

YORKSHIRE ELECTRICITY GROUP plc

Registered Number: 2366995

Registered Office: Lloyds Court, 78 Grey Street, Newcastle, NE1 6AF

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 December 2004.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company's principal activity is to act as a holding and investment company. The Company continues to hold investments in Yorkshire Electricity Distribution plc and Yorkshire Electricity Distribution Services Limited who operate the electricity distribution network in the Yorkshire area.

FUTURE DEVELOPMENTS

The Company intends to continue to act as a holding and investment company.

RESULTS AND DIVIDENDS

The Company made a profit of £41.7m during the year ended 31 December 2004. The directors do not recommend that a dividend be paid in respect of the year and recommend that the profit of £41.7m be transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were:

G E Abel
P E Connor
J M France
P J Goodman
B K Hankel
M J Horsley
D L Sokol
J D Stallmeyer

There are no directors' interests in the shares of the Company or the CE Electric UK Funding Company group of companies that require disclosure under the Companies Act 1985.

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

AUDITORS

A resolution to reappoint the auditors, Deloitte & Touche LLP and to authorise the directors to determine their remuneration will be proposed at the Annual General Meeting.



STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

United Kingdom company law requires the directors to prepare accounts 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 year. In preparing those accounts, 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, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have met the above requirements.

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 accounts 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

6 July 2005

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF YORKSHIRE ELECTRICITY GROUP plc

We have audited the financial statements of Yorkshire Electricity Group plc for the year ended 31 December 2004 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 16. 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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants & Registered Auditors
Newcastle upon Tyne

8 July 2005

YORKSHIRE ELECTRICITY GROUP plc**REGISTERED NUMBER 2366995****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004**

	Note	2004 £m	2003 £m
TURNOVER		0.1	0.1
Administration credit		<u>0.9</u>	<u>0.1</u>
OPERATING PROFIT	2	1.0	0.2
Profit on disposal of tangible fixed assets	6	0.1	-
Income from fixed asset investments		<u>41.1</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		42.2	0.2
Finance (charges)/income	3	<u>(1.4)</u>	<u>0.8</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		40.8	1.0
Tax on profit on ordinary activities	5	<u>0.9</u>	<u>(0.3)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE YEAR		<u>41.7</u>	<u>0.7</u>

All activities relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the £41.7m profit attributable to members of the Company for the year ended 31 December 2004 and the £0.7m profit for the year ended 31 December 2003.

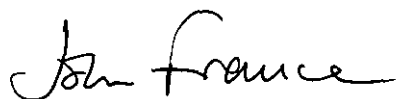
YORKSHIRE ELECTRICITY GROUP plc

REGISTERED NUMBER 2366995

BALANCE SHEET AS AT 31 DECEMBER 2004

	Note	2004 £m	2003 £m
FIXED ASSETS			
Tangible assets	6	0.1	0.3
Investments	7	<u>303.1</u>	<u>303.1</u>
		<u>303.2</u>	<u>303.4</u>
CURRENT ASSETS			
Debtors:			
Amounts falling due within one year	8	252.2	171.8
Amounts falling due after more than one year	8	254.2	254.2
Current asset investments	9	<u>160.1</u>	<u>88.7</u>
		666.5	514.7
CREDITORS: amounts falling due within one year	10	<u>(442.1)</u>	<u>(330.7)</u>
NET CURRENT ASSETS		<u>224.4</u>	<u>184.0</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		527.6	487.4
CREDITORS: amounts falling due after more than one year	11	(300.0)	(300.0)
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>(0.5)</u>	<u>(2.0)</u>
NET ASSETS		<u>227.1</u>	<u>185.4</u>
CAPITAL AND RESERVES			
Share capital	13	108.6	108.6
Share premium account	14	11.1	11.1
Capital redemption reserve	14	0.1	0.1
Profit and loss account	14	<u>107.3</u>	<u>65.6</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	14	<u>227.1</u>	<u>185.4</u>

The accounts on pages 4 to 12 were approved by the board of directors on 6 July 2005 and signed on its behalf by:



J M France
Director

YORKSHIRE ELECTRICITY GROUP plc

REGISTERED NUMBER 2366995

NOTES TO THE ACCOUNTS - 31 DECEMBER 2004

1. ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The particular policies adopted by the directors are described below. The accounting policies have been applied consistently throughout the year and the preceding year.

