ACCORD ENERGY LIMITED

Directors' Report and Financial Statements

for the year ended

31 December 2006

Registered No: 2877398

Accord Energy Limited

Directors' Report

The Directors present their report and the audited financial statements of Accord Energy Limited (the "Company") for the year ended 31 December 2006

Principal activities and Business Review

The principal activity of the Company in the year was the wholesale trading of physical energy products and the trading of energy related derivative products The main products traded in the year were natural gas, electricity and emissions certificates in the UK and Europe

The profit and loss account is set out on page 6 The profit for the year was £48 6 million (2005 £53 7 million) The Company reported an operating profit of £40 1 million (2005 £48 4 million) Retained earnings transferred to reserves were £48 6 million (2005 £53 7 million) following net interest receipts of £8 5 million (2005 £2 7 million) At 31 December 2006 net assets were £188 3 million (2005 £139 6 million)

No dividends were paid for the year ended 31 December 2006 (2005 Nil)

Future developments

The Directors expect the Company to continue to trade physical energy products and energy related derivative products for the foreseeable future

Principal risks and uncertainties and key performance indicators (KPIs)

The management of the business and the execution of the company's strategy are subject to a number of risks The most significant business risk and uncertainty facing the Company relates to commodity prices, in particular for gas and electricity Commodity price risk is the risk that changes to gas and electricity period prices would impact the net fair value of commodity contracts held for trading Further information is set out in Note 15 The key performance indicator for the company is operating profit

Financial risk management

The Directors have established objectives and policies for managing financial risks to enable the Company to achieve its long-term shareholder value growth targets within a prudent risk management framework These objectives and policies are regularly reviewed and are set out in Note 15 of the Company's financial statements

Directors

The following served as Directors during the year and as at the date of this report

Mr A Le Poidevin (appointed 4 June 2007)
Mr I Mannan (resigned 14 May 2007)
Mr I Wood
Mr J S Ulrich
Mr P K Bentley (resigned 4 June 2007)

Accord Energy Limited

Directors' Report (Continued)

Related party transactions

The Company has taken advantage of the exemptions within Financial Reporting Standard 8 'Related party disclosures' from disclosure of transactions with Centrica plc or other companies in the Centrica group There have been no disclosable related party transactions during the year (2005 £nil)

Political and charitable donations

The Company made no political or charitable donations during the year (2005 £nil)

Directors' and officers' liability

Directors' and officers' liability insurance has been purchased by the ultimate parent company, Centrica plc and was in place throughout the year under review

Statement of directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period The Directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business

The Directors confirm that suitable accounting policies have been used and applied consistently, other than where new accounting standards are adopted during the year as explained in Note 2 to the financial statements They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2006 and that applicable accounting standards have been followed

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Provision of information to Auditors

Each of the directors who held office at the date of approval of this Directors' Report confirm that as far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Accord Energy Limited

Directors' Report (Continued)

Policy on the payment of creditors

The Company aims to pay all of its creditors promptly Payments relating to the purchase of energy products and other direct expenditure associated with energy trading are covered by contractual terms All other creditors are paid in accordance with contractual and legal obligations

Auditors

In accordance with section 386 of the Companies Act 1985 (as amended), the Company has elected to dispense with the obligation to reappoint auditors annually and PricewaterhouseCoopers LLP will therefore continue in office

By Order of the Board

For and on behalf of
Centrica Secretaries Limited
Secretary

Date 17/10/07

Registered Office

Millstream
Maidenhead Road
Windsor, Berkshire, SL4 5GD

Registered in England No 2877398

Accord Energy Limited

Independent auditors' report to the members of Accord Energy Limited

We have audited the financial statements of Accord Energy Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities section of the Directors' Report

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

Date 19 October 2007

Accord Energy Limited

Profit and loss account
for the year ended 31 December 2006

	Note	2006	2005
		£'000	£'000
Net trading income	3	48,962	53,782
Administrative expenses before exceptional items		(8,813)	(6,578)
Exceptional items		-	1,146
Administrative expenses including exceptional items		(8,813)	(5,432)
Operating profit	4	40,149	48,350
Net interest receivable	6	8,474	2,748
Profit on ordinary activities before taxation		48,623	51,098
Tax on profit on ordinary activities	7	(4)	2,605
Profit on ordinary activities after taxation for the financial year		48,619	53,703
Retained profit transferred to reserves	13	48,619	53,703

