

Registered no 05109213

Constellation Energy Commodities Group Limited
Directors' Report and Financial Statements
For the year ended 31 December 2007

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Constellation Energy Commodities Group Limited

Directors' report for the year ended 31 December 2007

The directors present their annual report and the audited financial statements of Constellation Energy Commodities Group Limited (the "Company") for the year ended 31 December 2007

Principal activities

The Company's principal activity during the year was the performance of services under an Administrative Services Agreement (the "Agreement") with Constellation Energy Commodities Group Inc ("CECG US", a United States affiliated Company) relating to the purchase and sale of coal, power, emissions, freight, and natural gas by CECG US

Review of business and future developments

The Company filed financial statements for the year ended 31 December 2006 and prepared these financial statements for the year ended 31 December 2007

The Company was formed for the purpose of providing administrative services to CECG US in relation to its conduct of a commodity wholesale marketing business. Under the Agreement, the Company earns an administration fee from CECG US based on its operating costs. The Company does not undertake any purchases or sales of commodities in its own name and is, consequently, not exposed to any risk of loss. On 5 November 2007, the Company established Constellation Energy Commodities Group Spain ("CECG Spain"), a branch in Spain, in order to transact in Spanish power auctions. In March 2008, the Company began to undertake small purchases and sales of commodities in the name of CECG Spain and its own name.

The directors have given consideration to the recent instability in financial markets and they do not believe that this instability will materially impact the company's present or future activities nor affects the going concern assumption used to prepare the financial statements.

Results and dividends

The Company's profit for the financial year of £1,752,000 (for the year ended 2006: £1,267,000) will be transferred to reserves. The directors do not recommend the payment of a dividend for the year (2006: £nil).

Directors

The directors who held office during the year and up to the date of signing the financial statements were

Stuart Rubenstein

Martin Hunter

George Persky

Felix Dawson

Resigned 2 May 2008

Events after the balance sheet date

In March 2008, the Company began to undertake purchases and sales of commodities in the name of CECG Spain and its own name.

On 26 June, 2008, the Company acquired Nufcor International Limited (Nufcor). Nufcor is a uranium market participant that provides marketing services to uranium producers, utilities and an investment fund in North American and European markets. The Company acquired 100% ownership for £52.6 million, which was paid in cash.

On 19 September 2008, Constellation Energy Group, Inc ("Constellation Energy"), the company's ultimate parent company, reached a definitive merger agreement with MidAmerican Energy Holdings Company ("MidAmerican") in which MidAmerican will purchase all of the outstanding shares of Constellation Energy. Further details are provided in Note 18 to the financial statements. The directors do not have any reason to believe that the acquisition of Constellation Energy by MidAmerican would have any material impact on the company's business.

Constellation Energy Commodities Group Limited

Directors' report for the year ended 31 December 2007 (Continued)

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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.

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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

Disclosure of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that

- So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- Each director has taken all the steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act of 1985.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act of 1985 relating to small companies.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



Martin Hunter

Director

Date 29 October 2008

Constellation Energy Commodities Group Limited

Independent auditors' report to the members of Constellation Energy Commodities Group Limited

We have audited the financial statements of Constellation Energy Commodities Group Limited for the year ended 31 December 2007 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.

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

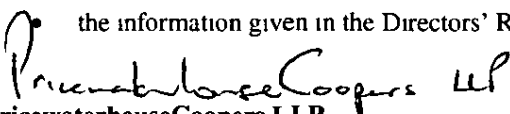
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2007 and of its profit for the year then ended, and
- 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

Chartered Accountants and Registered Auditors

West London

Date: 31 October 2008

Constellation Energy Commodities Group Limited

Profit and loss account for the year ended 31 December 2007

		Year ended 31 December 2007 £000's	Year ended 31 December 2006 £000 s
	Notes		
Administrative expenses		(25,774)	(15,501)
Other operating income		28,368	17,308
Operating profit	3	2,594	1,807
Interest receivable and similar income	4	20	17
Profit on ordinary activities before taxation		2,614	1,824
Tax charge on profit on ordinary activities	6	(862)	(557)
Profit for the financial year	13	1,752	1,267

The company has no recognised gains or losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

All amounts are from continuing operations

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the periods stated above and their historical cost equivalents

