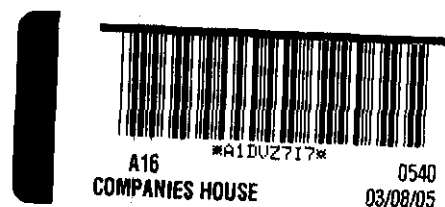


Company Registration No. 04508881

CalEnergy Resources Limited

Annual Report and Financial Statements

31 December 2004



CalEnergy Resources Limited

Annual report and financial statements 2004

Contents	Page
Officers and professional advisers	1
Directors' Report & Statement of directors' responsibilities	2
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7

CalEnergy Resources Limited

Annual report and financial statements 2004

Officers and professional advisers

Directors

G E Abel
P E Connor
K Linge
J D Stallmeyer
M J Sparkes
P R A Youngs

Secretary

J Elliott

Registered Office

Lloyds Court
78 Grey Court
Newcastle upon Tyne
NE1 6AF

Bankers

Lloyds TSB Bank PLC
102 Grey Street
Newcastle upon Tyne
NE99 1SL

Solicitors

Herbert Smith
Exchange House
Primrose Street
London
EC2A 2HS

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

CalEnergy Resources Limited

Directors' report and Statement of Directors' Responsibilities

The directors present their annual report and audited financial statements for the year ended 31 December 2004.

Results and dividends

The Company made a loss for the year after taxation of £549,593 (2003: loss of £1,132,744). No dividend was paid during the year (2003 - £nil). The directors recommend that no final dividend be paid for the year (2003 - £nil) and that the loss of £549,593 be withdrawn from reserves.

Principal activity and review of the business

The principal activity of the Company is and will continue to be to act as a holding company for investments in oil and gas assets.

Directors and their interests

The directors who served throughout the year ended 31 December 2004 were as follows:

G E Abel
P E Connor
K Linge
M J Sparkes
J D Stallmeyer
P R A Youngs

Throughout the year none of the directors were materially interested in any contract in relation to the business of the Company.

The beneficial interests of the directors in the equity share capital of the Company were as follows:

Name of Holder	Number of shares on 1 January 2004	Number of shares on 31 December 2004	Type
P R A Youngs	248,554	248,554	Management 1p
M J Sparkes	126,571	126,571	Management 1p

During the year, no other director held an interest in the share capital of the Company.

During the year, no director held an interest in the share capital of other companies in the CE Electric UK Funding Company group of companies.

The interests of G E Abel in the share capital of MidAmerican Energy Holdings Company, the Company's ultimate parent Company, were as follows:

Number of shares on 1 January 2004	Number of shares on 31 December 2004	Number of options held on 1 January 2004	Number of options held on 31 December 2004	Number of options exercised between 1 January 2004 and 31 December 2004	Number of options granted between 1 January 2004 and 31 December 2004
55,940	55,940	649,052	649,052	None	None

During the year, no other director held an interest in the share capital of MidAmerican Energy Holdings Company.

CalEnergy Resources Limited

Directors' report and Statement of Directors' Responsibilities

Auditors

An elective resolution is in place dispensing with the need to appoint auditors annually. Deloitte & Touche LLP have expressed their willingness to continue in office as auditors.

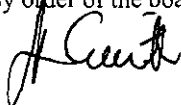
STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

By order of the board



John Elliott
Company Secretary

14 July 2005

Independent auditors' report to the members of CalEnergy Resources Limited

We have audited the financial statements of CalEnergy Resources Limited for the year ended 31 December 2004, which comprise the profit and loss account and the balance sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the Company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 judgements 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 of the state of the Company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

14 July 2005

CalEnergy Resources Limited

Profit and loss account

Year ended 31 December 2004

	Note	2004 £	2003 £
Operating expenses		(134,929)	(550,097)
Operating loss	2	(134,929)	(550,097)
Loss on disposal of fixed asset investments		-	(727,301)
Loss on ordinary activities before finance charges and taxation		(134,929)	(1,277,398)
Other interest receivable and similar income	4	3,873	6,594
Interest payable and similar charges	4	(509,701)	(472)
Loss on ordinary activities before taxation		(640,757)	(1,271,276)
Tax credit on loss on ordinary activities	5	91,164	138,532
Loss on ordinary activities after taxation and retained loss for the financial year	11	(549,593)	(1,132,744)

There were no recognised gains or losses other than those set out in the profit and loss account in either the current year or preceding financial year, consequently no statement of total recognised gains and losses is presented.

