

ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD
(Registered Number: 3375746)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 1999



ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD

DIRECTORS' REPORT

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 1999.

PRINCIPAL ACTIVITY

The principal activity of the Company is to act as a holding company.

FINANCIAL REVIEW

The loss of the company during the year was \$40,898 (1998: Nil). The Directors do not propose any dividend and consequently the loss have been transferred to reserves.

The company took part in the Rolls-Royce plc group project to address Year 2000 issues. No significant errors or failures have occurred to date. The Board continues to believe that the company was well prepared in respect of Year 2000 issues, although no absolute guarantee can be given that errors or failures related to the Year 2000 issue will not arise in the future. The company may also be affected by future Year 2000 related events, errors or failures at third parties with whom it deals.

DIRECTORS

The Directors who held office throughout the year were as follows: -

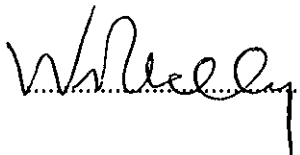
W R Kelly (Chairman)
K B Smith
I C Furtado

DIRECTORS' INTERESTS

None of the Directors held any beneficial interest in the shares of the Company at any time during the year.

Approved by the Board

Signed on its behalf by:

 W R Kelly

ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 and of the profit or loss for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 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 maintaining 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent fraud and other irregularities.

ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD
AUDITORS' REPORT TO THE MEMBERS
OF ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD

We have audited the Financial Statements on pages 5 to 9.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you 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.

Basis of audit opinion

We conducted our audit in accordance with 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 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 accounts give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Andhra 171

KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB

23 June 2000

ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD
PROFIT AND LOSS FOR THE PERIOD ENDED 31 DECEMBER 1999

	Note	1999 \$
Administrative Expenses		(4,735)
Interest receivable and similar income		34
Interest payable and similar expenses	4	(36,197)
		<hr/>
Loss on ordinary activities before taxation		(40,898)
Tax on ordinary activities	5	-
		<hr/>
Retained loss for the year		(40,898)
		<hr/>
Accumulated loss at 31 December 1999		(40,898)
		<hr/>

The company had no recognised gains or losses during the year other than those passing through the profit and loss account.

During the previous financial period the company did not trade and received no income and incurred no expenditure. Therefore, during the period, the company made neither a profit nor a loss, and hence no comparatives have been presented.

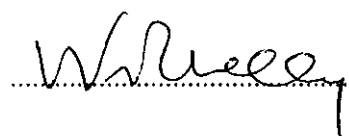
ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD

BALANCE SHEET AT 31 DECEMBER 1999

	Note	1999 US\$	1998 US\$
Fixed assets			
Investments	6	518,818	140,000
Current assets			
Debtors	7	1,003	3
Creditors			
Amounts falling due within one year	8	(559,716)	(140,000)
Net current liabilities		<hr/> (558,713) <hr/>	<hr/> (139,997) <hr/>
Net (Liabilities)/ Assets		<hr/> (39,895) <hr/>	<hr/> 3 <hr/>
Capital and Reserves			
Called up share capital	9	1,003	3
Profit and loss account		(40,898)	-
Equity Shareholders' Funds		<hr/> (39,895) <hr/>	<hr/> 3 <hr/>

The notes on pages 7 to 9 form part of these financial statements.

These Financial Statements were approved by the Board of Directors on 23 May 2000 and were signed on its behalf by

.....W R Kelly

ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's Financial Statements.

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards on the historical cost basis.

The Company is exempt from the requirement of FRS1(revised) to prepare a cash flow statement as it is a wholly-owned subsidiary of Rolls-Royce plc and its cash flows are included within the consolidated cash flow statement of that company.

Under FRS8 the company is exempt from the requirement to disclose related party transactions with the Rolls-Royce Group and its joint ventures on the grounds that it is a wholly owned subsidiary undertaking of Rolls-Royce plc.

The parent company is exempt from the Companies Act requirement to prepare group accounts as it is a wholly owned subsidiary of Rolls-Royce Power Ventures Limited.

(b) Foreign Currencies

Transactions denominated in currencies other than United States Dollars are translated into dollars at the exchange rates ruling at the date of the transactions. Assets and liabilities are translated at exchange rates ruling at the year end.

(c) Taxation

Provision is made at the rate for the year for United Kingdom Corporation Tax and for Deferred Taxation on all timing differences at the projected rate, where a liability is expected to arise in the foreseeable future.

2. AUDIT FEE

Audit fees have been borne by the parent company.

3. EMOLUMENTS OF DIRECTORS

The Company paid no emoluments to the directors in respect of their services during the year.

4. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable is to Rolls-Royce Power Ventures Limited, the ultimate holding company of Rolls-Royce Power Ventures (Capuava Cogen) Ltd.

ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. TAXATION (CHARGE)/ CREDIT ON LOSS ON ORDINARY ACTIVITIES

	1999
	US\$
The charges comprises:	
Based on profits for the year	
Group Relief payable at 30.25% (1998: 31%)	14,350
Group Relief not paid for	(14,350)
	<hr/>
	-
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6. FIXED ASSET INVESTMENTS

			Subsidiary Undertakings US\$
Shares			
Cost			
At beginning of period			140,000
Additions			378,818
			<hr/>
At end of period			518,818
			<hr/>
Name	Country of Incorporation	Interest in Ordinary Shares (%)	Interest in Ordinary Shares (US\$)
Capuava Cogeraçao Limitada	Brazil	100	518,818

7. DEBTORS

	1999	1998
	US\$	US\$
Called up share capital not paid	1003	3
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ROLLS-ROYCE POWER VENTURES (CAPUAVA COGEN) LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. CREDITORS: amounts falling due within one year

	1999 US\$	1998 US\$
Advances from group companies	(559,716)	(140,000)
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9. SHARE CAPITAL

	1999	1998
Authorised		
Ordinary shares of £1 each	£100	£100
Ordinary shares of US\$1 each	US\$1,000	-
Fully paid		
Ordinary shares of £1 each	£2	£2
Ordinary shares of US\$1 each	US\$1,000	-

10. COMMITMENTS

Commitments at the end of the financial year, for which no provision has been made, are nil.

11. ULTIMATE HOLDING COMPANIES

Rolls-Royce plc, a company registered in England & Wales, is the ultimate holding company and heads the largest group in which the results of the Company are consolidated. Rolls-Royce Power Ventures Limited, a company registered in England and Wales, is the immediate holding company and heads the smallest group in which the results of the Company are consolidated. Copies of both companies consolidated financial statements can be obtained from 65 Buckingham Gate, London SW1E 6AT