

**AES INDIAN QUEENS POWER LIMITED**

**Report and Financial Statements**

**31 December 2000**



**Deloitte & Touche  
Hill House  
1 Little New Street  
London EC4A 3TR**

**REPORT AND FINANCIAL STATEMENTS 2000**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

M Armstrong  
V Danks  
N Hopkins  
W Luraschi  
A McKay  
B Sharp

**SECRETARY**

A McKay

**REGISTERED OFFICE**

Gaverigan  
St Dennis  
St Austell  
Cornwall  
PL26 8BY

**BANKERS**

Barclays Bank PLC  
Pall Mall Business Centre  
1 Pall Mall East  
London  
SW1Y 5AX

**SOLICITORS**

Skadden, Arps, Slate, Meagher & Flom  
1 Canada Square  
Canary Wharf  
London  
E14 5DS

**AUDITORS**

Deloitte & Touche  
Hill House  
1 Little New Street  
London  
EC4A 3TR

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

### **PRINCIPAL ACTIVITY**

AES Indian Queens Power Limited (the "Company") was formed on 6 May 1994 to design, construct, finance, own and operate a power generation facility in Cornwall. Its principal trading activity is the supply of electricity to the National Grid.

### **REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The directors intend to continue to supply electricity to the National Grid in the future.

### **RESULTS AND DIVIDENDS**

The result for the year is set out in the profit and loss account on page 5. The directors have decided not to propose a dividend for the year ended 31 December 2000 (1999: £nil).

### **DIRECTORS AND THEIR INTERESTS**

Directors who served during the year are shown on page 1.

None of the directors had any interests as defined in the Companies Act 1985, or any other group company in the UK at 31 December 2000 or at any time during the year.

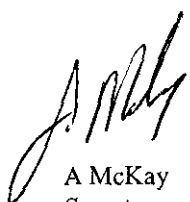
### **DONATIONS**

The company made charitable donations of £2,000 (1999: £3,122) during the year.

### **AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

  
A McKay  
Secretary  
1/10/2001

## **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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to :

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

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

## AUDITORS' REPORT TO THE MEMBERS OF

### AES INDIAN QUEENS POWER LIMITED

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out on page 7.

#### Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### Basis of 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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

*22 October 2001*

**DELOITTE & TOUCHE**

Chartered Accountants and  
Registered Auditors

2001

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2000**

	Note	2000 £'000	1999 £'000
<b>TURNOVER</b>	1	7,175	9,097
Cost of sales		(2,680)	(3,743)
Gross profit		4,495	5,354
Administrative expenses		(1,821)	(1,772)
<b>OPERATING PROFIT</b>	2	2,674	3,582
Interest receivable and similar income	4	1,616	1,440
Interest payable	5	(3,402)	(3,501)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		888	1,521
Tax on profit on ordinary activities	6	(960)	(86)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED (LOSS)/ PROFIT FOR THE FINANCIAL YEAR</b>	18	(72)	1,435

All amounts derive from continuing operations.

There are no recognised gains or losses in either the current or previous financial year other than the losses disclosed in the profit and loss account. Accordingly, no statement of total recognised gains and losses is required.

**BALANCE SHEET**  
**31 December 2000**

	Note	2000 £'000	1999 £'000
<b>FIXED ASSETS</b>			
Tangible fixed assets	7	29,109	30,011
<b>CURRENT ASSETS</b>			
Stocks	8	818	957
Debtors	9	1,577	1,494
Investments	10	1,000	1,000
Cash at bank and in hand	11	25,878	24,570
		29,273	28,021
<b>CREDITORS: amounts falling due within one year</b>	12	(5,835)	(4,031)
<b>NET CURRENT ASSETS</b>		23,438	23,990
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		52,547	54,001
<b>CREDITORS: amounts falling due after more than one year</b>	13	(45,963)	(47,371)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	(672)	(646)
<b>NET ASSETS</b>		5,912	5,984
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	4,200	4,200
Profit and loss account	18	1,712	1,784
<b>EQUITY SHAREHOLDERS' FUNDS</b>	19	5,912	5,984

These financial statements were approved by the Board of Directors on 1/10/2001.

Signed on behalf of the Board of Directors

  
A McKay

Director



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2000**

**1. ACCOUNTING POLICIES**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

**Turnover**

Turnover for the sale of electricity and the provision of ancillary services are recorded based upon output or product delivered as specified under contract, all of which arises in the United Kingdom.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rates ruling on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

**Tangible fixed assets**

Tangible fixed assets relate to the power generation facility which was completed in December 1996.

Depreciation is provided on tangible fixed assets in order to write them down to their residual value over the course of their useful economic life which is estimated to be between 4 and 30 years.

**Stock**

Stocks are valued at the lower of cost and net realisable value.

