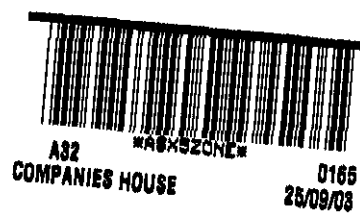


AES INDIAN QUEENS POWER LIMITED

Report and Financial Statements

31 December 2002

**Deloitte & Touche LLP
London**



REPORT AND FINANCIAL STATEMENTS 2002

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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
Barclays Capital Service Centre
Floor 3
St Swithins House
11/12 St. Swithins Lane
London
EC4N 8AS

SOLICITORS

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

AUDITORS

Deloitte & Touche LLP
London

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

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 2002 (2001: 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 at 31 December 2002 or at any time during the year.

DONATIONS

The company made charitable donations of £6,420 (2001: £2,000) during the year.

AUDITORS

On 1 August 2002, Deloitte & Touche, the Company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003, under the provision of section 26(5) of the Companies Act 1989. A resolution to reappoint Deloitte & Touche LLP as the Company's auditors 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

OFFICERS AND PROFESSIONAL ADVISERS

United Kingdom 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; and
- 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 the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**AES INDIAN QUEENS POWER LIMITED**

We have audited the financial statements of AES Indian Queens Power Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 21. 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.

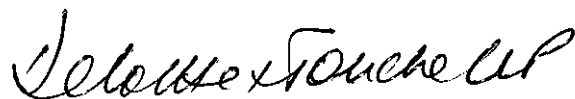
Basis of audit opinion

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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors
London

20/9/03

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Note	2002 £'000	2001 £'000
TURNOVER	1	7,572	6,002
Cost of sales		(3,583)	(2,444)
GROSS PROFIT		3,989	3,558
Administrative expenses		(1,949)	(1,844)
OPERATING PROFIT	2	2,040	1,714
Interest receivable and similar income	4	1,092	1,365
Interest payable and similar charges	5	(3,171)	(3,284)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(39)	(205)
Tax (charge)/credit on loss on ordinary activities	6	(9)	249
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	18	(48)	44

All amounts derive from continuing operations.

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

BALANCE SHEET
At 31 December 2002

	Note	2002 £'000	2001 £'000
FIXED ASSETS			
Tangible fixed assets	7	27,780	28,280
CURRENT ASSETS			
Stocks	8	846	830
Debtors	9	1,399	2,158
Cash at bank and in hand	10	25,540	25,697
		27,785	28,685
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(5,309)	(4,697)
NET CURRENT ASSETS		22,476	23,988
TOTAL ASSETS LESS CURRENT LIABILITIES		50,256	52,268
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	(43,704)	(45,889)
PROVISIONS FOR LIABILITIES AND CHARGES	15	(644)	(423)
NET ASSETS		5,908	5,956
CAPITAL AND RESERVES			
Called up share capital	16	4,200	4,200
Profit and loss account	17	1,708	1,756
EQUITY SHAREHOLDERS' FUNDS	18	5,908	5,956

These financial statements were approved by the Board of Directors on

18/1/03

Signed on behalf of the Board of Directors



A McKay
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2002**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 three and thirty 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

In accordance with FRS19, deferred tax is provided in full on timing differences which represent an asset or a liability at the balance sheet 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 financial statements. *Deferred tax is not provided on timing differences arising on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings.* Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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 2002**2. OPERATING PROFIT**

	2002 £'000	2001 £'000
Operating profit is after charging:		
Depreciation of owned assets	582	385
Depreciation of assets held under finance leases	846	846
Rentals under operating leases - other operating leases	25	25
Auditors' remuneration - audit fee	20	13
	<u> </u>	<u> </u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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 2002 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.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £'000	2001 £'000
Interest from bank deposits	1,092	1,365
	<u> </u>	<u> </u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 £'000
Interest payable to parent company	219	351
Bank interest payable	2,952	2,933
	<u> </u>	<u> </u>
	3,171	3,284
	<u> </u>	<u> </u>

6. TAX (CHARGE)/CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2002 £'000	2001 £'000
Corporation Tax		
Corporation tax charge for the year	-	-
Group relief	212	-
Deferred taxation		
Timing differences, origination and reversal	(9)	58
Adjustments in respect of prior years	(212)	191
	<u> </u>	<u> </u>
Tax (charge)/credit on loss on ordinary activities	(9)	249
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2002**6. TAX (CHARGE)/CREDIT ON LOSS ON ORDINARY ACTIVITIES (Continued)**

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2001: 30%). The current tax charge for the year differs from the standard rate for the reasons set out in the following reconciliation:

	2002 £'000	2001 £'000
Loss on ordinary activities before tax	(39)	(205)
	<u>£'000</u>	<u>£'000</u>
Tax on loss on ordinary activities at standard rate	12	62
Factors affecting the charge:		
Disallowable expenses	(21)	(3)
Capital allowances timing differences	33	112
Losses carried forward	148	-
Short-term timing differences not provided	(14)	(224)
Other deferred tax movements	54	53
	<u>212</u>	<u>-</u>

The company is not aware of any factors which might materially affect the future tax charge.

