriate alternative format, such as large print, Braille or cassette, please call us on 0870 600 3985. Alternatively if you have a text phone, please make your request on 0870 600 3950.

You may view a fully accessible online version of this annual review on our website www.centrica.com It can be customised to suit your own viewing preferences.

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