

Registered number 05109213

Constellation Energy Commodities Group Limited
Annual Report and Financial Statements
For the year ended 31 December 2009

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Constellation Energy Commodities Group Limited

Directors' report for the year ended 31 December 2009

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 2009

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

In January 2009, CECG US entered into a definitive agreement to sell a majority of its international commodities portfolio. CECG US completed this transaction on 23 March 2009. As a consequence, the services required from the Company have decreased significantly throughout the year and the Company recognized workforce reduction costs of £6.6 million in connection with this transaction. The ASA ceased as of 31 December 2009 as the Company terminated its final employees on this date.

As part of CECG US decision on 2 February 2010, the Company liquidated Constellation Energy Commodities Group Limited (Surcursal en Espana), a branch in Spain that had been established on 5 November 2007 to transact in Spanish power auctions.

In addition, on 30 June 2009, the Company completed the sale of Nufcor International Limited ("Nufcor"), receiving cash proceeds of approximately £28.4 million (USD \$46.7 million, including a working capital adjustment of USD \$3.7 million) and recorded a £37.9 million (USD \$50.2 million) loss on this sale. This loss was recognized in the 2008 financial statements as an impairment in the investments carrying value as it was identified before the accounts were signed.

Market Conditions

During 2008, two events significantly influenced our business environment: the collapse of the credit markets and the extreme volatility in the energy markets. Throughout 2008, volatility in the financial markets intensified, leading to dramatic declines in equity prices and substantially reducing liquidity in the credit markets. Most equity indices declined significantly, the cost of credit default swaps and bond spreads increased substantially, and credit markets effectively ceased to be accessible for all but the most highly rated borrowers.

Due to the market conditions described above, the ultimate parent of the Company, Constellation Energy Group, Inc ("CEG"), announced its intent to divest its international operations including the sale of the shares in Nufcor and the portfolio of international commodity contracts owned by CECG US in August 2008.

Financial performance

Due to the divestiture efforts described earlier, other operating income earned in connection with the ASA decreased in large part due to the decrease in staff costs in 2009. The ASA is directly correlated with the costs of the entity. Total staff costs decreased to £6.8 million in 2009 from £23.8 million in 2008. Additionally, there were impairment losses of £48.9 million in 2008 incurred as part of the divestment plan, primarily related to the sale of Nufcor, the onerous lease provision, and the write off of fixed assets.

Key performance indicators

The key performance indicators used by management to measure performance are administrative and other operating costs and other operating income. A commentary of this is given above.

Financial position

At 31 December 2009, the Company had net debt of £13.8 million (2008: net debt of £37.0 million), consisting of a cash balance of £1.2 million (2008: £0.9 million), net intercompany debt of £7.9 million (2008: £49.2), and a net intercompany payable balance of £7.1 million (2008: net intercompany receivable balance of £11.3 million). The debt payable represents amounts due to related parties primarily in connection with the purchase of Nufcor in June 2008. The loan receivable that emerged in 2009 represents amounts due from related parties primarily in connection with the sale of Nufcor in June 2009.

Constellation Energy Commodities Group Limited

Directors' report for the year ended 31 December 2009 (Continued)

Review of business and future developments (continued)

Future Developments

The Company has ceased its active operations under the ASA. It is the Company's intent to find a new tenant to take on the Company's existing lease obligation. See Note 10 for further information.

Results and Dividends

The Company's loss for the financial year of £168,000 (for the year ended 2008 £42,583,000) will be deducted from reserves. The directors do not recommend the payment of a dividend for the year (2008 £nil).

Financial Instruments

The Company's financial instruments comprise cash, forward sales and purchase contracts, and various items such as trade debtors and trade creditors that arise directly from its operations. All assets and liabilities are recorded at fair value. Due to the divestiture, as of 31 December 2009, financial instruments reported on the Company's balance sheet were limited to cash, trade debtors and trade creditors.

Risks and Risk Management

Due to the divestiture, the Company is no longer subject to the types of risk that it has been in prior years.

