Centrica plc
Preliminary Results
for the year ended 31 December 2000
(unaudited)

SUMMARY

	Year ended 31 December 2000	Year ended 31 December 1999
Turnover	**£9,933m**	**£7,217m**
Operating profit (before exceptionals and goodwill amortisation) including joint ventures and associates	**£540m**	**£424m**
Profit before tax, exceptionals and goodwill amortisation	**£512m**	**£417m**
Earnings before exceptionals and goodwill amortisation	**£403m**	**£331m**
Operating cash flow before exceptionals	**£1,139m**	**£1,453m**
Cash inflow/(outflow) before financing	**£55m**	**£(690)m**
Earnings per ordinary share	**8.3p**	**4.3p**
Earnings per ordinary share before exceptionals and goodwill amortisation	**10.1p**	**7.9p**
Dividend per ordinary share	**2.8p**	**2.5p**

- Earnings up by 22% before exceptional charges and goodwill amortisation
- Negative impact of higher gas costs in second half
- Over 70% share of residential gas market in Great Britain
- Market share of residential electricity in Great Britain almost doubled
- 1.2 million customers added by North American acquisitions
- AA successfully integrated and strong underlying financial performance
- Telecommunications business launched in September 2000
- Total dividend for the year of 2.8p, up by 12%

CHAIRMAN'S STATEMENT

During the year Centrica made further significant progress in delivering its strategy. The Group maintained its position as the leading supplier of energy in Great Britain and extended its portfolio of other products and services to customers in and around their homes. We launched our fixed line and mobile telecoms products and made good progress in our e-commerce developments. We also achieved our electricity target of 4 million customers on supply and retained over 70% of the residential gas market. We achieved our planned benefits in the Automobile Association (AA) businesses acquired in September 1999. In financial services we announced plans to expand our activities under the Goldfish brand. In addition, we began our development overseas with the acquisitions of Direct Energy Marketing Limited (Direct Energy) and Avalanche Energy Limited (Avalanche Energy) in North America.

Financial Performance and Position

Full year earnings (before exceptional charges and goodwill amortisation) were £403 million compared with £331 million in 1999, an improvement of 22%. This was an encouraging performance against a background of highly competitive markets, particularly in gas and electricity. The year also saw a dramatic increase in the price of oil, which fed through to our cost of gas and therefore reduced our profitability on gas sales. Net debt reduced from £127 million at the beginning of the year to £117 million at 31 December 2000, with £590 million of acquisition payments financed by internally generated cash flows.

Customer Service

To give our customers excellent service is at the core of our strategy. I am pleased to report that we are continuing to improve our service to customers in all areas of our business and we are seeing the benefit of continued investment in training and systems. Customer complaints to energywatch (the new gas and electricity consumer body) have fallen by one third in comparison with the previous year and all our businesses continue to deliver high levels of customer satisfaction.

Dividends

The Board proposes a final ordinary dividend of 1.7p per share, payable in June 2001. Combined with the interim dividend of 1.1p per share paid in November 2000, the total ordinary dividend for 2000 will be 2.8p per share, an increase of 12% compared with 2.5p per share for 1999. We have deliberately set the payments at a level that will allow us to invest for growth.

The Board

During the year Mark Clare was appointed Deputy Chief Executive, with particular responsibility for Centrica Financial Services and e-commerce, and on 20 November 2000 Phillip Bentley joined Centrica and the Board as Group Finance Director. On 1 January 2001 Roger Carr joined the Board as a non-executive director. These appointments reinforce the strength of the management team and the Board, and I know that we will benefit from the background and experience that Phillip and Roger bring. Peter Wood resigned from the Centrica Board on 21 February 2000.

Outlook

Centrica's vision is to be the leading provider of essential products and services in and around the home. We continue to invest for growth. Our plan is to expand our North American customer base by a combination of organic growth and further acquisitions. In January 2001 we completed the purchase of the outstanding interest in Energy America L.L.C. (Energy America). We will also look for suitable opportunities to develop our presence within continental Europe. In Great Britain we expect to make further significant investment in developing our Electricity, Telecommunications and Financial Services businesses.

Sir Michael Perry, CBE
Chairman
22 February 2001

CHIEF EXECUTIVE'S REVIEW

Group Results

Turnover
Turnover from continuing operations at £9,933 million was £2,799 million higher in 2000, compared with 1999. Of this increase, £1,575 million was a result of increased volumes and prices on commodity trades through our Accord subsidiary. Growth in Electricity increased turnover by £552 million and Home Services' turnover was up by £44 million. Turnover from AA activities in the full year was £632 million whereas in the post acquisition period for the last three months of 1999 it was £150 million. Direct Energy contributed £264 million since its acquisition in August 2000. Residential gas turnover in Great Britain reduced by £209 million due to a slightly lower market share and lower average prices.