Constellation Energy Commodities Group Limited

Balance Sheet as at 31 December 2007

		31 December 2007	31 December 2006
	Notes	£000's	£000's
Fixed assets			
Tangible assets, net	7	3,969	1,153
Current assets			
Debtors	8	13,423	8,487
Cash at bank and in hand		610	79
Total current assets		<u>14,033</u>	<u>8,566</u>
Current liabilities			
Creditors amounts falling due within one year	9	(12,832)	(7,514)
Net current assets		<u>1,201</u>	<u>1,052</u>
Total assets less current liabilities		5,170	2,205
Creditors amounts falling due after more than one year	10	—	(85)
Net assets		<u>5,170</u>	<u>2,120</u>
Capital and reserves			
Called up share capital	12	—	—
Capital contributions	13	1,632	—
Profit and loss account	13	3,538	2,120
Total equity shareholders' funds	14	<u>5,170</u>	<u>2,120</u>

The financial statements and notes on pages 4 to 12 form the financial statements and were approved by the board of directors on 29 October, 2008 and were signed on its behalf by



Martin Hunter
Director

Constellation Energy Commodities Group Limited

Notes to the financial statements for the year ended 31 December 2007

1 Accounting Policies

Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies which have been applied consistently throughout the year are set out below.

Other operating income

Other operating income represents the income earned under the Administrative Services Agreement (the "Agreement") with Constellation Energy Commodities Group Inc ("CECG US", a United States affiliated company) relating to the purchase and sale of commodities by CECG US. Under the Agreement, the Company earns an administrative fee from CECG US on its operating costs. The Company does not undertake any purchases or sales of commodities in its own name and is consequently not exposed to any risk of loss. Operating income is recognised in accordance with the administrative fee earned under the Agreement and arises entirely in the United Kingdom. Additionally, the Company entered into a commercial management agreement with Bulk Energy Transport Holdings, Ltd ("BETHL") for the commercial management of six dry bulk vessels for which CECG US has the beneficial 50% interest.

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Depreciation is calculated to write off the cost of tangible fixed assets, less their residual values, over their expected economic useful lives using the straight line basis. The expected useful economic lives of the assets to the business are reassessed periodically in the light of experience.

Straight line annual rates of depreciation most widely used are:

Category	Estimated Useful Lives.
Plant and machinery	3 – 6 Years
Leasehold improvements	15 Years

Deferred tax

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.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the 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 an undiscounted basis.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the date of the balance sheet or at the agreed contractual rate. Transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction. All differences on exchange are taken to the profit and loss account.

Constellation Energy Commodities Group Limited

Notes to the financial statements for the year ended 31 December 2007 (Continued)

1 Accounting Policies (continued)

Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge disclosed in note 15 represents contributions payable by the Company to the fund.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term. At 31 December 2007, the Company had operating leases for commercial office space as disclosed within note 17.

Share based payment

Under our long-term incentive plans, the Company has granted service-based restricted stock of Constellation Group Inc ('CEG') to key employees. We discuss these awards in note 16 to the financial statements.

Under FRS 20 "Share based payment," the Company recognizes compensation costs equal to the market value of the shares on the grant date ratably or in tranches (depending on if the award has cliff or graded vesting) over the period during which an employee is required to provide service in exchange for the award, which is typically a three year service period. The Company uses a forfeiture assumption to estimate the number of awards that are expected to vest during the period, and ultimately true-up the estimated expense associated with vested awards.

Change in accounting policies

During 2007, the Company adopted FRS 3 "Reporting financial performance" as amended in these financial statements. There was no impact arising from the adoption of this amendment.

2 Cash flow statement and related party disclosures

The Company is a wholly-owned direct subsidiary of CECG International Holdings Inc ("CECG International") and ultimately a wholly-owned indirect subsidiary of CEG and is included in CEG's consolidated financial statements which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 "Cash Flow Statements" (revised 1996).

The Company is also exempt under the terms of FRS 8 "Related party disclosures" from disclosing related party transactions with entities that are a subsidiary of CEG or investees of CEG, as the consolidated CEG financial statements are publicly available.

3 Operating profit

	Year ended 31 December 2007 £000's	Year ended 31 December 2006 £000 s
Operating profit is stated after charging/(crediting)		
Depreciation of owned tangible fixed assets (note 7)	852	295
Operating lease rentals - other	1,131	277
Auditors' remuneration for audit services	23	19
Foreign exchange loss / (gain)	25	(300)
Administrative Services Agreement income with CECG US	(28,350)	(17,008)
Commercial Management Agreement with BETHL	(43)	-

Constellation Energy Commodities Group Limited

Notes to the financial statements for the year ended 31 December 2007 (Continued)

4 Interest receivable and similar income

	Year ended 31 December 2007 £000's	Year ended 31 December 2006 £000's
Bank interest	20	17

5. Employee information and directors' emoluments

None of the directors received any emoluments for their services to the Company (2006 nil). They are remunerated by CECG US for their services to the group as a whole. It is not possible to apportion the amounts remunerated by CECG US.

