

**AES INDIAN QUEENS POWER LIMITED**

**Report and Financial Statements**

**31 December 2001**



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

# **AES INDIAN QUEENS POWER LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2001**

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# **AES INDIAN QUEENS POWER LIMITED**

## **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  
London

# **AES INDIAN QUEENS POWER LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

### **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 2001 (2000: £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 2001 or at any time during the year.


### **DONATIONS**

The company made charitable donations of £2,000 (2000: £2,000) 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  
27/9 2002

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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 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 DIRECTORS OF AES INDIAN QUEENS POWER LIMITED**

We have audited the financial statements of AES Indian Queens Power Ltd for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

**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.

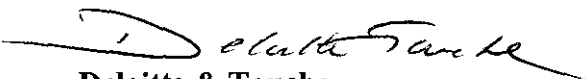
**Basis of audit opinion**

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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Deloitte & Touche**

Chartered Accountants and  
Registered Auditors  
27 September 2002

# AES INDIAN QUEENS POWER LIMITED

## PROFIT AND LOSS ACCOUNT Year ended 31 December 2001

	Note	2001 £'000	2000 £'000
<b>TURNOVER</b>	1	6,002	7,175
Cost of sales		(2,444)	(2,680)
Gross profit		3,558	4,495
Administrative expenses		(1,844)	(1,821)
<b>OPERATING PROFIT</b>	2	1,714	2,674
Interest receivable and similar income	4	1,365	1,616
Interest payable and similar charges	5	(3,284)	(3,402)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(205)	888
Tax on (loss)/profit on ordinary activities	6	249	(960)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED (LOSS)/ PROFIT FOR THE FINANCIAL YEAR</b>	18	44	(72)

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.


# AES INDIAN QUEENS POWER LIMITED

## BALANCE SHEET 31 December 2001

	Note	2001 £'000	2000 £'000
<b>FIXED ASSETS</b>			
Tangible fixed assets	7	28,280	29,109
<b>CURRENT ASSETS</b>			
Stocks	8	830	818
Debtors	9	2,158	1,577
Investments	10	-	1,000
Cash at bank and in hand	11	25,697	25,878
		28,685	29,273
<b>CREDITORS: amounts falling due within one year</b>	12	(4,697)	(5,835)
<b>NET CURRENT ASSETS</b>		23,988	23,438
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		52,268	52,547
<b>CREDITORS: amounts falling due after more than one year</b>	13	(45,889)	(45,963)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	(423)	(672)
<b>NET ASSETS</b>		5,956	5,912
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	4,200	4,200
Profit and loss account	18	1,756	1,712
<b>EQUITY SHAREHOLDERS' FUNDS</b>	19	5,956	5,912

These financial statements were approved by the Board of Directors on 27 September 2002.

Signed on behalf of the Board of Directors



A McKay

Director



# AES INDIAN QUEENS POWER LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2001

### 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

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.

# AES INDIAN QUEENS POWER LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2001

### 2. OPERATING PROFIT

	2001 £'000	2000 £'000
<b>Operating profit is after charging:</b>		
Depreciation of owned assets	385	316
Depreciation of assets held under finance leases	846	846
Rentals under operating leases:		
Other operating leases	25	25
Auditors' remuneration - audit fee	13	12
	<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 2001 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

	2001 £'000	2000 £'000
Interest from bank deposits	<u>1,365</u>	<u>1,616</u>

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £'000	2000 £'000
Interest payable to parent company	351	441
Bank interest payable	2,933	2,961
	<u>3,284</u>	<u>3,402</u>

### 6. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2001 £'000	2000 £'000
United Kingdom Corporation tax at % (2000: 30%)	-	-
Group relief	-	126
Deferred taxation	(249)	146
Adjustments in respect of prior years - deferred tax	-	(120)
- current tax	-	808
	<u>(249)</u>	<u>960</u>

# AES INDIAN QUEENS POWER LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2001

### 7. TANGIBLE FIXED ASSETS

	Plant £'000
<b>Cost</b>	
At 1 January 2001	33,733
Additions	402
At 31 December 2001	<u>34,135</u>
<b>Accumulated depreciation</b>	
At 1 January 2001	4,624
Charge for year	1,231
At 31 December 2001	<u>5,855</u>
<b>Net Book Value</b>	
At 31 December 2001	<u>28,280</u>
At 31 December 2000	<u>29,109</u>

The net book value of the Company's plant includes £20,593,857 (2000: £21,439,857) in respect of assets held under a finance lease.