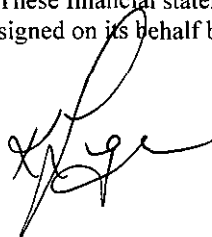
All activities relate to continuing operations.

CalEnergy Resources Limited

Balance sheet 31 December 2004

	Note	2004 £	2003 £
Fixed assets			
Tangible fixed assets	6	31,860	7,572
Investments	7	13,903,325	13,551,779
		<u>13,935,185</u>	<u>13,559,351</u>
Current assets			
Debtors: amounts due within one year	8	7,725,078	5,306,370
Cash at bank and in hand		12,223	393,641
		<u>7,737,301</u>	<u>5,700,011</u>
Creditors: amounts falling due within one year	9	<u>(7,013,811)</u>	<u>(4,051,094)</u>
Net current assets		<u>723,490</u>	<u>1,648,917</u>
Net assets		<u>14,658,675</u>	<u>15,208,268</u>
Capital and reserves			
Called up share capital	10	16,617,962	16,617,962
Share premium	11	41,038	41,038
Profit and loss account	11	<u>(2,000,325)</u>	<u>(1,450,732)</u>
Shareholders' equity funds	11	<u>14,658,675</u>	<u>15,208,268</u>

These financial statements were approved by the Board of Directors on 14 July 2005 and signed on its behalf by



K Linge
Director

CalEnergy Resources Limited

Notes to the financial statements Year ended 31 December 2004

1. Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the prior year.

Basis of accounting

The accounts are prepared under the historical cost convention in accordance with applicable United Kingdom law and accounting standards, and 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' Statement of Recommended Practice. The information presented is with respect to the Company, not the CalEnergy Resources group. The Company has taken advantage of the exemption from preparing group accounts as it is a 98% owned subsidiary of CE Electric UK Funding Company whose consolidated financial statements include those of the Company and are publicly available.

Investments

Investments are stated at cost less provision for any impairment.

Fixed Assets

Fixed assets, being office equipment, are stated at cost less depreciation and any provision for impairment. Depreciation is calculated to write down the cost, less the estimated residual value, of these assets on a straight line basis over their expected useful lives. Depreciation is charged on office equipment at a rate of 33% per annum.

Corporation tax

Current tax, including UK corporation tax and foreign 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

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are discounted at rates calculated in accordance with FRS 19, reflecting post-tax yields to maturity that can be obtained on government bonds with similar maturity dates and currencies to those of the deferred tax assets or liabilities.

Cash flow statement

In accordance with the terms of FRS 1 (Revised) the Company has not prepared a statement of cash flows as the Company is a 98% owned subsidiary of CE Electric UK Funding Company whose consolidated financial statements include those of the Company and are publicly available.

Pension costs

The Company participates in a defined benefit multi-employer scheme, the assets of which are held independently from the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme. The amounts charged to the profit and loss account in respect of pension costs and other post-retirement benefits are the contributions payable in the year.

CalEnergy Resources Limited

Notes to the financial statements Year ended 31 December 2004

1. Accounting policies (continued)

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used. The rental payments under operating leases are substantially included as part of the costs recharged to other group companies.

2. Operating loss

Operating loss is stated after charging:

	2004 £	2003 £
Depreciation	11,913	3,786
Operating lease rentals - property rentals	24,455	20,565

Auditors' remuneration was borne by another company in the CE Electric UK Funding Company group in the current and preceding financial year.

3. Directors and employees

	2004 £	2003 £
Directors' emoluments for services to the company	200,614	254,638
Directors' employer pension contributions – for services to the company	27,801	49,069
	No.	No.
Members of defined benefit schemes	4	4

The Company only paid contributions in respect of two of the directors in the defined benefit scheme to the end of May 2004, after which the Company only paid for one director.