All gains or losses for the year have been derived from continuing operations

The Company has no recognised gains and losses other than the profit for the year stated above and therefore no separate statement of total recognised gains and losses has been presented

The accompanying notes on pages 8 to 21 form part of these financial statements

Accord Energy Limited

Balance Sheet as at 31 December 2006

	Note	2006 £'000	As restated 2005 £'000
Fixed Assets			
Tangible fixed assets	8	3	-
Investments	9	850	850
		853	850
Current Assets			
Debtors (amounts falling due within one year)	10	1,595,406	1,965,615
Stock		921	1,893
Cash at bank and in hand		5,356	12,123
		1,601,683	1,979,631
Creditors (amounts falling due within one year)	11	(1,414,225)	(1,840,866)
Net current assets		187,458	138,765
Total assets less current liabilities		188,311	139,615
Net assets		188,311	139,615
Capital and reserves			
Called up share capital	12	50	50
Profit and loss account	13	188,184	139,565
Other reserves	13	77	-
Equity Shareholders' Funds	14	188,311	139,615

The financial statements on pages 6 to 21 were approved and authorised for issue by the Board of Directors on

17/10/2007 and were signed on its behalf by

Ian Wood
Director

The accompanying notes on pages 8 to 21 form part of these financial statements

Accord Energy Limited

Notes to the accounts

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and the Companies Act 1985

Exemptions

The Company is a wholly owned subsidiary undertaking of Centrica plc, and has taken advantage of the exemptions within FRS 1 Cash Flow Statements from presenting a cash flow statement, FRS 2 Accounting for Subsidiary Undertakings from preparing consolidated financial statements, FRS 8 Related party disclosures from disclosure of transactions with other group companies, and FRS 25 Financial instruments Disclosure and presentation, from providing additional disclosures relating to financial instruments

Turnover

Turnover, which excludes value added tax, represents the invoiced sales of delivered energy financial derivative contracts for gas, electricity, emissions and oil to customers plus an estimate of sales not yet invoiced Movements in the valuation of energy financial derivative contracts are also included within turnover

Cost of sales

Cost of sales, which excludes value added tax, represents the invoiced purchases of energy financial derivative contracts for gas, electricity, emissions and oil to customers plus an estimate of purchases not yet invoiced

Net Trading income

Net Trading income comprises Turnover less Cost of sales for the year

Derivative financial instruments

A financial instrument is defined in FRS 25 as any contract which gives rise to a financial asset of one entity and a financial liability of another entity Financial instruments are recognised at fair value on the date on which the derivative is entered into and are re-measured to fair value at each reporting date Energy trading financial derivatives and open positions on physical energy trading contracts are fair valued using externally derived market prices or to the extent that market prices are not available, commodity prices using assumptions based on market expectations and reasonably reflected factors that market participants would consider in setting a price Such contracts are fair valued using the bid or offer price, adjusted for credit risk and discounted to determine its present value Movements in the valuation of derivative contracts are included within net trading income The Company has a policy of offsetting financial assets and financial liabilities only when both a legal right set-off exists and the intention to net settle the financial instruments is present

Accord Energy Limited

Notes to the accounts (continued)

1 Principal accounting policies (continued)

Trade debtors and trade creditors

Trade debtors and trade creditors are recognised initially at original invoice amount Trade debtors are stated after an allowance for any uncollectable amounts Provision is made when there is objective evidence that the Company will not be able the collect the debts Bad debts are written off when identified Trade debtors and trade creditors are presented and settled net where there is a contractual right of set off and the balances are settled net Accrued income and expenses represent delivered commodity that has not yet been invoiced Commodity delivered in the month is invoiced in the following month

Tangible fixed assets

Tangible fixed assets are stated at purchase cost together with any incidental costs of acquisition less accumulated depreciation Depreciation is calculated on a straight-line basis at rates sufficient to write off the cost of individual assets, less estimated residual value, over their estimated useful lives The depreciation periods for the principal categories of assets are Fixtures and fittings (5 years) and Computer and office equipment (5 years)

Fixed asset investment

Fixed asset investments are stated at cost less any provisions for impairment

Stock

Stock consists of physical gas stocks and emissions certificates Stock is held at the lower of cost and net realisable value

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into pounds sterling at closing rates of exchange Income and expenses in foreign currencies are translated into pounds sterling at rates of exchange prevailing at the time of the transactions Exchange differences on monetary assets and liabilities are taken to the profit and loss account