	Year ended 31 December 2007 £000's	Year ended 31 December 2006 £000's
Wages and salaries	15,814	10,874
Share based payment (note 16)	1,298	244
Social security costs	1,348	921
Other pension costs (note 15)	521	294
Staff Costs	18,981	12,333

The average monthly number of persons (excluding executive directors) employed by the Company during the year was

By Activity	Year ended 31 December 2007	Year ended 31 December 2006
Administrative services	71	41

6 Tax charge on profit on ordinary activities

	Year ended 31 December 2007 £000's	Year ended 31 December 2006 £000's
Current tax		
UK corporation tax on profits for the year	1,169	608
Adjustments in respect of prior years	18	22
Total current tax	1,187	630
Deferred tax		
Origination and reversal of timing differences for the period (note 11)	(303)	(63)
Origination and reversal of timing differences in respect of prior years (note 11)	(47)	(10)
Total deferred tax	(350)	(73)
Tax charge on profit on ordinary activities	837	557

The tax assessed for the year is (2006 higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below

Constellation Energy Commodities Group Limited

Notes to the financial statements for the year ended 31 December 2007 (Continued)

6 Tax charge on profit on ordinary activities (continued)

	Year ended 31 December 2007 £000's	Year ended 31 December 2006 £000's
Profit on ordinary activities before tax	2,614	1,824
Profit on ordinary activities multiplied by standard rate in the UK 30%	784	547
Effects of		
Permanent differences	53	(2)
Timing differences	332	63
Adjustments in respect of prior years	18	22
Current tax charge for the year	1,187	630

The main rate of UK corporation tax has fallen from 30% to 28% with effect from 1 April 2008. This will not have a significant effect on the deferred tax asset.

7 Tangible assets

	Leasehold Improvements £000 s	Plant, and Machinery £000 s	Total £000 s
Cost			
At 1 January 2007	610	950	1,560
Additions	2,785	883	3,668
Disposals	(578)	(90)	(668)
At 31 December 2007	2,817	1,743	4,560
Accumulated Depreciation			
At 1 January 2007	25	382	407
Charge for the year	599	253	852
Disposals	(578)	(90)	(668)
At 31 December 2007	46	545	591
Net book amount			
At 31 December 2007	2,771	1,198	3,969
At 31 December 2006	585	568	1,153

8 Debtors

	31 December 2007 £000's	31 December 2006 £000 s
Amounts owed by United States affiliate (CECG US)	11,989	7,988
Other debtors	690	67
Deferred Tax (note 11)	383	59
Prepayments	361	373
	13,423	8,487

Constellation Energy Commodities Group Limited

Notes to the financial statements for the year ended 31 December 2007 (Continued)

9 Creditors – amounts falling due within one year

	31 December 2007 £000's	31 December 2006 £000's
Corporation tax	528	541
Other taxation and social security	984	677
Accruals	11,320	6,296
	<u>12,832</u>	<u>7,514</u>

10 Creditors – amounts falling due after more than one year

	31 December 2007 £000's	31 December 2006 £000's
Accruals	-	85
	<u>-</u>	<u>85</u>

11 Deferred tax asset

	31 December 2007 £000's	31 December 2006 £000's
Fixed asset and other timing differences	(57)	(11)
Short-term timing differences	53	-
Shared based payment timing differences	413	70
Total deferred tax asset	<u>409</u>	<u>59</u>
At start of year	59	(14)
Deferred tax (charge) / credit in profit and loss account for year (note 6)	350	73
At end of year	<u>409</u>	<u>59</u>

At 31 December 2007, there was an asset of approximately £383,000 for deferred taxation related to the timing of certain expenses being allowed for tax purposes. The effect of the change in the deferred tax rate from 30% to 28% has been a reduction in the deferred tax asset of £26,000.