Operating profit
Operating profit (before exceptional charges and goodwill amortisation), including our share of joint venture and associates' results, of £540 million was £116 million better than in 1999, with Energy Supply in Great Britain up by £89 million. Acquisitions in North America in the second half of the year contributed £8 million to the increase. Revenue investment in organic growth activities increased to £214 million in 2000 compared with £169 million in 1999, with the main incremental elements being in Telecommunications (£49 million) and e-commerce (£22 million). Excluding investment costs, exceptional charges and goodwill amortisation, the activities of the AA contributed £52 million to operating profit compared with nil in the three months after acquisition during 1999.

Exceptional charges and goodwill amortisation
The exceptional charges of £14 million (1999; £136 million) mainly related to the integration of the AA. The goodwill amortisation charge for the year was £60 million (1999; £13 million), of which £49 million related to goodwill which arose following the acquisition of the AA in 1999. Since August 2000, £10 million was amortised in relation to Direct Energy.

Net interest
Net interest payable was £28 million compared with £7 million in 1999. The increase was due to higher average indebtedness mainly as a result of acquisitions, principally in North America (£646 million) and the acquisition of the AA (£822 million) in September 1999.

Taxation
The tax charge of £109 million (1999; £86 million) mainly related to offshore gas production activities which are ring-fenced for tax purposes. The increase was due to both increased gas production volumes and the rise in the market price for gas. Taxable profits in other businesses are largely offset by tax losses brought forward from earlier years.

Earnings
Earnings increased from £182 million in 1999 to £329 million in 2000. Before exceptional charges and goodwill amortisation, earnings of £403 million were up by 22%.

Cash flow
Operating cash flow before exceptionals was £1,139 million compared with £1,453 million in 1999. The reduction of £314 million was largely caused by changes in the timing of transportation payments during 1999, which benefited that year by £450 million.

Acquisitions

Integration of the AA into the Centrica structure continued to go well and, as predicted, the acquisition was earnings enhancing in 2000, before exceptional charges, goodwill amortisation and revenue investment in future growth activities. Integration costs are expected to continue to arise during the next two years.

In July 2000, we made the final acquisition payment of £63 million in respect of our subsidiary, Accord.

The acquisition of Direct Energy, a Canadian company, in August 2000 for a total consideration of £434 million, excluding assumption of debt (£26 million), marked the first major step in the roll-out of our international strategy. Goodwill of £381 million, which arose on acquisition, is being amortised over fifteen years. Direct Energy is the largest unregulated retailer of natural gas in North America and at the time of acquisition had 820,000 gas customers, primarily in Ontario, and owned and operated natural gas reserves in Alberta. It provides us with a strong base for growth in the North American energy markets. Direct Energy also had a 27.5% interest in Energy America, a joint venture with Sempra Energy in the United States.

Also in Canada, in December 2000 we acquired Avalanche Energy, a privately owned gas and oil production company with gasfield assets in South Central Alberta, for £88 million, excluding £30 million of debt acquired. These assets are largely uncontracted and are in close proximity to Direct Energy's assets. They provide access to additional gas production to support our growing customer demand as we develop the Direct Energy business and give us the ability to meet around 20% of current demand from our own supplies. This balance between equity and contracted gas is similar to the model we have adopted in Great Britain.

In October 2000 we acquired the residential and small commercial liquefied petroleum gas (LPG) cylinder business of Shell Gas for £13 million. This makes us the second largest provider of LPG in Great Britain with a 13% market share.

E-commerce

We anticipate that e-commerce will help us to provide tailored services to meet our customer needs. Many of our products are well suited for trade over the Internet and this medium is ideal for delivering customer services such as billing, insurance quotes and on-line payments. During 2000 across all our businesses we invested £22 million in developing our e-commerce capability and further substantial investment is planned for 2001.

Customer Service

During the year, each of our businesses continued to deliver high levels of customer satisfaction, as measured by external market research surveys. Gas complaints to energywatch were consistently lower than in 1999, with a total fall of 34%. Electricity complaints to energywatch increased by 4% overall, although our electricity customer base doubled during the year. We also saw a downward trend in these complaints during the second half of 2000, as a result of improvements in the electricity transfer process.