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted

Accord Energy Limited

Notes to the accounts (continued)

1 Principal accounting policies (continued)

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non discounted basis

Pensions

The Company's employees participate in a number of the Group's defined benefit pension schemes The Company is unable to identify its share of the underlying assets and liabilities in these schemes on a consistent and reasonable basis and therefore accounts for the schemes as if they were defined contribution schemes The charge to the profit and loss account is equal to the contributions payable to the schemes in the accounting period, which are based on pension costs across the Group as a whole

2 Changes in accounting policy

In 2006 collateral receipts of £32,000,000 (2005 £394,766,000) have been reclassified to other creditors from loans from trading counterparties (see Note 11) as in the opinion of the Directors this more accurately reflects the nature of the account balances Comparatives have been restated Collateral amounts received are a trade related balance and this presentation is consistent with Centrica plc

The Company has early adopted the amendments to FRS 26 'Financial instruments Measurement - recognition and derecognition' issued by the ASB in April 2006 The adoption of this amendment has had no impact on the Company's net assets at 1 January 2006 or on profit for the years ended 31 December 2005 or 2006

Accord Energy Limited

Notes to the accounts (continued)

3 Net trading income

	2006	2005
	£'000	£'000
Turnover	14,671,190	9,369,666
Cost of sales	(14,622,228)	(9,315,884)
Net trading income	48,962	53,782

4 Operating profit

The operating profit is stated after charging/(crediting)

	2006	2005
	£'000	£'000
Auditor's remuneration		
- Fees payable to the Company's auditor for the audit of the Company's annual accounts	62	49
Depreciation	-	21
Foreign exchange gains	(571)	(121)
Exceptional item	-	(1,146)

The Company has recognised in the prior year an exceptional gain due to recoveries made on debts that had previously been written off in the financial statements There was a £1 1m recovery in relation to the TXU Europe Ltd bad debt that was disclosed as an exceptional loss in 2002

5 Directors and employees

(a) Directors' emoluments

None of the Directors received any remuneration in respect of their services to the Company during the year

Messrs Bentley and Ulrich are also Directors of the ultimate parent company and their remuneration for services to the group as a whole are shown in Centrica plc's annual report and accounts for the year ended 31 December 2006 Retirement benefits accrue to them under the group's defined benefit scheme

The emoluments of the directors are paid by a group undertaking and are deemed by them to be wholly attributable to their services to that undertaking Accordingly no details in respect of their emoluments have been included in these financial statements

Accord Energy Limited

Notes to the accounts (continued)

(b) Employee information

The average number of personnel directly employed by the Company, not including secondees from the shareholder companies, during the year was 29 (2005 23) who were all based in the United Kingdom Staff costs for these employees were as follows

	2006	2005
	£'000	£'000
Wages and salaries	3,167	2,782
Social security costs	499	306
Other pension and retirement benefit costs	370	368
	4,036	3,456

6 Net interest receivable

	2006	2005
	£'000	£'000
Net interest receivable from group undertakings	16,083	12,926
Interest receivable from third parties	954	1,046
Interest payable to third parties	(8,563)	(11,224)
Net interest receivable	8,474	2,748

Interest payable to/receivable from third parties relates to interest on cash collateral received & paid by the Company under trading arrangements

7 Taxation

	2006	2005
	£'000	£'000
The tax charge comprises		
UK Corporation tax at 30% (2005 30%)	-	-
- Tax on exceptional items	-	-
- Adjustments in respect of prior years	-	(9,345)
Total current tax	-	(9,345)
Deferred tax		
- Origination and reversal of timing differences	4	6,740
Total tax on profit on ordinary activities	4	(2,605)

Accord Energy Limited

Notes to the accounts (continued)

7 Taxation (continued)

The dıfferences between total current tax shown and the amount calculated by applyıng the standard rate of UK corporatıon tax to profit before tax ıs as follows

	2006	2005
	£'000	£'000
Profit on ordınary actıvıtıes before tax	48,623	51,098
Tax on profit on ordınary actıvıtıes at standard UK		
Corporatıon tax rate of 30% (2005 30%)	14,587	15,329
Effects of		
Expenses not deductıble for tax purposes	3	1
Depreciatıon (less than)/ın excess of capıtal allowances	(4)	1
Utılısatıon of tımıng dıfferences	-	(6,740)
Transfer prıcıng adjustments	-	(647)
Adjustments to tax charge ın respect of prıor perıods	-	(9,346)
Group relıef for nıl consıderatıon	(14,586)	(7,943)
Current tax (credıt)/charge for year	-	(9,345)

