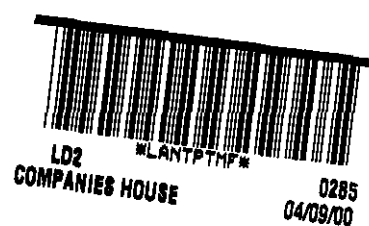


**AES INDIAN QUEENS POWER LIMITED**

**Report and Financial Statements**

**31 December 1999**

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



**REPORT AND FINANCIAL STATEMENTS 1999**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

M Armstrong	(appointed 13 May 1999)
V Danks	(appointed 13 May 1999)
M Fitzpatrick	(resigned 13 May 1999)
N Hopkins	
W Luraschi	
A McKay	(appointed 13 May 1999)
M Miller	(resigned 13 May 1999)
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  
One Canada Square  
Canary Wharf  
London E14 5DS

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
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 1999.

### **PRINCIPAL ACTIVITIES**

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.

### **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 1999 (1998: £nil).

### **DIRECTORS**

The directors of the Company during the year are shown on page 1.

### **DIRECTORS' SHARE INTERESTS**

The directors who served during the year are shown on page 1. None of the directors had interests in the shares of the Company nor disclosable interests in the shares of other group companies.

### **DONATIONS**

During the year ended 31 December 1999 there were charitable donations of £3,122 (1998: £4,000).

### **YEAR 2000**

Due to the resources allocated to the monitoring and testing of our IT systems, AES Indian Queens Power Limited has experienced no year 2000 problems since 31 December 1999 to date and no future year 2000 problems are anticipated.

### **AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office 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  
Company Secretary

18/8/ 2000

**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 the Company's system of internal financial controls and 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. 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 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte Touche*

**DELOITTE & TOUCHE**

Chartered Accountants and  
Registered Auditors

*18 August* 2000

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 1999**

	Note	1999 £	1998 (as restated) £
<b>TURNOVER</b>		9,096,967	7,026,869
Cost of sales		(3,742,619)	(1,936,437)
Gross profit		5,354,348	5,090,432
Administrative expenses		(1,772,492)	(2,712,306)
<b>OPERATING PROFIT</b>	2	3,581,856	2,378,126
Interest receivable and similar income	3	1,439,567	1,736,923
Interest payable	4	(3,500,822)	(3,762,042)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		1,520,601	353,007
Tax on profit on ordinary activities	5	(86,092)	(182,157)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND PROFIT FOR THE FINANCIAL YEAR</b>	16	1,434,509	170,850
Profit and loss account brought forward		348,833	177,983
Profit and loss account carried forward		1,783,342	348,833

All amounts derive from continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**Year ended 31 December 1999**

	1999 £	1998 (as restated) £
Profit for the financial year	1,434,509	170,850
Total recognised gains and losses relating to the year	1,434,509	170,850
Prior year adjustment (note 16)	509,486	
Total recognised gains and losses since last annual report	1,943,995	

**BALANCE SHEET**  
**31 December 1999**

	Note	1999 £	1998 (as restated) £
<b>FIXED ASSETS</b>			
Tangible fixed assets	6	30,011,306	30,014,468
<b>CURRENT ASSETS</b>			
Investments	7	1,000,000	-
Stocks	8	957,289	633,519
Debtors	9	1,493,745	2,107,741
Cash at bank and in hand	10	24,569,506	24,379,535
<b>CREDITORS: amounts falling due within one year</b>	11	28,020,540 (4,031,426)	27,120,795 (3,421,628)
<b>NET CURRENT ASSETS</b>		23,989,114	23,699,167
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		54,000,420	53,713,635
<b>CREDITORS: amounts falling due after more than one year</b>	12	(47,371,229)	(48,584,206)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	14	(645,849)	(580,596)
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		5,983,342	4,548,833
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	4,200,000	4,200,000
Profit and loss account	16	1,783,342	348,833
<b>EQUITY SHAREHOLDERS' FUNDS</b>	17	5,983,342	4,548,833

These financial statements were approved by the Board of Directors on 18/8 2000.

Signed on behalf of the Board of Directors



A McKay

Director



**NOTES TO THE ACCOUNTS****Year ended 31 December 1999****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Basis of accounting**

The financial statements are prepared under the historical cost convention.