PERFORMANCE BY BUSINESS

Energy Supply – Great Britain

Operating profit (before exceptional charges and goodwill amortisation), including our share of joint venture and associates' results, was £545 million (1999; £456 million). In gas, an increase in own gas production and lower supply operating costs more than offset the impact of higher external gas costs, which averaged 16.5p per therm during the year (1999; 15.6p). As predicted at the half year the cost of our externally sourced gas rose to around 19p per therm for the supply year from October 2000, as a result of indexation, including that due to oil price increases.

In the residential gas market the rate of customer losses, net of customers rejoining us, continues to decline, and our market share stood at 70.2% as at 31 December 2000 compared with 73.3% at the end of 1999 and 80% at the end of 1998. In the residential gas market our operating profit before exceptionals was £165 million (1999; £275 million). The reduction was mainly due to increased unit gas costs, with the cost per therm, including gas acquired from our own gas production activities, increasing by 13% on average compared with the unit cost of gas during 1999. Volumes also declined by 2% mainly as a result of the net reduction in market share, whilst weather had a small positive impact over the course of the year as a whole. Average income per therm declined by 1.5p mainly as a result of changes in tariffs combined with the removal of standing charges. This income reduction was more than offset by a reduction in average transportation costs per unit during the year and reduced operating costs.

Electricity gross profit improved by £92 million as we continue to grow our market share, and the electricity operating loss reduced by £60 million, after further significant investment in customer acquisitions. Over the year the number of electricity customers being supplied has increased from 2.1 million to 4.0 million, representing a market share of approximately 15%. In electricity we sustained a net loss of £107 million (1999; loss of £167 million) after £104 million (1999; £127 million) of revenue investment, primarily in customer acquisition costs. Excluding the impact of revenue investment, underlying results in our Electricity business grew strongly as we increased our customer base.

Our share of the combined residential gas and electricity market grew from 37% as at 31 December 1999 to nearly 40% at the end of 2000.

In the non-residential gas market we made an operating loss of £34 million compared with a profit of £20 million during 1999. The deterioration of £54 million was largely due to gas cost increases in advance of opportunities to renegotiate customer prices, some of which are subject to indexed long term sales contracts. Our Accord subsidiary made a loss of £6 million from wholesaling and energy trading (1999; profit of £26 million). The deterioration was due to the impact of greater volatility in gas market prices.

Our own gas production contributed £527 million (1999; £302 million) to operating profit. The majority of the profit increase arose because of an increase in selling prices to our own gas supply business. These selling prices are contractually linked to the market price of gas, which rose substantially during the period. Gas production volumes, at 4.6 billion therms, were 14% up on those in 1999. The high rate of production was maintained in order to respond to high demand in the market place. The profits from higher volumes and prices were partly offset by losses, including provisions for unrealised losses, incurred within our gas supply business on hedging activities, which to some extent protect the Group against the potential impact should the market price for gas fall.

Energy Supply – North America

Operating profit (before exceptional charges and goodwill amortisation), including our share of joint venture and associates' results, for the post acquisition period was £8 million, of which £4 million arose from gas production and £4 million from supply activity. During this period £10 million of revenue investment was made in growing the customer base. We are very satisfied with the progress we are making and as at 31 December 2000 we were supplying gas to 845,000 customers in North America and had gas reserves of approximately 4.8 billion therms. In addition 218,000 customers had contracted to take electricity from us once the power market in Ontario opens to competition.

Home and Road Services

Our Home and Road Services businesses together have delivered an operating profit (before exceptional charges and goodwill amortisation), including our share of joint venture and associates' results, of £51 million (1999; £17 million, excluding a loss of £5 million which Road Services made prior to the acquisition by Centrica).

Home Services' turnover increased by 7% to £636 million and operating profit (before exceptional charges and goodwill amortisation), including our share of joint venture and associates' results, at £26 million was up £6 million on 1999. During the year the number of gas service cover contracts grew by 70,000 to 3.2 million as at 31 December 2000. We also grew our new contract product offerings; plumbing contracts were up from 220,000 to 470,000 and, in addition, we have more than 200,000 kitchen appliance breakdown cover contracts. A new plumbing and drains contract was on trial in some regions in the second half of the year and we had 35,000 contracts at the end of the year. Our home security business is one of the UK's largest suppliers of monitored alarms for the home with sales of new alarms of over 15,000 during the year.