Accord Energy Limited

Notes to the accounts (continued)

8 Tangible fixed assets

	£'000
Cost	
Balance at 1 January 2006	160
Amounts written off	(5)
Additions	3
Balance at 31 December 2006	158
Depreciation	
Balance at 1 January 2006	160
Amounts written off	(5)
Charge for the year	-
Balance at 31 December 2006	155
Net book value	
As at 31 December 2006	3
As at 31 December 2005	-

The tangible fixed assets comprise fixtures and fittings, and computer and office equipment

9 Fixed asset investments

Subsidiary undertakings

	2006 £'000	2005 £'000
Cost and carrying value	850	850

	Country of registration or incorporation	Class of shares held	Company holding (%)
Accord Electric Limited	England	Ordinary	100
Accord Energy (Trading) Limited	England	Ordinary	100
Accord Gas Limited	England	Ordinary	100
Accord Oil Limited	England	Ordinary	100

As at 31 December 2006 all of these subsidiary undertakings except Accord Energy (Trading) Limited were dormant

Accord Energy Limited

Notes to the accounts (continued)

10 Debtors (amounts falling due within one year)

	2006 £'000	2005 £'000
Derivative financial instruments (i)	819,030	1,104,573
Deferred corporation tax	11	15
Amounts owed by group undertakings (ii)	387,607	445,337
Other debtors and prepayments (iii)	58,384	35,684
Accrued income	330,374	380,006
	1,595,406	1,965,615

(i) Derivative financial instruments include £436,303,000 (2005 £nil) of amounts owed by group undertakings

(ii) Amounts owed by group undertakings are unsecured, have no fixed date of payment and an amount of £385,504,000 (2005 £441,537,000) bears a 3 month LIBOR rate plus 50 basis points

(iii) Other debtors are made up of cash collateral paid amounts of £13,800,000 (2005 £13,300,000), a VAT debtor of £23,368,000 (2005 £1,805,000), prepayments of £867,000 (2005 £5,289,000) and sundry debtors of £20,349,000 (2005 £15,290,000)

Deferred corporation tax

The deferred corporation tax (provision)/asset at 30% (2005 30%) is analysed as follows

	Amounts provided		Potential amounts Unrecognised	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Accelerated capital allowances	11	15	-	-
Other timing differences	-	-	-	-
Total	11	15	-	-

Accord Energy Limited

Notes to the accounts (continued)

11 Creditors (amounts falling due within one year)

	2006 £'000	As restated 2005 £'000
Trade creditors	27,745	32,908
Derivative financial instruments (i)	808,654	1,100,545
Amounts owed to group undertakings (ii)	185,273	5,918
Accruals and deferred income	356,151	298,268
Other creditors (iii)	36,402	403,227
	1,414,225	1,840,866

(i) Derivative financial instruments include £184,228,000 (2005 £754,001,000) of amounts owed to group undertakings

(ii) Amounts owed to group undertakings have no fixed repayment date and no security provided and an amount of £147,282,000 (2005 £nil) bears a 3 month LIBOR rate plus 50 basis points

(iii) Other creditors include cash collateral received amounts of £32,000,000 (2005 £394,766,000) Cash collateral received amounts have been reclassified from Loans from trading counterparties and comparatives have been restated

Accord Energy Limited

Notes to the accounts (continued)

12 Called up share capital

	2006 £	2005 £
Authorised share capital		
50,000 ordinary shares of £1 each	50,000	50,000
196 participating preference shares of £1 each	196	196
999,753 unclassified shares of £1 each	999,753	999,753
	1,049,949	1,049,949

	2006 £	2005 £
Allotted and fully paid share capital		
50,000 ordinary shares of £1 each	50,000	50,000
196 participating preference shares of £1 each	196	196
	50,196	50,196

13 Reserves

	£'000
Share based payment	
As at 31 December 2005	-
As at 1 January 2006	-
Share-based payment	77
As at 31 December 2006	77
Profit and loss account:	
As at 31 December 2005	139,565
As at 1 January 2006	139,565
Transfer from profit and loss account for the year	48,619
As at 31 December 2006	188,184