**Change in accounting policy**

The following change has been made to the accounting policies of the Company. Comparative figures have been restated where necessary to reflect the change.

In order to implement the requirements of Financial Reporting Standard 12, a provision for planned maintenance of £727,980 has been reversed in the profit and loss account of the year in which the provision was originally made.

**Revenue recognition**

Revenues for the sale of electricity and the provision of ancillary services are recorded based upon output or product delivered as specified under contract. All turnover is derived in the UK.

**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 leases.

**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.

NOTES TO THE ACCOUNTS  
Year ended 31 December 1999

2. OPERATING PROFIT	1999	1998
	£	(as restated)
		£
Operating profit is after charging:		
Depreciation of owned assets	256,926	222,136
Depreciation of assets held under finance leases	846,410	846,410
Rentals under operating leases:		
Other operating leases	25,000	25,000
Auditors' remuneration - audit fee	12,000	15,000
	<u>          </u>	<u>          </u>
No wages or wage related costs were paid by the Company during the year. There were no directors' emoluments in either the current or preceding years.		
3. INTEREST RECEIVABLE AND SIMILAR INCOME	1999	1998
	£	£
Interest from bank deposits	1,439,567	1,736,923
	<u>          </u>	<u>          </u>
4. INTEREST PAYABLE AND SIMILAR CHARGES	1999	1998
	£	£
Interest payable to parent company	529,426	582,869
Bank interest payable	2,971,396	3,179,173
	<u>3,500,822</u>	<u>3,762,042</u>
5. TAX ON PROFIT ON ORDINARY ACTIVITIES	1999	1998
	£	(as restated)
		£
United Kingdom Corporation tax at 31.5% (1998: 31.5%)	-	126,819
Deferred taxation	14,380	100,740
Adjustments in respect of prior years	71,712	(45,402)
	<u>86,092</u>	<u>182,157</u>

There is no current year charge to corporation tax due to the availability of group relief for which no consideration is due.

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 1999**

<b>6. TANGIBLE FIXED ASSETS</b>	<b>Plant £</b>
<b>Cost</b>	
At 1 January 1999	32,400,724
Disposals	(281,577)
Additions	1,354,953
At 31 December 1999	<u>33,474,100</u>
<b>Accumulated depreciation</b>	
At 1 January 1999	2,386,256
Disposals	(26,798)
Charge for year	1,103,336
At 31 December 1999	<u>3,462,794</u>
<b>Net Book Value</b>	
At 31 December 1999	<u>30,011,306</u>
At 31 December 1998	<u>30,014,468</u>

The net book value of the Company's plant includes £22,286,267 (1998: £23,132,677) in respect of assets held under a finance lease.

<b>7. INVESTMENTS</b>	<b>1999 £</b>	<b>1998 £</b>
Cash deposits with terms in excess of seven days	<u>1,000,000</u>	<u>-</u>
<b>8. STOCKS</b>	<b>1999 £</b>	<b>1998 £</b>
Spare parts	543,609	486,272
Gas oil	413,680	147,247
	<u>957,289</u>	<u>633,519</u>
<b>9. DEBTORS</b>	<b>1999 £</b>	<b>1998 £</b>
Trade debtors	711,654	1,177,067
Amounts owed by parent company	-	61,971
Group relief	218,600	239,439
Prepayments and other debtors	563,491	629,264
	<u>1,493,745</u>	<u>2,107,741</u>

## NOTES TO THE ACCOUNTS

Year ended 31 December 1999

## 10. CASH

Within the cash balance £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.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1999 £	1998 £
Trade creditors	496,774	451,944
Retention payable	175,000	175,000
Amounts owed to parent undertaking	554,864	554,864
Amounts owed to fellow subsidiary undertakings	12,124	114,217
Obligations under finances leases and hire purchase contracts	1,505,417	1,447,517
VAT payable	83,187	291,556
Accruals	1,204,060	386,530
	<u>4,031,426</u>	<u>3,421,628</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1999 £	1998 £
Long term loan	18,805,542	18,791,652
Retention payable	475,000	650,000
Amounts owed to parent undertaking	4,716,348	5,548,644
Obligations under finance leases and hire purchase contracts	23,374,339	23,593,910
	<u>47,371,229</u>	<u>48,584,206</u>

The term facility loan is repayable in seventeen 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.