**Leases**

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over the shorter of the period of the lease and the estimated useful economic lives of the assets. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

**Deferred taxation**

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

**Cash flow statement**

As a wholly owned subsidiary of a UK registered company, AES Indian Queens Power Limited, has taken advantage of the exemption in Financial Reporting Standard No. 1, from the requirement to produce a cash flow statement. A consolidated cash flow statement is included in AES UK Holdings Limited group accounts.

NOTES TO THE ACCOUNTS  
Year ended 31 December 2000

<b>2. OPERATING PROFIT</b>	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit is after charging:		
Depreciation of owned assets	316	257
Depreciation of assets held under finance leases	846	846
Rentals under operating leases:		
Other operating leases	25	25
Auditors' remuneration - audit fee	12	12
	<u>          </u>	<u>          </u>
<b>3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES</b>		
All the directors of AES Indian Queens Power Limited are also directors of AES Indian Queens Operations Limited and are paid by that company. It is not practicable to allocate their remuneration between their services for AES Indian Queens Power Limited and AES Indian Queens Operations Limited. Their remuneration for the year ended 31 December 2000 is disclosed in the accounts for AES Indian Queens Operations Limited.		
As the company has no employees, no wages or wage related costs were paid by the Company during the year.		
<b>4. INTEREST RECEIVABLE AND SIMILAR INCOME</b>	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Interest from bank deposits	1,616	1,440
	<u>          </u>	<u>          </u>
<b>5. INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable to parent company	441	530
Bank interest payable	2,961	2,971
	<u>          </u>	<u>          </u>
	3,402	3,501
	<u>          </u>	<u>          </u>
<b>6. TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>2000</b>	<b>1999</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom Corporation tax at 30% (1999: 31.5%)	-	-
Group relief	126	-
Deferred taxation	146	14
Adjustments in respect of prior years - deferred tax	(120)	-
- current tax	808	72
	<u>          </u>	<u>          </u>
	960	86
	<u>          </u>	<u>          </u>

The current year tax charge relates to group relief and the deferred tax movement. The rest of the tax charge relates to a prior year movement. This arises due to the fact that the company is now treated as paying for group relief from companies which it previously did not, for the last two years.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2000**

<b>7. TANGIBLE FIXED ASSETS</b>	<b>Plant £'000</b>
<b>Cost</b>	
At 1 January 2000	33,474
Additions	260
Disposals	(1)
At 31 December 2000	<u>33,733</u>
<b>Accumulated depreciation</b>	
At 1 January 2000	3,463
Charge for year	1,162
Disposals	(1)
At 31 December 2000	<u>4,624</u>
<b>Net Book Value</b>	
At 31 December 2000	<u>29,109</u>
At 31 December 1999	<u>30,011</u>

The net book value of the Company's plant includes £21,439,857 (1999: £22,286,267) in respect of assets held under a finance lease.

<b>8. STOCKS</b>	<b>2000 £'000</b>	<b>1999 £'000</b>
Spare parts	553	543
Fuel	265	414
	<u>818</u>	<u>957</u>

<b>9. DEBTORS</b>	<b>2000 £'000</b>	<b>1999 £'000</b>
Trade debtors	571	712
Amounts owed by group undertakings	424	-
Group relief	-	219
Prepayments and other debtors	582	563
	<u>1,577</u>	<u>1,494</u>

<b>10. INVESTMENTS</b>	<b>2000 £'000</b>	<b>1999 £'000</b>
Cash deposits with terms in excess of seven days	<u>1,000</u>	<u>1,000</u>

## NOTES TO THE ACCOUNTS

Year ended 31 December 2000

## 11. CASH AT BANK AND IN HAND

Within the cash balance £23,229,412 (1999: £23,055,655) is held in an escrow account. Barclays Bank PLC, through BLAF (No. 3) Limited, has a charge on all sums outstanding regarding this account and all other rights and benefits accruing in connection therewith.

Barclays Bank PLC also has a fixed and floating charge over the undertaking and all property and assets present and future.

## 12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £'000	1999 £'000
Obligations under finances leases and hire purchase contracts (note 14)	1,563	1,505
Trade creditors	418	497
Amounts owed to group undertakings	944	567
Group relief payable	716	-
Other creditors	175	175
Taxation and social security	212	83
Accruals and deferred income	1,807	1,204
	<u>5,835</u>	<u>4,031</u>

## 13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £'000	1999 £'000
Bank loans and overdrafts (note 14)	18,821	18,806
Obligations under finance leases and hire purchase contracts (note 14)	23,181	23,374
Amounts owed to group undertakings	3,661	4,716
Other creditors	300	475
	<u>45,963</u>	<u>47,371</u>

The term facility loan is repayable in 17 years and accrues interest at LIBOR plus 1.0625%. The interest rate increases in March 2002 to LIBOR plus 1.3625% and then again in March 2005 to LIBOR plus 1.7125%.