In 2000, Road Services turnover was £447 million and an operating profit (before exceptional charges and goodwill amortisation), including our share of joint venture and associates' results, of £25 million was made (1999; loss of £3 million excluding a further loss of £5 million made prior to the acquisition by Centrica). This improvement in financial performance was achieved primarily through increased membership and cost reductions. Improved efficiencies arose from support and administrative integration within Centrica. AA membership reached record levels and broke through the 10 million barrier. Out of a total membership of 10.9 million at 31 December 2000, personal and associate AA members numbered 6.3 million, an increase of 73,000 (1%) over the number at the end of 1999. During the year, 1.1 million members were added through affinity relationships. We attended 4.1 million breakdowns in the year, with an average 'call to arrive' time of around 36 minutes. Customer research demonstrated the very high level of customer satisfaction enjoyed by members. For the second year running, the AA was voted the best all round breakdown service by the JD Power survey.

Financial Services

In Financial Services we made an operating profit (before exceptional items and goodwill amortisation), including our share of joint venture and associates' results, of £9 million (1999; loss of £8 million excluding a profit of £20 million made by the AA prior to the acquisition by Centrica). The profit in 2000 is after incurring revenue investment costs of £15 million in developing our new banking joint venture, Goldfish Bank, which was announced in December 2000. This venture with Lloyds TSB plc, in which we will hold a 70% interest, will combine the Goldfish brand, access to customers and marketing skills with state-of-the-art systems and banking expertise.

Under the AA brand, we are the UK's largest independently owned insurance intermediary with 1.6 million policies. Our e-commerce channel is starting to deliver benefits to the business. By December 2000, in motor insurance over 40% of quotes and 16% of sales were made through the Internet. The AA insurance website won the UK insurance industry award for its Rapidquote on-line facility.

In 2000 the Goldfish website, www.goldfish.com, was re-launched. Customers can access their statements from the last six months, transfer balances, set up direct debit payments and redeem their Goldfish points. Customer satisfaction levels with our Goldfish business remain high.

By the end of 2000, and including joint ventures, there was in excess of £1.1 billion of receivables under management across the AA and Goldfish brands, including over a million credit cards in issue, and 74,000 personal loans.

Telecommunications

During the year we put in place the products, marketing, systems, call centre and people to enable us to launch our telecommunications business in September 2000. Our products comprise home phone, mobile phone and Internet services under the British Gas and Scottish Gas brands. This new offering represents an additional and core component of our range of essential services in and around the home.

By the end of the year approximately 500 people had been recruited and trained in our new business centre in Manchester. The net effect of our investment in establishing, building and launching the British Gas Communications business, including marketing and customer acquisition costs, was a loss of £49 million in 2000. An additional £30 million was incurred in capital expenditure, primarily on software development and hardware for our billing and customer care systems.

The launch, including the TV advert "can't keep you warm ... can save you money" has been one of our most successful marketing campaigns. As a result we had signed up over 150,000 new customers by the end of the year.

Other Activities

Other activities include the AA publishing, driving school, and signs businesses, e-commerce (theAA.com and Goldfishguide.com), traffic and travel, and a number of other development activities. The results for the year for these other activities include £13 million of revenue investment in e-commerce developments.

Outlook

During 2000 we made sustained progress with the implementation of our strategy.

The price adjustments we announced on 9 February 2001 for the residential energy market in Great Britain will go some way to redress the decline in our margins caused by the higher gas costs we will continue to experience during 2001. Importantly, we will be able to maintain emphasis on our investment programmes, particularly to grow our Telecommunications and Financial Services businesses, as well as Electricity where the increasing scale is expected to lead to a significant improvement in profitability in 2001.

We will also continue to invest to develop our customer base in North America and to evaluate opportunities to increase our presence in this market and elsewhere. On 19 January 2001, the Group acquired the remaining 72.5% interest in Energy America, which has some 400,000 customers mainly on the eastern side of the United States, for £39 million. We are confident that in 2001 we will see further progress towards our objectives.

Roy Gardner
Chief Executive
22 February 2001

Summary Group Profit and Loss Account for the year ended 31 December 2000

	Notes	**Year ended 31 December 2000 £m**	Year ended 31 December 1999 £m
Turnover: Continuing operations before acquisitions		**9,663**	7,134
Acquisitions		**270**	-
Continuing operations		**9,933**	7,134
Discontinued operations	4	**-**	83
	2	**9,933**	7,217
Cost of sales	3,5	**(7,907)**	(5,570)
Gross profit		**2,026**	1,647
Operating costs	3,5	**(1,578)**	(1,308)
Group operating profit		**448**	339
Share of profits less losses of joint ventures and associates		**18**	(4)
Operating profit including joint ventures and associates:			
Continuing operations before acquisitions		**468**	361
Acquisitions		**(2)**	-
Continuing operations		**466**	361
Discontinued operations	4	**-**	(26)
	2	**466**	335
Loss on closure of discontinued operations	4,5	**-**	(60)
Net interest payable		**(28)**	(7)
Profit before taxation	6	**438**	268
Taxation	7	**(109)**	(86)
Profit after taxation		**329**	182
Dividends	8	**(112)**	(100)
Retained profit for the financial year		**217**	82
Dividend per ordinary share	8	**2.8p**	2.5p
Earnings per ordinary share:			
Basic	9	**8.3p**	4.3p
Diluted	9	**8.1p**	4.3p
Adjusted basic	9	**10.1p**	7.9p

There were no recognised gains or losses other than those shown above.