The on-going risk is due to the sale of Nufcor. As part of the Nufcor sale, the Company provided standard tax indemnities under the tax deed associated with the sale. Also as part of the sale, Nufcor addressed potential historical US state tax liabilities through a series of tax return filings, ruling requests and voluntary disclosure agreements ("VDA's") with the five US states within which transactions occurred. The particular state taxes involved were franchise, income taxes and related taxes as well as sales tax. In relation to the sales tax exposures, Nufcor obtained representation letters from the majority of its counterparts establishing that the transactions were of a nature that should be exempt from sales tax. All historical franchise taxes were paid amounting to approximately \$110k and all income tax returns were nil liabilities due to the effect of federal tax treaty protections.

Due to the sales tax exposures being subject to ruling requests to confirm that the non-contemporaneous collection of the representation letters in lieu of actual resale certificates and the fact that the counterparties themselves were not registered in the respective states, the purchaser required a parent company guarantee ("PCG") from the ultimate parent company, CEG. That PCG was capped at \$188 million representing all open years for the sales tax exposure and related interest, given those penalties would be waived under the VDA's. The PCG has been reduced in 2010 to \$141 million.

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

Directors

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

Stuart Rubenstein

Martin Hunter

Directors' Indemnities

The Company maintains liability insurance for its directors and officers. Following shareholder approval, the Company has also provided an indemnity for its directors and the secretary, which is a qualifying third indemnity provision for the purposes of the Companies Act 2006.

Events after the balance sheet date

On 2 February 2010, the Company liquidated Constellation Energy Commodities Group Limited (Sursursal en Espana), a branch in Spain.

In May 2010, the PCG reduced the sales tax exposure and related interest from the sale of Nufcor that was previously capped at \$188 million to \$141 million.

Constellation Energy Commodities Group Limited

Directors' report for the year ended 31 December 2009 (Continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to auditors

Each of the persons who are directors at the date of approval of this report confirms that

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(2) the director 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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.

On behalf of the Board



Martin Hunter

Director

Date: 18 June 2010

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 2009 which comprise of the Profit and loss account, the Balance sheet, the Statement of total recognised gains and losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

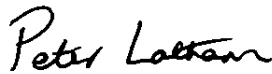
Constellation Energy Commodities Group Limited

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Peter Latham (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
West London, 18th June 2010

Constellation Energy Commodities Group Limited

Profit and loss account for the year ended 31 December 2009

		Year ended 31 December 2009 £000's	Year ended 31 December 2008 £000's
	Note		
Turnover		-	1,890
Cost of sales		-	(2,132)
Gross loss		-	(242)
Administrative expenses		(10,297)	(38,415)
Other operating income		18,074	43,115
Operating profit / (loss)	3	7,777	4,700
Impairment of fixed assets	4	-	(41,871)
Costs of fundamental reorganization	4	(6,709)	(4,588)
Exceptional items		(6,709)	(46,459)
Interest receivable and similar income		(413)	(794)
Interest receivable and similar income		115	48
Profit / (loss) on ordinary activities before taxation		770	(42,747)
Tax on profit/(loss) on ordinary activities	6	(938)	164
Loss for the financial year		(168)	(42,583)

All amounts are from continuing operations

There is no material difference between the results of the profit and loss account stated above and their historical cost equivalents

Statement of total recognised gains and losses for the year ended 31 December 2009

	Year ended 31 December 2009 £000's	Year ended 31 December 2008 £000's
Loss for the financial year	(168)	(42,583)
Foreign currency translation gains	-	4,069
Total recognised losses relating to the year and since last annual report	(168)	(38,514)

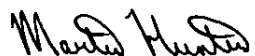
Constellation Energy Commodities Group Limited

Registered number 05109213

Balance sheet as at 31 December 2009

		31 December 2009	31 December 2008
	Note	£000's	£000's
Noncurrent assets			
Investment in subsidiary	7	–	28,396
Current assets			
Debtors	8	30,366	15,872
Cash at bank and in hand		1,245	945
Total current assets		<u>31,611</u>	<u>16,817</u>
Current liabilities			
Creditors: amounts falling due within one year	9	(49,713)	(63,464)
Net current liabilities		<u>(18,102)</u>	<u>(46,647)</u>
Net liabilities		<u>(18,102)</u>	<u>(18,251)</u>
Capital and reserves			
Called up share capital	12	–	–
Capital contributions	13	17,042	16,725
Profit and loss account	13	(35,144)	(34,976)
Total shareholders' deficit	14	<u>(18,102)</u>	<u>(18,251)</u>