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 from 28 May 1997. It is secured by the assets to which it relates.

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1999**

**13. MATURITY PROFILE OF FINANCIAL LIABILITIES**

	1999 £	1998 £
Long term loan (not repayable by instalments)		
Within one year or less or on demand	-	-
More than one year but not more than two years	-	-
More than two years but not more than five years	665,000	-
More than five years	18,140,542	18,791,652
	<u>18,805,542</u>	<u>18,791,652</u>
Amounts owed to parent undertaking (payable by instalments)		
Within one year or less or on demand	554,864	554,864
More than one year but not more than two years	554,864	554,864
More than two years but not more than five years	2,219,456	2,219,456
More than five years	1,942,026	2,774,322
	<u>5,271,210</u>	<u>6,103,506</u>
Obligations under finance leases and hire purchase contracts (payable by instalments)		
Within one year or less or on demand	1,505,417	1,447,517
More than one year but not more than two years	1,565,634	1,505,417
More than two years but not more than five years	6,914,344	6,648,408
More than five years	14,894,361	15,440,085
	<u>24,879,756</u>	<u>25,041,427</u>
<b>Gross financial liabilities</b>	<u><u>48,956,508</u></u>	<u><u>49,936,585</u></u>

# NOTES TO THE ACCOUNTS

## Year ended 31 December 1999

### 14. PROVISION FOR LIABILITIES AND CHARGES

	Deferred Taxation £
At 1 January 1999, as restated	580,596
Profit and loss charge	14,380
Adjustment in respect of prior years	50,873
	<hr/>
At 31 December 1999	645,849
	<hr/>

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

	Provided 1999 £	Provided 1998 £	Unprovided 1999 £	Unprovided 1998 £
<b>Deferred taxation</b>				
Capital allowances in excess of depreciation	938,983	700,965	-	-
Other	(293,134)	(338,863)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	645,849	362,102	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

	1999 No.	1999 £	1998 No.	1998 £
<b>15. CALLED UP SHARE CAPITAL</b>				
Authorised share capital:				
50,000,000 ordinary shares of £1 each	50,000,000	50,000,000	50,000,000	50,000,000
	<hr/>	<hr/>	<hr/>	<hr/>
Called up, allotted and fully paid:				
4,200,000 ordinary shares of £1 each	4,200,000	4,200,000	4,200,000	4,200,000
	<hr/>	<hr/>	<hr/>	<hr/>

### 16. PROFIT AND LOSS ACCOUNT

	£
At 1 January 1999 as previously stated	(160,653)
Prior period adjustment	509,486
	<hr/>
At 1 January 1999 as restated	348,833
Retained profit for the year	1,434,509
	<hr/>
At 31 December 1999	1,783,342
	<hr/>

The prior year adjustment relates to a change in accountancy policy following the implementation of Financial Reporting Standard 12. Under this accounting standard, the maintenance provision of £727,980 is no longer permitted, and accordingly, has been written back to the profit and loss account in the period in which it was made. The prior year tax charge has been increased by £218,494 as a result of this adjustment, and the net effect is that shareholders' funds at 31 December 1998 have been increased by £509,486.

## NOTES TO THE ACCOUNTS

Year ended 31 December 1999

## 17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999	1998
	(£)	(as restated) (£)
Profit for the financial year	1,434,509	170,850
Opening shareholders' funds (1999: originally £4,039,349 before adding cumulative prior year adjustment of £509,486; 1998: originally £3,985,805 before adding prior year adjustment of £392,180)	4,548,835	4,377,985
Closing shareholders' funds	5,983,344	4,548,835

## 18. OTHER FINANCIAL COMMITMENTS

## Operating lease commitments

As at 31 December 1999 the Company was committed to making the following payments during the next year in respect of operating leases.

	Land and buildings 1999	Land and buildings 1998
	(£)	(£)
Leases which expire:		
More than five years	25,000	25,000

## 19. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption granted by Financial Reporting Standard No. 8 "Related Party Disclosures" not to disclose transactions with other undertakings within, and related parties of, The AES Corporation Group.

## 20. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate parent company is AES Indian Queens Holdings Limited which is a subsidiary undertaking of AES UK Holdings Limited.

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.