The Company is exempt under Section 228 of the Companies Act 1985 from the obligation to prepare and deliver group accounts, as it has been included in the consolidated accounts of CE Electric UK Funding Company. The accounts therefore present information about the Company as an individual undertaking and not its group.

As the Company is a wholly owned subsidiary of CE Electric UK Funding Company, a company registered in England and Wales, a statement of cash flows has not been prepared.

Turnover

Turnover, which arises wholly in the United Kingdom, represents rent receipts for shops previously used for retail sales exclusive of value added tax.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost. The charge for depreciation is calculated to write off assets to their residual values over their estimated useful economic lives of 10 years on a straight-line basis.

Investment Properties

In accordance with SSAP 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to the revaluation reserve. No depreciation is provided in respect of investment properties.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that because these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view and that it is necessary to adopt SSAP 19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced for depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Investments

Fixed asset investments are stated at cost less provision for impairment in value. Current asset investments are shown at cost or directors' valuation.

YORKSHIRE ELECTRICITY GROUP plc

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NOTES TO THE ACCOUNTS - 31 DECEMBER 2004 (continued)

Provisions

Provisions are recognised where there is a present obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect is significant, provisions in respect of material future liabilities are stated at their net present value, arrived at by discounting the anticipated future costs.

Taxation

Current tax, including United Kingdom corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 is not provided on timing differences arising from unremitted earnings of subsidiaries and associates where there is no commitment to remit those earnings. Deferred tax assets and liabilities are discounted.

Leases

Rental Costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

2. OPERATING LOSS

Auditors' remuneration was borne by another group company.

YORKSHIRE ELECTRICITY GROUP plc

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NOTES TO THE ACCOUNTS - 31 DECEMBER 2004 (continued)

3. FINANCE (CHARGES)/INCOME

	2004 £m	2003 £m
Interest payable and similar charges:		
On loans from Group undertakings	(32.6)	(33.5)
Other interest	<u>(0.2)</u>	<u>-</u>
	<u>(32.8)</u>	<u>(33.5)</u>
Interest receivable and similar income:		
On short-term investments	8.8	6.5
On loans to group undertakings	22.1	27.8
Other Interest	<u>0.5</u>	<u>-</u>
	<u>31.4</u>	<u>34.3</u>
Finance (charges)/income	<u>(1.4)</u>	<u>0.8</u>

4. DIRECTORS AND EMPLOYEES

The Directors received no emoluments during the year (2003: £nil). There were no employees during the year (2003: nil).

YORKSHIRE ELECTRICITY GROUP plc**REGISTERED NUMBER 2366995****NOTES TO THE ACCOUNTS - 31 DECEMBER 2004 (continued)****5. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2004 £m	2003 £m
(a) Analysis of credit/(charge) for year:		
Provision for receipt/(payment) for group relief	<u>0.9</u>	<u>(0.3)</u>
(b) Reconciliation of current tax credit/(charge)		
Profit on ordinary activities before tax	<u>40.8</u>	<u>1.0</u>
Tax on profit on ordinary activities at standard rate of corporation tax in United Kingdom of 30%	(12.2)	(0.3)
Factors affecting tax:		
United Kingdom dividend income	12.3	-
Imputed interest	<u>0.8</u>	<u>-</u>
Current tax credit/(charge) for the year	<u>0.9</u>	<u>(0.3)</u>

(c) Factors that may affect future tax charges:

It is anticipated that the future tax charge will equate to the standard rate of tax on the profit/loss on ordinary activities before income from fixed asset investments as adjusted for imputed interest.

6. TANGIBLE FIXED ASSETS

	Investment Properties £m	Other £m	Total £m
Cost and net book value:			
At 1 January 2004	0.2	0.1	0.3
Transfers to group companies	<u>(0.2)</u>	<u>-</u>	<u>(0.2)</u>
At 31 December 2004	<u>-</u>	<u>0.1</u>	<u>0.1</u>

YORKSHIRE ELECTRICITY GROUP plc**REGISTERED NUMBER 2366995****NOTES TO THE ACCOUNTS - 31 DECEMBER 2004 (continued)****7. INVESTMENTS**

	2004 £m	2003 £m
At 1 January	303.1	203.1
Additions	<u>-</u>	<u>100.0</u>
At 31 December	<u>303.1</u>	<u>303.1</u>

Nature of Company	Shareholding	Proportion of voting rights and shares	Nature of Business
Yorkshire Electricity Distribution plc	290,000,000 £ 1 shares	100%	Distribution of electricity
Yorkshire Electricity Distribution Services Limited	13,094,000 £ 1 shares	100%	Engineering contracting services

Both companies are wholly owned and registered in England and Wales.