The financial statements on pages 6 to 17 were approved by the board of directors on and were signed on its behalf by



Martin Hunter
Director

18 June 2010

Constellation Energy Commodities Group Limited

Notes to the financial statements for the year ended 31 December 2009

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 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Going concern

The Financial Statements accompanying this report have been prepared on a going concern basis as, having made appropriate enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Following the sale of Nufcor International Limited ("Nufcor"), the Company provided tax indemnities to the purchaser representing all open years for the sales tax exposure and related interest in the event of a possible adverse decision by the US tax authorities in obtaining the required ruling requests or be unsuccessful in obtaining compensation from a mirror claim from the original vendor. The parent has given guarantees on behalf of the Company that it intends to provide operational and financial support to Constellation Energy Commodities Group Limited (CECG-UK) for a period of at least 12 months from the date of signing of the financial statements for the year ended 31 December 2009 as disclosed to Note 19.

The directors believe that it remains appropriate for the financial statements to be prepared on a going concern basis. In arriving at this view the directors have taken into account the availability of parent guarantees and cash funding.

Basis of consolidation

The company is a wholly-owned subsidiary of CECG International Holdings, Inc ("CECG International") and is included in the consolidated financial statements of Constellation Energy Group, Inc ("CEG") which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Turnover

Turnover represents the change in fair value of sales of power in its own name in France and in Spain through its Spanish Branch. The Company has discontinued sales of power in these jurisdictions. These transactions resulted in the Company recognizing turnover of nil in 2009 (2008 £1,890,000). These power sales are typically derivatives. See the Derivative Policy below for accounting treatment.

Other operating income

Other operating income represents the income earned under the Administrative Services Agreement (the "ASA") with CECG US relating to the purchase and sale of commodities by CECG US. Under the Agreement, the Company earns an administrative fee from CECG US based on the Company's operating costs. The Company does not undertake any purchases or sales of commodities in its own name under the ASA and is, consequently, not exposed to any risk of loss on that activity. Operating income is recognised in accordance with the administrative fee earned under the Agreement and arises entirely in the United Kingdom.

As a result of the acquisition of Nufcor on 26 June 2008, the Company began providing administrative services to Nufcor and its subsidiaries with all Nufcor employees having transferred to the Company at that point. The services charged by the Company to Nufcor were not subject to the administrative services fee charged to CECG US under the ASA. The administrative services provided to Nufcor ceased upon the sale of Nufcor on 30 June 2009. Additionally, the Company provided services under a commercial management agreement with Bulk Energy Transport Holdings, Ltd ("BETHL"), a shipping joint venture for the commercial management of six dry bulk vessels for which CEG had a beneficial 50% ownership interest. The services provided by the staff of the Company on behalf of BETHL included general bookkeeping and other administrative services. These services ceased upon the ultimate parent selling BETHL to a purchaser on 19 July 2009.

Constellation Energy Commodities Group Limited

Notes to the financial statements for the year ended 31 December 2009 (Continued)

1. Accounting Policies (continued)

Investments

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment

Derivative Policy

Derivative instruments are accounted for in accordance with FRS 25, *Financial Instruments Disclosure and Presentation* ("FRS 25") and FRS 26, *Financial Instruments Recognition and Measurement* ("FRS 26") FRS 26 requires mark-to-market as the default accounting treatment for all derivatives unless they qualify, and are specifically designated, for one of the other accounting treatments Mark-to-market accounting has been applied to all derivatives for risk management and trading activities because changes in fair value more closely reflect the economic performance of activity

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation Cost includes the original purchase price of the asset and the cost attributable to bringing the asset to its working conditions for its intended use 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 In 2008, as a result of the expected sale of CECG US's international commodities portfolio, the sale of Nufcor by the Company and the planned wind down of the Company's operations, the fixed assets were fully impaired

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 remeasured into sterling at rates of exchange ruling at the date of the balance sheet or at the agreed contractual rate Transactions in foreign currencies are converted to sterling at the rate ruling at the date of the transaction

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 2009, the Company had operating leases for commercial office space as disclosed within Note 17 Subsequent lease obligation payments made in 2010 and thereafter will be applied against the onerous lease provision described in Note 10

Constellation Energy Commodities Group Limited

Notes to the financial statements for the year ended 31 December 2009 (Continued)

1. Accounting Policies (continued)

Share based payment

Under our long-term incentive plans, the Company has granted service-based restricted stock of 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 rateably 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. All awards were vested or were prorated at the termination date. These restricted stock awards are accounted for as a contribution of capital from CECG International.