Memorandum:

		£m	£m
Operating profit including joint ventures and associates (before exceptionals and goodwill amortisation)	2	**540**	424
Profit before tax, exceptionals and goodwill amortisation	6	**512**	417
Earnings before exceptionals and goodwill amortisation	6	**403**	331

Summary Group Balance Sheet

	As at 31 December 2000 £m	As at 31 December 1999 £m
Intangible fixed assets	**1,309**	992
Tangible fixed assets	**1,936**	1,885
Fixed asset investments	**57**	28
Total fixed assets	**3,302**	2,905
Stock	**123**	84
Debtors due within one year	**1,734**	1,284
Debtors due after more than one year	**43**	120
Cash and investments	**214**	304
Creditors due within one year	**(2,649)**	(2,138)
Net current liabilities	**(535)**	(346)
Total assets less current liabilities	**2,767**	2,559
Creditors due after more than one year	**(170)**	(178)
Provision for liabilities and charges	**(1,404)**	(1,414)
Total assets less liabilities	**1,193**	967
Capital and reserves	**1,193**	967

Movements in Shareholders' Funds

	Year ended 31 December 2000 £m	Year ended 31 December 1999 £m
Shareholders' funds as at 1 January	**967**	885
Profit for the financial year	**329**	182
Dividends	**(112)**	(100)
Shares issued	**43**	1
Reserves transfer	**(34)**	(1)
Shareholders' funds as at 31 December	**1,193**	967

Summary Group Cash Flow Statement for the year ended 31 December 2000

	Year ended 31 December 2000 £m	Year ended 31 December 1999 £m
Group operating profit	**448**	339
Add back:		
Exceptional charges and amortisation of goodwill	**74**	89
Depreciation and amortisation	**326**	269
Decrease in working capital	**250**	726
Other non-cash flow items	**41**	30
Operating cash flow before exceptionals:		
Continuing operations before acquisitions	**1,115**	1,471
Acquisitions	**24**	-
Continuing operations	**1,139**	1,471
Discontinued operations	**-**	(18)
	1,139	1,453
Expenditure relating to exceptional charges	**(76)**	(135)
Net cash inflow from operating activities	**1,063**	1,318
Dividends received from joint ventures and associates	**10**	11
Returns on investments and servicing of finance	**(13)**	19
Taxation	**(147)**	(163)
Capital expenditure and financial investment	**(165)**	(143)
Acquisitions	**(590)**	(1,162)
Equity dividends paid	**(103)**	(570)
Cash inflow / (outflow) before financing	**55**	(690)
Management of liquid resources	**92**	392
Financing	**(159)**	248
Net increase in overdraft	**(12)**	(50)
Opening (overdraft) /cash	**(31)**	19
Closing net overdraft	**(43)**	(31)

Reconciliation of debt, net of cash and investments

	£m	£m
Debt, net of cash and investments as at 1 January	**(127)**	223
(Debt) /money market investments acquired	**(56)**	340
Net decrease in money market investments	**(92)**	(392)
Net increase in overdraft	**(12)**	(50)
Net decrease / (increase) in lease finance and other debt	**168**	(248)
Exchange adjustments	**2**	-
Debt, net of cash and investments as at 31 December (i)	**(117)**	(127)

(i) Debt, net of cash and investments as at 31 December 2000 comprised cash and money market investments of £214 million (1999; £304 million), less bank overdrafts and loans of £176 million (1999; £247 million) and finance lease obligations of £155 million (1999; £184 million).

Notes

1 Basis of preparation

The preliminary results for the year ended 31 December 2000 are unaudited. The financial information set out in this announcement does not constitute the Company's statutory accounts for the year ended 31 December 2000 or 31 December 1999. The financial information for the year ended 31 December 1999 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified and did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985. The audit report on the statutory accounts for the year ended 31 December 2000 has not yet been signed. These accounts will be finalised and delivered to the Registrar of Companies in due course.