Accord Energy Limited

Notes to the accounts (continued)

14 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Profit for the financial year	48,619	53,703
Retained profit for the financial year	48,619	53,703
Share-based payment	77	-
Net addition to shareholders funds	48,696	53,703
Opening shareholders funds	139,615	85,912
Closing shareholders' funds	188,311	139,615

15 Financial instruments

(i) Risks
Exposure to commodity price risk, counterparty credit risk, interest rate risk, currency risk and liquidity risk arises from the Company's proprietary trading business Derivative financial instruments are entered into for trading purposes The most significant financial risk facing the Company relates to commodity prices, in particular for gas and electricity Commodity price risk is the risk that changes to gas and electricity period prices would impact the net fair value of commodity contracts held for trading

Either of the following alternative assumptions, or a combination of these alternative assumptions, would significantly increase forecast gas and electricity prices outside the active period of the market

- higher oil prices and continued strong linkage between oil and gas prices
- lower supply to the UK gas market, for instance due to insufficient new infrastructure being put in place, or due to higher worldwide competition for gas supplies

The impact of applying these reasonably possible assumptions in determining the fair values would be to increase the net fair value of derivative financial instruments by £16,000,000 (2005 decrease of £5,000,000)

A combination of the following alternative assumptions would significantly decrease forecast gas prices outside the active period of the market

- lower oil prices and continued linkage between oil and gas prices
- a discontinuation of the linkage between oil and gas prices in the medium-term
- liberalisation in the European gas market, if this were to result in increased competition between gas producers,
- a degree of oversupply to the UK gas market resulting from new infrastructure or lower worldwide demand for gas

The impact of applying these reasonably possible assumptions in determining the fair values would be to decrease the net fair value of derivative financial instruments by £2,000,000 (2005 increase of £5,000,000)

These exposures are subject to volumetric limits on open exposures and VaR limits

Accord Energy Limited

Notes to the accounts (continued)

15 Financial instruments (continued)

Liquidity risk is the risk that the Company will not have sufficient funds to meet liabilities Cash forecasts identifying the liquidity requirements of the Company are produced frequently These are reviewed regularly to ensure sufficient financial headroom exists for at least a 12 month period The Company finances its operations through a combination of cash flow from operations and financing received from other Centrica Group companies

Counterparty credit risk is the risk that the financial benefits of the contracts with a specific counterparty will be lost if a counterparty defaults on their contractual obligations This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists The exposure to credit risk, without taking into account collateral received, at 31 December 2006 was £767,766,000 (2005 £1,534,304,000)

Counterparty credit exposures are monitored by individual counterparty and by category of credit rating, and are subject to approved limits The majority of significant exposures are with A-rated counterparties or better, or with other Centrica Group companies A credit risk adjustment is made to the fair values of financial instruments in accordance with the credit rating of the counterparty Accord employs a variety of other methods to mitigate credit risk including margining, various forms of bank and Parent Company Guarantees and Letters of Credit Accord also uses master netting agreements or netting provisions to reduce credit risk and net settles payments with counterparties where master netting agreements are held At 31 December 2005 the Company had received £32,000,000 (2005 £394,766,000) of cash collateral amounts principally under margin calls to cover exposure to mark to market positions on derivative contracts and had pledged £13,800,000 (2005 £13,843,000)

Interest rate risk, currency risk and liquidity risk are managed centrally by Centrica plc No hedges of such risks are undertaken by this Company

(ii) Fair values
The fair values of the Company's financial instruments together with the carrying amounts included in the Balance Sheet are analysed below

Primary financial assets

	2006	**2005**
	Carrying value/ Fair value £000	Carrying value/ Fair value £000
Amounts owed by group undertakings	387,607	445,337
Other debtors	34,149	28,590
Accrued income	330,374	380,006
Cash and cash equivalents	5,356	12,123
	757,486	866,056

Accord Energy Limited

Notes to the accounts (continued)

15 Financial instruments (continued)

Pnmary financial habilities

	2006 Carrying value/ Fair value £000	As restated 2005 Carrying value/ Fair value £000
Trade creditors	27,745	32,908
Amounts owed to group undertakings	185,273	5,918
Accruals	356,151	298,268
Other creditors	36,402	403,189
	605,571	740,283