Provisions

Liabilities for costs that will continue to be incurred under a contract for its remaining term without economic benefit to the Company are recognised at the cease-use date. Such liabilities for cost associated with an exit or disposal activity are measured initially at its fair value in the period in which the liability is incurred.

2. Cash flow statement and related party disclosures

The Company is a wholly-owned direct subsidiary of 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 / (loss)

	Year ended 31 December 2009 £000's	Year ended 31 December 2008 £000's
Operating (profit) / loss is stated after (crediting) / charging:		
Depreciation of owned tangible fixed assets	–	487
Operating lease rentals – other	1,494	782
Auditors' remuneration for audit services	42	35
Impairment losses	96	48,873
Foreign exchange loss	(155)	5,664
Administrative Services Agreement income with CECG US	(17,145)	(40,669)
Administrative services agreement income with Nufcor	(929)	(2,125)
Commercial Management Agreement with BETHL	–	(321)

Constellation Energy Commodities Group Limited

Notes to the financial statements for the year ended 31 December 2009 (Continued)

4. Exceptional Items

	Year ended 31 December 2009 £000's	Year ended 31 December 2008 £000's
Nufcor loss on sale	–	37,902
Impairment of tangible assets	–	3,969
Impairment of fixed assets	–	41,871
Onerous lease provision (Note 10)	96	4,588
Workforce reduction costs	6,613	–
Costs of functional reorganization	6,709	4,588

2008 Items

On 30 June 2009, the Company completed the sale of Nufcor and recorded a £37.9 million loss on this sale. In January 2009, CECG US entered into a definitive agreement to sell a majority of its international commodities portfolio. As a consequence, the Company fully impaired its tangible assets resulting in an expense of £4.0 million. These expenses were recognized in the 2008 financial statements as they were identified before the accounts were signed and related to decisions made in 2008.

2009 Items

In January 2009, CECG US entered into a definitive agreement to sell a majority of its international commodities portfolio. As a consequence, the services required from the Company have decreased significantly throughout the year and the Company recognized workforce reduction costs of £6.6 million.

5. Employee information and directors' emoluments

None of the directors received any emoluments for their services to the Company (2008: 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 2009 £000's	Year ended 31 December 2008 £000's
Wages and salaries	5,077	18,228
Share based payment (Note 16)	812	2,820
Social security costs	765	2,040
Other pension costs (Note 15)	182	726
Staff Costs	6,836	23,814

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

By Activity	Year ended 31 December 2009	Year ended 31 December 2008
Administrative services	26	94

There were no persons (excluding executive directors) employed by the Company as of 31 December 2009.

Constellation Energy Commodities Group Limited

Notes to the financial statements for the year ended 31 December 2009 (Continued)

6. Tax on profit / (loss) on ordinary activities

	Year ended 31 December 2009 £000's	Year ended 31 December 2008 £000's
Current tax:		
UK corporation tax on profits for the year	(548)	1,080
Adjustments in respect of prior years	(37)	(14)
Total current tax	(585)	1,066
Deferred tax:		
Origination and reversal of timing differences for the period (Note 11)	1,521	(1,244)
Origination and reversal of timing differences in respect of prior years (Note 11)	2	14
Total deferred tax	1,523	(1,230)
Tax charge / (credit) on profit / (loss) on ordinary activities	938	(164)

The tax assessed for the year is lower (2008 higher as per by) than the standard rate of corporation tax in the UK (28.5%)

The differences are explained below

	Year ended 31 December 2009 £000's	Year ended 31 December 2008 £000's
Profit / (loss) on ordinary activities before tax	770	(42,747)
Profit / (loss) on ordinary activities multiplied by standard rate in the UK	216	(12,183)
Effects of		
Permanent differences	592	12,019
Timing differences	(1,521)	1,244
Adjustments in respect of current year	165	—
Adjustments in respect of prior years	(37)	(14)
Current tax charge for the year	(585)	1,066

Constellation Energy Commodities Group Limited

Notes to the financial statements for the year ended 31 December 2009 (Continued)