12 Called up share capital

	31 December 2007 £	31 December 2006 £
Authorised		
100 shares of £1 each	100	100
Allotted and fully paid		
1 share of £1 each	<u>1</u>	<u>1</u>

Constellation Energy Commodities Group Limited

Notes to the financial statements for the year ended 31 December 2007 (Continued)

13. Reserve accounts

	Capital Contributions £000's	Profit and loss reserve £000's
Profit for the financial year ended 31 December 2007	–	1,763
Capital contributions	1,632	–
Reclassification of equity contribution to capital contributions	–	(334)
1 January 2007	–	2,120
31 December 2007	1,632	3,549

The capital contributions represent the cumulative share based payment awards

14 Reconciliation of movements in equity shareholder's funds

	31 December 2007 £000's	31 December 2006 £000 s
Opening equity shareholder s funds	2,120	609
Profit for the financial year	1,752	1 267
Reclassification of equity contribution to capital contributions	(334)	–
Effect of FRS 20	–	244
Closing equity shareholder's funds	3,538	2,120

15 Pension Commitments

The Company operates a defined contribution benefit scheme. Under relevant employment agreements, the Company makes pension contributions of 10% of base salary to defined contribution plans. The contributions to the plans for the periods were £521 000 and £294 000 for the years ended 31 December 2007 and 31 December 2006, respectively. Pension contributions outstanding totalled £180,000 and £68,000 for the years ended 31 December 2007 and 31 December 2006 respectively.

16 Share based payment

CEG grants service based restricted stock to key employees. The stock vests to participants in tranches or cliff vesting within a three year period from grant date. In accordance with FRS 20, the Company accounts for service-based awards as equity awards, whereby it recognizes the fair value of the market price of the underlying stock on the date of grant to compensation expense over the service period either ratably or in tranches (depending if the award has cliff or graded vesting).

The Company recorded compensation expense related to our restricted stock awards of £1,298 000 in 2007 (2006 £244 000). These restricted stock awards are accounted for as a contribution of capital from CECG International Holdings, Inc ("CECG International"). Summarized share information for the restricted stock awards is as follows:

Grant date	22/2/2007	23/2/2006
Share price at grant date	£38.53	£33.56
Number of employees	19	7
Shares granted	64,735	12,407
Vesting period (years)	3	3

Constellation Energy Commodities Group Limited

Notes to the financial statements for the year ended 31 December 2007 (Continued)

16 Share based payment (continued)

	2007		2006	
	Number	Weighted average fair market value	Number	Weighted average fair market value
Outstanding at 1 January	16,462	£31.87	6,083	£26.69
Granted	64,735	£38.53	12,407	£33.56
Forfeited	(1,765)	£36.93	—	—
Exercised	(6,166)	£39.51	(2,028)	£33.44
Outstanding at 31 December	73,266	£51.36	16,462	£31.87
Exercisable at 31 December	—	—	—	—

17. Lease Commitments

At 31 December 2007 and 2006, the Company had annual commitment under non-cancellable real estate leases expiring as follows

	31 December 2007 £000's	31 December 2006 £000's
Within one year	—	268
Within two to five years	—	—
After five years	1,516	—

18 Subsequent Event

In March 2008, the Company began to undertake purchases and sales of commodities in the name of CECG Spain and its own name. The Company will not be exposed to risk of loss due to CECG US accepting risk for these transactions.

On 26 June 2008, the Company acquired Nufcor International Limited (Nufcor). Nufcor is a uranium market participant that provides marketing services to uranium producers, utilities and an investment fund in North American and European markets. The Company acquired 100% ownership for £52.6 million, which was paid in cash.

On 19 September 2008, Constellation Energy Group, Inc. ("Constellation Energy"), the company's ultimate parent company, reached a definitive merger agreement with MidAmerican Energy Holdings Company ("MidAmerican") in which MidAmerican will purchase all of the outstanding shares of Constellation Energy.

The definitive agreement, which has been approved by both companies' Boards of Directors, is subject to shareholder and customary federal and state regulatory approvals. The transaction is expected to close within nine months. The agreement expires nine months after its execution but may be extended by either company for up to three months. The directors do not have any reason to believe that the acquisition of Constellation Energy by MidAmerican would have any material impact on the company's business.

19. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is CECG International whose immediate parent undertaking is Constellation Energy Resources LLC, incorporated in the United States.

The parent undertaking of the smallest and largest group to consolidate these financial statements is CEG. Copies of CEG's consolidated financial statements can be obtained from the US Securities and Exchange Commission or the Company's website at www.constellation.com. The contents of this website are not part of this audit. The address for CEG is 750 East Pratt Street, Baltimore, Maryland, USA, 21202-3106.

The ultimate parent undertaking and controlling party is also CEG, incorporated in the United States.