Derivative financial instruments

	2006 Carrying value/ Fair value £000	2005 Carrying value/ Fair value £000
Derivative financial instruments held for trading		
Energy derivatives – assets	819,030	1,104,573
Energy derivatives – liabilities	(808,654)	(1,100,545)
Net total	10,376	4,028

Fair value is equivalent to carrying value

(iii) Methods and assumptions

The values of commodity contracts are estimated by reference in part to published price quotations in active markets and in part by using valuation techniques Management consider the UK markets for gas and electricity to be active for up to two years, with reliable broker quotes and published prices available for this period In the active period financial instruments are valued against forward market prices available at 31 December 2006 Outside the active period financial instruments are valued using commodity prices derived using assumptions that are based on market expectations and reasonably reflect all factors that market participants would consider in setting a price The total change in fair value estimated using valuation techniques that was recognised in the Profit and Loss Account during the year amounts to a profit of £6,348,000 (2005 profit of £16,447,000)

The most significant assumptions incorporated in the valuation techniques used to value commodity contracts at 31 December 2006 are as follows

- Commodity prices are based on views held by a cross-section of independent external market experts
- It is assumed that markets would allow the sale or purchase of each commodity in equivalent volumes to those contracted at the forecast market price
- Day 1 gains and losses are only recognised in the profit and loss account to the extent that the valuation is based on observable market prices

Significant terms and conditions for the majority of energy forwards, futures, swaps and options include a contractual right of setoff, the practise of net settling and settlement occurring on delivery

Accord Energy Limited

Notes to the accounts (continued)

16 Pensions

The majority of the Company's UK employees as at 31 December 2006 were members of two of the three main schemes in the Centrica plc group, the Centrica Pension Scheme and the Centrica Management Pension Scheme

These schemes are defined benefit schemes and their assets are held in separate trustee administered funds However, it is not possible on a reasonable and consistent basis to identify the Company's share of the underlying assets and liabilities within these schemes, and therefore, as allowed within FRS17, these schemes have been treated as defined contribution schemes The aggregate contributions to the schemes during the year were £0 37million (2005 £0 37million) The amount outstanding at the balance sheet date was £nil (2005 £nil) An actuarial valuation of the schemes at a group level on an FRS 17 basis is not performed However, the latest actuarial valuation of the schemes prepared in accordance with IAS 19 and disclosed in the IFRS consolidated financial statements of Centrica plc, show a total deficit of £296 million, £207 million net of deferred tax (2005 £820 million, £571 million net of deferred tax) Further details of these valuations can be found in the Annual Report and Accounts of Centrica plc for the year ended 31 December 2006

The liabilities under the pension schemes will be paid out over an extended period The Company is contributing to the pension fund on the basis of actuarial advice as to the amounts required to meet these liabilities in full This actuarial advice is based on funding valuations carried out at least triennially, the last of which was as at 31 March 2006

17 Share schemes

The Group has a number of employee share schemes, detailed in the Directors' Report – Corporate Responsibility on page 26 of the Centrica plc Annual Report and Accounts 2006 and in the Remuneration Report on pages 35 to 36 of the Centrica plc Annual Report and Accounts 2006 and in note 25 of the Centrica plc Annual Report and Accounts 2006, under which it makes equity-settled share-based payments to certain employees Equity-settled share-based payments are measured at fair value at the date of grant (excluding the effect of non market-based vesting conditions) The fair value determined at the grant date is expensed on a straight line basis together with a corresponding increase in equity over the vesting period, based on the Group's estimate of the number of shares that will vest and adjusted for the effect of non market-based vesting conditions
Fair value is measured using methods appropriate to each of the different schemes as follows

LTIS awards up to 2005	A Black-Scholes valuation augmented by a Monte Carlo simulation to predict the total shareholder return performance
LTIS 2006 EPS awards	Market value on the date of grant
LTIS 2006 TSR awards	A Monte Carlo simulation to predict the total shareholder return performance
Sharesave	Black-Scholes
ESOS	Black-Scholes using an adjusted option life assumption to reflect the possibility of early exercise
Share Award Scheme	Market value on the date of grant

The impact on the results and net assets of the Company is not material

18 Ultimate parent company

GB Gas Holdings Limited, a company registered in England and Wales, is the immediate parent company Centrica plc, a company registered in England and Wales, is the ultimate parent company and the only company to consolidate the financial statements of Accord Energy Limited Copies of the Annual report and Accounts of Centrica plc may be obtained from www centrica com.