7. Investments in subsidiary undertaking

The Company had the following subsidiaries as of 31 December 2008

Name	% ownership of ordinary shares	Country of incorporation	Principal Activity
Nufcor International Limited	100	UK	Trading of uranium and uranium related value-added services including U3O8, UF6, conversion and enrichment services

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 \$102.8 million (£52.6 million) As a result of the 2009 sale of Nufcor, there is no remaining investment in subsidiary balance as of 31 December, 2009

8 Debtors

	31 December 2009 £000's	31 December 2008 £000's
Amounts owed by United States affiliate (CECG US)	290	11,290
Loans to affiliates	28,972	–
Amounts owed by Nufcor	–	2,125
Other debtors	–	285
Deferred Tax (Note 11)	–	1,688
Corporation tax	710	–
Prepayments	394	484
	30,366	15,872

The amounts owed by related parties are not interest bearing

9. Creditors – amounts falling due within one year

	31 December 2009 £000's	31 December 2008 £000's
Corporation tax	–	22
Other taxation and social security	120	1,273
Accruals	5,239	12,894
Loans from affiliates	36,911	49,131
Amounts owed to United States affiliate (CECG US)	7,443	–
Accrued interest on loans from affiliates	–	144
	49,713	63,464

Loans from affiliates include the intercompany debt component of the financing related to the Nufcor acquisition Interest is accrued at the London Interbank Offered Rate (LIBOR) plus 35 basis points compounded quarterly and is payable on demand

Constellation Energy Commodities Group Limited

Notes to the financial statements for the year ended 31 December 2009 (Continued)

10. Provisions

Onerous lease provision

	£000's
At 1 January 2009	4,588
Additional provisions incurred during period	96
At 31 December 2009	<u>4,684</u>

In 2008, the Company entered into a lease for office space for 16 years in London, UK with a break clause that can be exercised in 2018. In 2009, the Company ceased using the rights of the property in connection with sale of the international commodities operations.

In determining the value of the onerous lease provision, the fair value of the liability at the cease use date shall be determined based on the remaining lease rentals, adjusted for the effects of any prepaid or deferred items recognized under the lease, and reduced by estimated sublease rentals that could be reasonably obtained for the property. In order to determine the fair value of the sublet offset current data specific to the London sublet market was gathered. The key terms identified associated with the actual occupied premises were as follows:

- Current prevailing market rent per sq ft of £38.50 representing a discounted rate of approximately 60% from the rent agreed at the time the original lease was signed back in 2007,
- A two year rent free period as an inducement for a tenant to enter into a lease covering the period through to the first break, and
- Full pass through of the service charges during the sublet period.

The Company has discounted the nominal cash flows associated with the terms of the lease and the assumptions relating to the sublet offset from the cease use date, measured using the credit adjusted risk free rate.

11 Deferred tax asset

	31 December 2009 £000's	31 December 2008 £000's
Fixed asset and other timing differences	–	753
Short-term timing differences	–	(13)
Shared based payment timing differences	–	948
Total deferred tax asset	<u>–</u>	<u>1,688</u>
At start of year	1,688	409
Change in deferred tax rate	–	(26)
Deferred to current tax reclass	(165)	75
Deferred tax (debit)/credit in profit and loss account for year (Note 6)	<u>(1,523)</u>	<u>1,230</u>
At end of year	<u>–</u>	<u>1,688</u>

Constellation Energy Commodities Group Limited

Notes to the financial statements for the year ended 31 December 2009 (Continued)

12 Called up share capital

	31 December 2009 £	31 December 2008 £
Authorised 100 shares of £1 each	100	100
Allotted and fully paid 1 share of £1 each	1	1

13. Reserve accounts

	Capital Contributions £000's	Profit and loss reserve £000's
Loss for the financial year ended 31 December 2009	–	(168)
Capital contributions	317	–
1 January 2009	16,725	(34,976)
31 December 2009	17,042	(35,144)

The capital contributions represent the shareholder equity component of the financing primarily related to the Nufcor acquisition of £11,793,000 as well as reflecting the accounting treatment required for cumulative share based payment awards made to employees £5,264,000

14. Reconciliation of movements in equity shareholder's funds

	31 December 2009 £000's	31 December 2008 £000's
Opening equity shareholder's funds	(18,251)	5,170
Loss for the financial year	(168)	(42,583)
Foreign currency translation gains	–	4,069
Capital contributions	317	15,093
Closing equity shareholder's deficit	(18,102)	(18,251)

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 £182,000 and £726,000 for the years ended 31 December 2009 and 31 December 2008, respectively. There were no pension contributions outstanding for the years ended 31 December 2009 or 31 December 2008.