The emoluments of the highest paid director during the year were £175,223 (2003 – £156,904) and pension contributions of £39,282 (2003 – £28,751). During 2004, 50% of the emoluments and 40% of the pension contributions were paid by the Company, whilst the remainder was borne by CalEnergy Gas (Australia) Limited, upon the director's transfer to CalEnergy Gas (Australia) Limited in June 2004.

	2004 £	2003 £
Wages and salaries (including directors)	608,903	790,425
Social security costs	64,325	66,066
Other pension costs	58,190	75,487
	731,418	931,978

The average monthly number of staff employed during the year was 8 (2003 – 8). A proportion of salaries are recharged to other group companies.

CalEnergy Resources Limited

Notes to the financial statements Year ended 31 December 2004

4. Finance charges

	2004 £	2003 £
Interest receivable and other similar income:		
Bank interest receivable	3,873	6,587
Foreign exchange gain	-	7
	<u>3,873</u>	<u>6,594</u>
	2004 £	2003 £
Interest payable and other similar charges:		
Interest payable to other group companies (see note 9)	(509,701)	(472)
	<u>(509,701)</u>	<u>(472)</u>

5. Tax credit on loss on ordinary activities

	2004 £	2003 £
Analysis of tax credit for the year:		
Group relief receivable	84,336	138,564
(Over)/under provision for prior year	6,828	(32)
	<u>91,164</u>	<u>138,532</u>
Taxation credit on loss on ordinary activities		
	2004 £	2003 £
Reconciliation of current tax credit:		
Loss on ordinary activities before taxation	(640,757)	(1,271,276)
Tax on loss on ordinary activities at 30%	192,227	381,383
Factors affecting the charge:		
Imputed interest	(106,134)	-
Movement on unrecognised deferred tax asset	(219)	-
Disposal of substantial shareholding	-	(218,190)
Expenses not deductible for tax purposes	(1,538)	(24,629)
Over/(under) provision for prior year	6,828	(32)
	<u>91,164</u>	<u>138,532</u>
Current tax credit for the year		

CalEnergy Resources Limited

Notes to the financial statements Year ended 31 December 2004

5. Tax credit on loss on ordinary activities (continued)

Factors that may affect future tax charges:

It is anticipated that in future total tax charges, including deferred tax before discount, will equate to the standard rate of tax on profit or loss on ordinary activities before taxation as adjusted for imputed interest. The company has an unrecognised discounted deferred tax asset of £459 (2003 - £284) arising on accelerated capital allowances. This has not been recognised in the financial statements.

6. Tangible fixed assets

	Office equipment £
Cost:	
At 1 January 2004	11,358
Additions	36,201
	<hr/>
At 31 December 2004	47,559
	<hr/>
Depreciation:	
At 1 January 2004	3,786
Depreciation charge for the year	11,913
	<hr/>
At 31 December 2004	15,699
	<hr/>
Net book value:	
At 31 December 2004	31,860
	<hr/>
At 31 December 2003	7,572
	<hr/>

7 Investments

	Shares in subsidiary undertakings £
Cost and net book value:	
As at 1 January 2004	13,551,779
Additional investment in CalEnergy Resources Poland Sp. z o.o.	351,546
	<hr/>
As at 31 December 2004	13,903,325
	<hr/>

CalEnergy Resources Limited

Notes to the financial statements Year ended 31 December 2004

7 Investments (continued)

Details of the investments (and subsidiaries) at 31 December 2004 were as follows:

Name of Company	Country of incorporation	Holding	Proportion held	Nature of Business
CalEnergy Resources Poland Sp. z o. o.	Poland	16,710 500 pln ordinary shares	100%	Gas Exploration and Production
CalEnergy Gas (Australia) Limited	England and Wales	9,539,909 £1 ordinary shares	100%	Gas Exploration and Production
CalEnergy Gas Limited	England and Wales	2,682,373 £1 ordinary shares	100%	Gas Exploration and Production

8. Debtors

	2004 £	2003 £
Amounts falling due within one year:		
Amounts receivable from Group undertakings	7,675,751	5,192,673
Group relief recoverable	34,165	100,165
Other Debtors	7,325	6,636
Prepayments	7,837	6,896
	<u>7,725,078</u>	<u>5,306,370</u>

9. Creditors: amounts falling due within one year

	2004 £	2003 £
Amounts owed to Group undertakings	6,868,163	3,875,695
Accruals	145,648	175,399
	<u>7,013,811</u>	<u>4,051,094</u>

The amounts owed to Group undertakings include £5,950,274, which bears interest at a fixed rate of 11%. Interest was levied during the year in respect of the entire period since inception of the loan in 2002 as part of a negotiation to formalise the terms of this loan (see note 4).