8. DEBTORS

	2004 £m	2003 £m
Amounts falling due within one year:		
Amounts owed by Group undertakings	250.6	171.1
Other debtors	<u>1.6</u>	<u>0.7</u>
	252.2	171.8
Amounts falling due after more than one year:		
Amounts owed by Group undertakings	<u>254.2</u>	<u>254.2</u>
	<u>506.4</u>	<u>426.0</u>

9. CURRENT ASSETS INVESTMENTS

	2004 £m	2003 £m
Short term deposits greater than 24 hours	130.1	73.7
Sterling commercial paper	<u>30.0</u>	<u>15.0</u>
	<u>160.1</u>	<u>88.7</u>

YORKSHIRE ELECTRICITY GROUP plc**REGISTERED NUMBER 2366995****NOTES TO THE ACCOUNTS - 31 DECEMBER 2004 (continued)****10. CREDITORS: amounts falling due within one year**

	2004 £m	2003 £m
Amounts owed to Group undertakings	427.5	314.6
Corporation Tax	-	10.0
Group Relief	14.6	5.8
Other	-	0.3
	<u>442.1</u>	<u>330.7</u>

11. CREDITORS: amounts falling due after more than one year

	2004 £m	2003 £m
Not wholly repayable within five years		
Amounts owed to Group undertakings		
6.5 % Yorkshire Holdings Loan due 2016	<u>300.0</u>	<u>300.0</u>

The loan is non-secured.

12. PROVISIONS FOR LIABILITIES AND CHARGES

	2004 £m	2003 £m
At 1 January	2.0	2.0
Utilised/paid in year	(1.0)	-
Transferred to other Group undertakings	<u>(0.5)</u>	<u>-</u>
At 31 December	<u>0.5</u>	<u>2.0</u>

13. CALLED-UP SHARE CAPITAL

	2004 £m	2003 £m
Authorised: 220,000,000 ordinary shares of 68 2/11p each	<u>150.0</u>	<u>150.0</u>
Alotted, called up and fully paid 159,270,954 ordinary shares of 68 2/11p each	<u>108.6</u>	<u>108.6</u>

YORKSHIRE ELECTRICITY GROUP plc

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NOTES TO THE ACCOUNTS - 31 DECEMBER 2004 (continued)

14. RECONCILIATION OF MOVEMENT IN RESERVES AND EQUITY SHAREHOLDERS' FUNDS

	Share Capital £m	Share Premium £m	Capital Redemption Reserve £m	Profit and Loss Account £m	Total Equity Shareholders' funds £m
At 1 January 2003	108.6	11.1	0.1	64.9	184.7
Profit attributable to members for the year	-	-	-	0.7	0.7
At 31 December 2003	108.6	11.1	0.1	65.6	185.4
Profit attributable to members for the year	-	-	-	41.7	41.7
At 31 December 2004	108.6	11.1	0.1	107.3	227.1

15. RELATED PARTY TRANSACTIONS

As the Company is more than 90% owned by CE Electric UK Funding Company, a company registered in England and Wales, which prepares consolidated financial statements, the Company has pursuant to paragraph 17 of FRS 8 "Related Party Disclosures" not included details of transactions with other companies which are investees of the CE Electric UK Funding Company Group. There are no other related party transactions requiring disclosure in these accounts.

16. ULTIMATE HOLDING COMPANY

The immediate parent undertaking of Yorkshire Electricity Group plc is Yorkshire Holdings plc.

The ultimate controlling party and ultimate parent undertaking of Yorkshire Electricity Group plc is MidAmerican Energy Holdings Company, a company incorporated in Iowa, United States of America.

Copies of the group accounts of MidAmerican Energy Holdings Company, the parent undertaking of the largest group preparing group accounts which include Yorkshire Electricity Group plc and the group accounts of CE Electric UK Funding Company, the smallest parent undertaking to prepare group accounts, can both be obtained from the Company Secretary, CE Electric UK Funding Company, Lloyds Court, 78 Grey Street, Newcastle upon Tyne, NE1 6AF.