The facility loan is secured on a pari-passu basis by the assets of AES Indian Queens Power Limited. These assets consist of shares in AES Indian Queens Power Limited, material project agreements, all insurance and the proceeds thereof, charge upon the lease, all moveable property and receivables and all monies and investments in the project held by Barclays Bank PLC, Pall Mall. The finance lease is repayable over 25 years from 28 May 1997.

Amounts owed to the parent undertaking are repayable by instalments with the last instalment due in 2009. The interest rate is fixed at 9.2% per annum.

The finance lease is linked to the escrow deposit account and earns interest at LIBOR less a margin renewable every six months and repayable over 25 years. It is secured by the assets to which it relates.

NOTES TO THE ACCOUNTS  
Year ended 31 December 2000

## 14. BORROWINGS

	2000 £'000	1999 £'000
Bank loans	18,821	18,806
Parent company loan	4,216	5,271
	<u>23,037</u>	<u>24,077</u>
Obligations under finance leases and hire purchase contracts	24,744	24,879
	<u>47,781</u>	<u>48,956</u>
Due within one year	2,118	2,060
Due after more than one year	45,663	46,896
	<u>47,781</u>	<u>48,956</u>

An analysis of the maturity profile of the company's financial liabilities is given in note 15.

## 15. MATURITY PROFILE OF FINANCIAL LIABILITIES

	Bank borrowings £'000	2000 Other £'000	Total £'000	Bank borrowings £'000	1999 Other £'000	Total £'000
Within one year or less or on demand	-	2,118	2,118	-	2,060	2,060
More than one year but not more than two years	-	2,180	2,180	-	2,121	2,121
More than two years but not more than five years	666	9,395	10,061	666	9,133	9,799
More than five years	18,155	15,267	33,422	18,140	16,836	34,976
	<u>18,821</u>	<u>28,960</u>	<u>47,781</u>	<u>18,806</u>	<u>30,150</u>	<u>48,956</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2000**

**16. PROVISION FOR LIABILITIES AND CHARGES**

	<b>Deferred Taxation 2000 £'000</b>	<b>Deferred Taxation 1999 £'000</b>
At 1 January 2000	646	646
Profit and loss charge	146	-
Adjustment in respect of prior year	(120)	-
At 31 December 2000	<u>672</u>	<u>646</u>

The amounts of deferred taxation provided in the accounts are as follows:

<b>Deferred taxation</b>	<b>Provided 2000 £'000</b>	<b>Provided 1999 £'000</b>
Capital allowances in excess of depreciation	618	939
Other	54	(293)
	<u>672</u>	<u>646</u>

**17. CALLED UP SHARE CAPITAL**

	<b>2000 No.</b>	<b>2000 £'000</b>	<b>1999 No.</b>	<b>1999 £'000</b>
Authorised share capital:				
Ordinary shares of £1 each	50,000,000	50,000	50,000,000	50,000
Called up, allotted and fully paid:				
Ordinary shares of £1 each	4,200,000	4,200	4,200,000	4,200

**18. MOVEMENTS ON RESERVES**

	<b>Profit and Loss account £'000</b>
At 1 January 2000	1,784
Retained loss for the year	(72)
At 31 December 2000	<u>1,712</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 2000**

**19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2000 £'000	1999 £'000
Opening shareholders' funds (1999: originally £4,039,349 before adding cumulative prior year adjustment of £509,486)	5,984	4,549
(Loss)/profit for the financial year	(72)	1,435
<b>Closing shareholders' funds</b>	<u>5,912</u>	<u>5,984</u>

**20. OTHER FINANCIAL COMMITMENTS**

**Operating lease commitments**

As at 31 December 2000 the Company was committed to making the following payments during the next year in respect of operating leases.

	Land and buildings 2000 £'000	Land and buildings 1999 £'000
Leases which expire:		
In more than five years	<u>25</u>	<u>25</u>

**21. RELATED PARTY TRANSACTIONS**

The company is a wholly owned subsidiary and has accordingly taken advantage of the exemption available under FRS 8 from disclosing transactions with group entities.

**22. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

The immediate parent company is AES Indian Queens Holdings Limited, a company registered in England and Wales. The UK parent company for consolidation purposes is which is AES UK Holdings Limited, a company registered in England and Wales. Copies of that company's financial statements may be obtained from 18 Parkshot, Richmond, Surrey, TW9 2RG.

The ultimate parent company and controlling party is The AES Corporation, a company incorporated in the State of Delaware, USA. Copies of the ultimate parent company's financial statements can be obtained from the Securities and Exchange Commission, 450 5th Street NW, Washington DC 20549, USA.