CalEnergy Resources Limited

Notes to the financial statements Year ended 31 December 2004

10. Called up share capital

	2004 £	2003 £
Authorised:		
29,996,249 Preference shares of £1 each	29,996,249	29,996,249
375,125 Management shares of 1p each	3,751	3,751
	<u>30,000,000</u>	<u>30,000,000</u>
Allotted, called up, and fully paid:		
16,614,211 Preference shares of £1 each	16,614,211	16,614,211
375,125 Management shares of 1p each	3,751	3,751
	<u>16,617,962</u>	<u>16,617,962</u>

Preference shares carry an entitlement to a dividend annually if appropriate and carry voting rights at any general meetings held by the Company. These voting rights are one for every share held. Preference shares have priority over Management shares on winding up. Management shareholders are not entitled to voting rights or dividends. Both classes of shares are equity and non-redeemable.

11. Reconciliation of movement in equity shareholders' funds and reserves

	Share capital £	Share premium £	Profit and loss account £	Equity shareholders funds £
At 1 January 2003	16,617,962	41,038	(317,988)	16,341,012
Loss for the year	-	-	(1,132,744)	(1,132,744)
At 31 December 2003	16,617,962	41,038	(1,450,732)	15,208,268
Loss for the year	-	-	(549,593)	(549,593)
At 31 December 2004	<u>16,617,962</u>	<u>41,038</u>	<u>(2,000,325)</u>	<u>14,658,675</u>

12. Related party transactions

The Company has taken advantage of the exemption granted by Financial Reporting Standard No. 8 "Related Party Disclosures" not to disclose transactions with other undertakings within, and related parties of, MidAmerican Energy Holdings Company.

CalEnergy Resources Limited

Notes to the financial statements Year ended 31 December 2004

13. Pension arrangements

The Company participates in the Northern Electric plc group of the Electricity Supply Pension Scheme (the "Scheme"). This is a defined benefit multi-employer scheme, the assets of which are held independently from the Company. The Company is unable to identify its share of the underlying assets and liabilities of the Scheme and accordingly accounts for the Scheme as if it were a defined contribution scheme.

Contributions to the scheme for the year were £58,190 (2003 – £75,487).

An updated valuation of the scheme at 31 March 2004 (its balance sheet date) indicated that the scheme was 78.1% funded, allowing for the effect of future salary increases. Details of the Scheme can be found in the accounts of CE Electric UK Funding Company for the year ended 31 December 2004 (see note 15).

14. Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	2004 Land and buildings £	2003 Land and Buildings £
Expiry date		
- within one year	32,200	-
- between one and five years	5,300	20,565
	<u>37,500</u>	<u>20,565</u>

15. Ultimate controlling party

The Company's ultimate controlling party and ultimate parent company as at 31 December 2004 was MidAmerican Energy Holdings Company, a company incorporated in Iowa, United States of America. The group accounts of this group are available to the public and may be obtained from the Corporate Secretary, 666 Grand Avenue, PO Box 657, Des Moines, IA 50303-0657, USA.

The immediate parent Company is CalEnergy Gas (Holdings) Limited, which is registered in England and Wales, and does not prepare consolidated financial statements.

The largest group in which the results of the Company are consolidated is that headed by MidAmerican Energy Holdings Company. The smallest group in which the results of the Company are consolidated is that headed by CE Electric UK Funding Company, which is registered in England and Wales. The consolidated accounts of CE Electric UK Funding Company are available to the public and may be obtained from the Company Secretary, CE Electric UK Funding Company, Lloyds Court, 78 Grey Street, Newcastle Upon Tyne, NE1 6AF.