2 Segmental analysis for the year ended 31 December

	Turnover		Operating profit / (loss) including joint ventures and associates, before exceptional charges and goodwill amortisation		Operating profit / (loss) including joint ventures and associates, after exceptional charges and goodwill amortisation	
	2000 £m	1999 £m	**2000 £m**	1999 £m	**2000 £m**	1999 £m
Energy Supply (Great Britain)*	**8,390**	6,386	**545**	456	**544**	401
Energy Supply (North America) - acquisitions	**267**	-	**8**	-	**(2)**	-
	8,657	6,386	**553**	456	**542**	401
Home Services	**636**	592	**26**	20	**26**	16
Road Services	**447**	112	**25**	(3)	**(19)**	(21)
Financial Services	**128**	26	**9**	(8)	**(8)**	(17)
Telecommunications	**1**	-	**(49)**	-	**(49)**	-
Other Activities	**64**	18	**(24)**	(16)	**(26)**	(18)
Continuing operations before acquisitions	**9,663**	7,134	**532**	449	**468**	361
Acquisitions	**270**	-	**8**	-	**(2)**	-
Continuing operations	**9,933**	7,134	**540**	449	**466**	361
Discontinued operations - Retail	**-**	83	**-**	(25)	**-**	(26)
Total from operations	**9,933**	7,217	**540**	424	**466**	335

*Includes turnover of £3 million and a breakeven result from an acquisition in the year.

3 Costs

		Year ended 31 December 2000 £m	Year ended 31 December 1999 £m
Cost of sales	- continuing operations before acquisitions	**7,662**	5,501
	- acquisitions	**245**	-
	- continuing operations	**7,907**	5,501
	- discontinued operations	**-**	69
		7,907	5,570
Operating costs	-continuing operations before acquisitions	**1,551**	1,268
	- acquisitions	**27**	-
	- continuing operations	**1,578**	1,268
	- discontinued operations	**-**	40
		1,578	1,308
		9,485	6,878

4 Discontinued operations

Discontinued operations comprised the Group's former retail shop operations which were closed during 1999.

5 Exceptional charges and goodwill amortisation

		Year ended 31 December 2000 £m	Year ended 31 December 1999 £m
Included within cost of sales:			
Gas contract renegotiations	- continuing operations	**-**	30
Included within operating costs:			
Year 2000 costs	- continuing operations	**-**	9
	- discontinued operations	**-**	1
		-	10
Restructuring	- continuing operations	**14**	36
Goodwill amortisation	- continuing operations before acquisitions	**50**	13
	- acquisitions	**10**	-
	- continuing operations	**60**	13
Loss on closure of discontinued operations		**-**	60
		74	149

6 Earnings before exceptionals and goodwill amortisation

	Year ended 31 December 2000 £m	Year ended 31 December 1999 £m
Profit before taxation	**438**	268
Exceptional charges and goodwill amortisation	**74**	89
Loss on closure of discontinued operations	**-**	60
	74	149
Profit before tax, exceptionals and goodwill amortisation	**512**	417
Taxation	**(109)**	(86)
Earnings before exceptionals and goodwill amortisation	**403**	331

7 Taxation

The charge comprised mainly corporation tax on ring-fenced offshore gas production.

8 Dividends

A final dividend of 1.7p per share is proposed, which together with the interim dividend of 1.1p per share, will bring the total dividend for the year to 2.8p per share. The dividend will be paid on 21 June 2001 to shareholders on the register at 4 May 2001.

9 Earnings per share

Basic and adjusted basic earnings per share (EPS) are calculated as follows:

	Year ended 31 December 2000		Year ended 31 December 1999	
	Earnings £m	**EPS pence**	Earnings £m	EPS pence
Profit for the financial year	**329**	**8.3**	182	4.3
Add back exceptional charges and goodwill amortisation	**74**	**1.8**	149	3.6
Earnings before exceptional charges and goodwill amortisation	**403**	**10.1**	331	7.9
Average number of shares (million) used in the calculation of basic and adjusted basic EPS		**3,976**		4,186
Average number of shares (million) used in the calculation of diluted EPS		**4,042**		4,248

REVIEW OF THE SIX MONTHS ENDED 31 DECEMBER 2000

Group Results

Turnover
Turnover from continuing operations at £5,226 million was £1,914 million higher when compared with the equivalent period in 1999. Of this increase £1,151 million was as a result of increased volumes and prices on commodity trades through our Accord subsidiary. Organic growth in Electricity increased turnover by £262 million and in Home Services by £23 million. Turnover from AA activities was £318 million in the second half of 2000 whereas in the post acquisition period for the last three months of 1999 it was £150 million. Direct Energy contributed £264 million since it was acquired in August 2000. Residential gas turnover in Great Britain reduced by £58 million due to lower market share and lower average prices, whilst non-residential gas turnover increased by £92 million.