Constellation Energy Commodities Group Limited

Notes to the financial statements for the year ended 31 December 2009 (Continued)

16 Share based payment

CEG grants service based restricted stock to key employees. The stock vests to participants at various times ranging from one to five years if the service goals are met. 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 rateably or in tranches (depending if the award has cliff or graded vesting). In the event of an involuntary termination without cause, the award vests on a pro-rata basis as of the termination date.

The Company recorded compensation expense related to our restricted stock awards of £812,000 in 2009 (2008 £2,820,000). These restricted stock awards are accounted for as a contribution of capital from CECG International Holdings, Inc ("CECG International"). There were no restricted stock awards granted in 2009. Summarized share information for the restricted stock awards is as follows:

Grant date	21/2/2008			
Share price at grant date	£48.85			
Number of employees	28			
Shares granted	35,151			
Vesting period (years)	3			
	2009		2008	
	Number	Weighted average fair market value	Number	Weighted average fair market value
Outstanding at 1 January	74,318	£17.34	73,266	£51.36
Granted	–	–	35,151	£48.85
Forfeited	(14,575)	£15.54	(7,039)	£40.15
Transfers out	(1,381)	£16.82	–	–
Exercised	(58,362)	£15.14	(27,060)	£48.29
Outstanding at 31 December	–	–	74,318	£17.34
Exercisable at 31 December	–	–	–	–

17. Lease Commitments

At 31 December 2009 and 2008, the Company had annual commitment under non-cancellable real estate leases expiring as follows:

	31 December 2009	31 December 2008
	£000's	£000's
Within one year	–	–
Within two to five years	–	–
After five years	1,448	1,605

Constellation Energy Commodities Group Limited

Notes to the financial statements for the year ended 31 December 2009 (Continued)

18. Contingent liabilities

The parent has given guarantees on behalf of the Company that it intends to provide operational and financial support to Constellation Energy Commodities Group Limited (CEG-UK) for a period of at least 12 months from the date of signing of the financial statements for the year ended 31 December 2009

Under the terms of the Guarantee, and as part of the Nufcor sale, the Company provided standard tax indemnities under the tax deed associated with the sale. Also as part of the sale, Nufcor addressed potential historical US state tax liabilities through a series of tax return filings, ruling requests and voluntary disclosure agreements ("VDA's") with the five US states within which transactions occurred. The particular state taxes involved were franchise, income taxes and related taxes as well as sales tax. In relation to the sales tax exposures, Nufcor obtained representation letters from the majority of its counterparts establishing that the transactions were of a nature that should be exempt from sales tax. All historical franchise taxes were paid amounting to approximately \$110k and all income tax returns were nil liabilities due to the effect of federal tax treaty protections.

Due to the sales tax exposures being subject to ruling requests to confirm that the non-contemporaneous collection of the representation letters in lieu of actual resale certificates and the fact that the counterparties themselves were not registered in the respective states, the purchaser required a parent company guarantee ("PCG") from the ultimate parent company, CEG. That PCG was capped at \$141 million representing all open years for the sales tax exposure and related interest, given that penalties would be waived under the VDA's.

The Company has not booked any liability for these exposures as it believes that the ruling requests will be successful to confirm that based on the nature of the industry and the counterparties, that the transactions were for resale and thereby exempt from sales tax. In addition, should the Company be subject to any claims by the purchaser under the tax deed for these matters arising from transactions prior to its ownership (which represents the vast bulk of the exposure), it should also be able to make an essentially mirror claim under the tax deed with the original vendors from which it purchased Nufcor.

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.

20. Subsequent Events

On 2 February 2010, the Company liquidated Constellation Energy Commodities Group Limited (Sursursal en Espana), a branch in Spain.

In May 2010, the PCG on the sales tax exposure and related interest from the sale of Nufcor that was previously capped at \$188 million for all open years was reduced to \$141 million.