### 8. STOCKS

	2001 £'000	2000 £'000
Spare parts	548	553
Fuel	282	265
	<u>830</u>	<u>818</u>

### 9. DEBTORS

	2001 £'000	2000 £'000
Trade debtors	1,396	571
Amounts owed by group undertakings	306	424
Prepayments and other debtors	456	582
	<u>2,158</u>	<u>1,577</u>

### 10. INVESTMENTS

	2001 £'000	2000 £'000
Cash deposits with terms in excess of seven days	-	1,000

# AES INDIAN QUEENS POWER LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2001

### 11. CASH AT BANK AND IN HAND

Within the cash balance £23,335,424 (2000: £25,878,000) 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

	2001 £'000	2000 £'000
Obligations under finances leases and hire purchase contracts	1,625	1,563
Trade creditors	266	418
Amounts owed to group undertakings	67	944
Group relief payable	716	716
Other creditors	170	175
Taxation and social security	236	212
Accruals and deferred income	1,617	1,807
	<u>4,697</u>	<u>5,835</u>

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

	2001 £'000	2000 £'000
Bank loans and overdrafts (note 14)	18,833	18,821
Obligations under finance leases and hire purchase contracts	23,769	23,181
Amounts owed to group undertakings	3,162	3,661
Other creditors	125	300
	<u>45,889</u>	<u>45,963</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. 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.

# AES INDIAN QUEENS POWER LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2001

14. BORROWINGS	2001 £'000	2000 £'000
Bank loans	18,833	18,821
Parent company loan	3,162	4,216
	<u>21,995</u>	<u>23,037</u>
Obligations under finance leases and hire purchase contracts	25,394	24,744
	<u>47,389</u>	<u>47,781</u>
Due within one year	2,180	2,118
Due after more than one year	45,209	45,663
	<u>47,389</u>	<u>47,781</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	Other £'000	2001 Total £'000	Bank borrowings £'000	Other £'000	2000 Total £'000
Within one year or less or on demand	-	2,180	2,180	-	2,118	2,118
More than one year but not more than two years	-	2,245	2,245	-	2,180	2,180
More than two years but not more than five years	2,090	7,370	9,460	666	9,395	10,061
More than five years	16,743	16,761	33,504	18,155	15,267	33,422
	<u>18,833</u>	<u>28,556</u>	<u>47,389</u>	<u>18,821</u>	<u>28,960</u>	<u>47,781</u>

# AES INDIAN QUEENS POWER LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2001

### 16. PROVISION FOR LIABILITIES AND CHARGES

	2001 £'000	2000 £'000
<b>Deferred taxation</b>		
At 1 January 2001	672	646
Profit and loss charge	(249)	146
Adjustment in respect of prior year	-	(120)
At 31 December 2001	<u>423</u>	<u>672</u>

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

	Provided 2001 £'000	Provided 2000 £'000
<b>Deferred taxation</b>		
Capital allowances in excess of depreciation	540	618
Other	(117)	54
	<u>423</u>	<u>672</u>

### 17. CALLED UP SHARE CAPITAL

	2001 No.	2001 £'000	2000 No.	2000 £'000
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

	Profit and loss account £'000
At 1 January 2001	1,712
Retained loss for the year	44
At 31 December 2001	<u>1,756</u>

# AES INDIAN QUEENS POWER LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2001

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

	2001 £'000	2000 £'000
Opening shareholders' funds	5,912	5,984
(Loss)/profit for the financial year	44	(72)
<b>Closing shareholders' funds</b>	<b>5,956</b>	<b>5,912</b>

### 20. OTHER FINANCIAL COMMITMENTS

#### Operating lease commitments

As at 31 December 2001 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	25

#### Letters of Credit:

At 31 December 2001, the company had letters of credit with Barclays in favour of Elexon Clear Limited in the amount of £1,000,000. There was no amount outstanding at 31 December 2001. Effective 13 March 2002, the letter of credit amount has been reduced to £200,000.

### 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 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.