Operating profit
Operating profit (before exceptional items and goodwill amortisation), including our share of joint ventures and associates' results, from continuing operations at £122 million, was £23 million lower than in the last six months of 1999. Profits in Energy Supply in Great Britain were down by £4 million due to increased gas costs, largely offset by increased gas production volumes. North American acquisitions in the second half of 2000 contributed £8 million. Combined profitability in Home and Road Services increased by £15 million to £24 million due to improved performance and because results were only included for Road Services for the last three months of 1999, being the post acquisition period. In the second half of 2000 we incurred revenue investment costs of £39 million in our Telecommunications business, which was launched in September 2000.

Exceptional charges and goodwill amortisation
The exceptional charges of £11 million in the second half of the year mainly related to AA integration. In the second half of 1999 exceptional charges aggregated £70 million, including an £18 million loss on closure of discontinued operations. The goodwill amortisation charge was £35 million (last six months of 1999; £13 million). The increase was due to a full six months charge relating to the AA and £10 million on North American acquisitions since August 2000.

Net interest
Net interest payable was £11 million (last six months of 1999; £14 million).

Taxation
In the last six months of 2000 the tax charge was £72 million compared with £43 million in the equivalent period in 1999. The increase of £29 million principally related to increased profits from gas production.

Earnings
A loss of £7 million was sustained compared with a profit of £5 million for the second half of 1999.

Cash flow
Operating cash flow before exceptionals was £655 million compared with £552 million in the second half of 1999. The improvement of £103 million was mainly due to further reductions in working capital. Cash outflow before financing was £237 million (last six months of 1999; outflow of £964 million). In the second half of 2000 acquisition cash outflows were £590 million.

Summary Group Profit and Loss Account
for the 6 months ended 31 December 2000

	Notes	6 months ended 31 December 2000 £m	6 months ended 31 December 1999 £m
Turnover: Continuing operations before acquisitions		**4,956**	3,312
Acquisitions		**270**	-
Continuing operations		**5,226**	3,312
Discontinued operations	c	**-**	18
	a	**5,226**	3,330
Cost of sales	b, d	**(4,333)**	(2,548)
Gross profit		**893**	782
Operating costs	b, d	**(827)**	(698)
Group operating profit		**66**	84
Share of profits less losses of joint ventures and associates		**10**	(4)
Operating profit including joint ventures and associates:			
Continuing operations before acquisitions		**78**	81
Acquisitions		**(2)**	-
Continuing operations		**76**	81
Discontinued operations	c	**-**	(1)
	a	**76**	80
Loss on closure of discontinued operations	c, d	**-**	(18)
Net interest payable		**(11)**	(14)
Profit before taxation	e	**65**	48
Taxation		**(72)**	(43)
(Loss)/profit after taxation		**(7)**	5
Dividends		**(68)**	(60)
Retained loss for the financial period		**(75)**	(55)
Dividend per ordinary share		**1.7p**	1.5p
(Loss)/earnings per ordinary share:			
Basic	f	**(0.2)p**	0.1p
Diluted	f	**(0.2)p**	0.1p
Adjusted basic	f	**1.0p**	2.2p

There were no recognised gains or losses other than those shown above.

Memorandum:		**£m**	£m
Operating profit including joint ventures and associates (before exceptionals and goodwill amortisation)	a	**122**	145
Profit before tax, exceptionals and goodwill amortisation	e	**111**	131
Earnings before exceptionals and goodwill amortisation	e	**39**	88

Summary Group Cash Flow Statement
for the 6 months ended 31 December 2000

	6 months ended 31 December 2000 £m	6 months ended 31 December 1999 £m
Group operating profit	**66**	84
Add back:		
Exceptional charges and amortisation of goodwill	**46**	65
Depreciation and amortisation	**160**	135
Decrease in working capital	**382**	260
Other non-cash flow items	**1**	8
Operating cash flow before exceptionals:		
Continuing operations before acquisitions	**631**	551
Acquisitions	**24**	-
Continuing operations	**655**	551
Discontinued operations	**-**	1
	655	552
Expenditure relating to exceptional charges	**(33)**	(89)
Net cash inflow from operating activities	**622**	463
Dividends received from joint ventures and associates	**8**	11
Returns on investments and servicing of finance	**(4)**	4
Taxation	**(120)**	(154)
Capital expenditure and financial investment	**(110)**	(86)
Acquisitions	**(590)**	(1,162)
Equity dividends paid	**(43)**	(40)
Cash outflow before financing	**(237)**	(964)
Management of liquid resources	**173**	767
Financing	**45**	173
Net increase in overdraft	**(19)**	(24)
Opening net overdraft	**(24)**	(7)
Closing net overdraft	**(43)**	(31)