7. TANGIBLE FIXED ASSETS

	Plant £'000
Cost	
At 1 January 2002	34,135
Additions	928
	<u>35,063</u>
At 31 December 2002	
Accumulated depreciation	
At 1 January 2002	5,855
Charge for year	1,428
	<u>7,283</u>
At 31 December 2002	
Net book value	
At 31 December 2002	<u>27,780</u>
At 31 December 2001	<u>28,280</u>

The net book value of the company's plant includes £19,747,857 (2001: £20,593,857) in respect of assets held under a finance lease.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

8. STOCKS	2002	2001
	£'000	£'000
Spare parts	539	548
Fuel	307	282
	<u>846</u>	<u>830</u>

9. DEBTORS	2002	2001
	£'000	£'000
Trade debtors	831	1,396
Amounts owed by group undertakings	126	306
Prepayments and other debtors	442	456
	<u>1,399</u>	<u>2,158</u>

10. CASH AT BANK AND IN HAND

Within the cash balance £23,397,926 (2001: £23,335,424) 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.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2002	2001
	£'000	£'000
Bank loans and overdrafts (notes 12 & 13)	250	-
Obligations under finances leases and hire purchase contracts	1,689	1,625
Trade creditors	454	266
Amounts owed to group undertakings	1	67
Group relief payable	504	716
Other creditors	66	170
Taxation and social security	147	236
Accruals and deferred income	2,198	1,617
	<u>5,309</u>	<u>4,697</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2002**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2002 £'000	2001 £'000
Bank loans and overdrafts (note 13)	18,597	18,833
Obligations under finance leases and hire purchase contracts	24,383	23,769
Amounts owed to group undertakings	724	3,162
Other creditors	-	125
	<u>43,704</u>	<u>45,889</u>

The term facility loan is repayable in 17 years and accrues interest at LIBOR plus 1.0625%. The interest rate increases in May 2002 to LIBOR plus 1.3625% and then again in May 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. The finance lease is repayable over 25 years from 28 May 1997.

Amounts owed to the group undertakings 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.

13. BORROWINGS

	2002 £'000	2001 £'000
Bank loans	18,847	18,833
Parent company loan	724	3,162
	<u>19,571</u>	<u>21,995</u>
Obligations under finance leases and hire purchase contracts	26,073	25,394
	<u>45,644</u>	<u>47,389</u>
	£'000	£'000
Due within one year	1,939	2,180
Due after more than one year	43,705	45,209
	<u>45,644</u>	<u>47,389</u>

An analysis of the maturity profile of the company's financial liabilities is given in note 14.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

14. MATURITY PROFILE OF FINANCIAL LIABILITIES

	2002 Bank borrowings £'000	2002 Other £'000	2002 Total £'000	2001 Bank borrowings £'000	2001 Other £'000	2001 Total £'000
Within one year or less or on demand	250	1,689	1,939	-	2,180	2,180
More than one year but not more than two years	142	1,927	2,069	-	2,245	2,245
More than two years but not more than five years	4,131	5,706	9,837	2,090	7,370	9,460
More than five years	14,324	17,475	31,799	16,743	16,761	33,504
	<u>18,847</u>	<u>26,797</u>	<u>45,644</u>	<u>18,833</u>	<u>28,556</u>	<u>47,389</u>

15. PROVISION FOR LIABILITIES AND CHARGES

	2002 £'000	2001 £'000
Deferred taxation		
At 1 January 2002	423	672
Profit and loss charge	221	(249)
At 31 December 2002	<u>644</u>	<u>423</u>

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

	£'000	£'000
Capital allowances in excess of depreciation	571	540
Other	73	(117)
	<u>644</u>	<u>423</u>

16. CALLED UP SHARE CAPITAL

	No.	2002 £'000	No.	2001 £'000
Authorised share capital				
Ordinary shares of £1 each	<u>50,000,000</u>	<u>50,000</u>	<u>50,000,000</u>	<u>50,000</u>
	No.	£'000	No.	£'000
Called up, allotted and fully paid				
Ordinary shares of £1 each	<u>4,200,000</u>	<u>4,200</u>	<u>4,200,000</u>	<u>4,200</u>

NOTES TO THE ACCOUNTS
Year endd 31 December 2002**17. MOVEMENTS ON RESERVES**

	Profit and loss account £'000
At 1 January 2002	1,756
Retained loss for the year	(48)
At 31 December 2002	<u><u>1,708</u></u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £'000	2001 £'000
Opening shareholders' funds	5,956	5,912
(Loss)/profit for the financial year	(48)	44
Closing shareholders' funds	<u><u>5,908</u></u>	<u><u>5,956</u></u>

19. OTHER FINANCIAL COMMITMENTS**Operating lease commitments**

As at 31 December 2002 the company was committed to making the following payments during the next year in respect of operating leases.

	Land and buildings £'000
Leases which expire - in more than five years	<u><u>25</u></u>

Letters of credit

At 31 December 2002, the company had letters of credit with Barclays Bank plc in favour of Elecon Clear Limited in the amount of £200,000. There was no amount outstanding at 31 December 2002.

20. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary and has accordingly taken advantage of the exemption available under FRS8 from disclosing transactions with group entities.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

21. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate parent company is AES Indian Queens Holdings Limited, a company registered in England and Wales.

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.

The largest and smallest group of which the company is a member and for which group accounts are drawn up is that of, AES UK Holdings Limited registered in England and Wales. Copies of the report and accounts are available from 18 Parkshot, Richmond, Surrey, TW9 2RG.