a Segmental analysis for the 6 months ended 31 December

	Turnover		Operating profit / (loss) including joint ventures and associates, before exceptional charges and goodwill amortisation		Operating profit / (loss) including joint ventures and associates, after exceptional charges and goodwill amortisation	
	2000 £m	1999 £m	**2000 £m**	1999 £m	**2000 £m**	1999 £m
Energy Supply (Great Britain)*	**4,300**	2,847	**146**	150	**145**	118
Energy Supply (North America) - acquisitions	**267**	-	**8**	-	**(2)**	-
	4,567	2,847	**154**	150	**143**	118
Home Services	**333**	310	**17**	12	**17**	9
Road Services	**221**	112	**7**	(3)	**(18)**	(21)
Financial Services	**68**	26	**-**	(1)	**(8)**	(10)
Telecommunications	**1**	-	**(39)**	-	**(39)**	-
Other Activities	**36**	17	**(17)**	(13)	**(19)**	(15)
Continuing operations before acquisitions	**4,956**	3,312	**114**	145	**78**	81
Acquisitions	**270**	-	**8**	-	**(2)**	-
Continuing operations	**5,226**	3,312	**122**	145	**76**	81
Discontinued operations - Retail	**-**	18	**-**	-	**-**	(1)
Total from operations	**5,226**	3,330	**122**	145	**76**	80

*Includes turnover of £3 million and a breakeven result from an acquisition in the period.

b Costs

		6 months ended 31 December 2000 £m	6 months ended 31 December 1999 £m
Cost of sales	- continuing operations before acquisitions	**4,088**	2,528
	- acquisitions	**245**	-
	- continuing operations	**4,333**	2,528
	- discontinued operations	**-**	20
		4,333	2,548
Operating costs	- continuing operations before acquisitions	**800**	699
	- acquisitions	**27**	-
	- continuing operations	**827**	699
	- discontinued operations	**-**	(1)
		827	698
		5,160	3,246

c Discontinued operations

Discontinued operations comprised the Group's former retail shop operations which were closed during 1999.

d Exceptional charges and goodwill amortisation

	6 months ended 31 December 2000 £m	6 months ended 31 December 1999 £m
Included within cost of sales:		
Gas contract renegotiations - continuing operations	**-**	30
Included within operating costs:		
Year 2000 costs - continuing operations	**-**	3
- discontinued operations	**-**	1
	-	4
Restructuring - continuing operations before acquisitions	**11**	18
Goodwill amortisation - continuing operations before acquisitions	**25**	13
- acquisitions	**10**	-
- continuing operations	**35**	13
Loss on closure of discontinued operations	**-**	18
	46	83

e Earnings before exceptionals and goodwill amortisation

	6 months ended 31 December 2000 £m	6 months ended 31 December 1999 £m
Profit before taxation	**65**	48
Exceptional charges and goodwill amortisation	**46**	65
Loss on closure of discontinued operations	**-**	18
	46	83
Profit before tax, exceptionals and goodwill amortisation	**111**	131
Taxation	**(72)**	(43)
Earnings before exceptionals and goodwill amortisation	**39**	88

f Earnings per share

Basic and adjusted basic earnings per share (EPS) are calculated as follows:

	6 months ended 31 December 2000		6 months ended 31 December 1999	
	Earnings £m	**EPS pence**	Earnings £m	EPS pence
(Loss)/profit for the financial period	**(7)**	**(0.2)**	5	0.1
Add back exceptional charges and goodwill amortisation	**46**	**1.2**	83	2.1
Earnings before exceptional charges and goodwill amortisation	**39**	**1.0**	88	2.2
Average number of shares (million) used in the calculation of basic and adjusted basic EPS		**3,981**		3,969
Average number of shares (million) used in the calculation of diluted EPS		**4,051**		4,037

Enquiries

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Financial Calendar

2000 Annual Report and Accounts published	End of March 2001
Ex-dividend date for 2000 proposed final dividend	2 May 2001
Record date for 2000 proposed final dividend	4 May 2001
Annual General Meeting	14 May 2001
Proposed 2000 final dividend payment date	21 June 2001
2001 Interim results announcement	6 September 2001

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