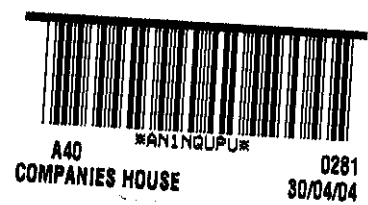


AES UK HOLDINGS LIMITED

Report and Financial Statements

31 December 2001

Deloitte & Touche LLP
London



AES UK HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS 2001

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AES UK HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Sarah Flanigan (appointed 23 February 2004)
John McLaren (appointed 23 February 2004)
Mark Fitzpatrick (resigned 4 April 2002)
Neil Hopkins (resigned 25 February 2004)
Michael Armstrong (appointed 4 April 2002, resigned 31 December 2003)

SECRETARY

Neil Hopkins (resigned 19 March 2004)
Sarah Flanigan (appointed 19 March 2004)

REGISTERED OFFICE

18 Parkshot
Richmond
Surrey
TW8 2RG

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
London

AES UK HOLDINGS LIMITED

DIRECTORS' REPORT

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

ACTIVITIES

The principal activity of the company and its subsidiaries ("the group") is the development and operation of independent power generation facilities.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company acts as an intermediate parent company within the group of companies controlled by The AES Corporation.

The company will continue to act as an intermediate parent company for the foreseeable future.

RESULTS AND DIVIDENDS

The group's results for the year ended 31 December 2001 showed a loss after tax and minority interests of £148,919,000 (2000: loss of £6,323,000). The current year result includes certain impairment charges as disclosed in note 12 amounting to £94,094,000. The directors do not recommend the payment of a dividend (2000 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors of the company who served throughout the year are shown on page 1.

None of the directors had any interests, as defined by the Companies Act 1985, in the shares of the company or of any other group company as at 31 December 2001, at any time during the year, or at any time since 31 December 2001.

CHARITABLE CONTRIBUTIONS

Contributions made by the group for charitable purposes were £84,164 (2000 - £11,868).

EMPLOYEE INVOLVEMENT AND DISABLED PERSONS

The group maintains established channels for communications and consultations with employees. It is the group's policy to give full consideration to suitable applications for employment by disabled persons.

AUDITORS

On 1 August 2003, Deloitte and 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 provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint 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



Sarah Flanigan

Secretary

26 April 2004

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 group and the company as at the end of the financial year and of the profit or loss of the group for that year. In preparing those financial statements, they 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 the going concern basis unless it is inappropriate to presume that the group 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 group and 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, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Deloitte.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AES UK HOLDINGS LIMITED

We have audited the financial statements of AES UK Holdings Limited for the year ended 31 December 2001, which comprise the profit and loss account, the balance sheets, and the related notes 1 to 29. 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 and other members of the group 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 or material inconsistencies with the financial statements.

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 circumstances of the company and the group, 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.

Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 27 to the accounts, concerning the uncertainty as to the continuation of support from group companies. In view of the significance of this uncertainty, we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2001 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte and Touche LLP
Chartered Accountants and Registered Auditors
London

27 April 2004

AES UK HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2001

	Notes	2001 £'000	2000 £'000 Restated
TURNOVER			
Continuing operations	2,3	175,577	120,198
Discontinued operations		32,092	15,161
		<hr/>	<hr/>
		207,669	135,359
Cost of sales		(114,016)	(66,221)
		<hr/>	<hr/>
GROSS PROFIT		93,653	69,138
Administrative expenses (including exceptional charge of £94,094,000)	12	(175,815)	(56,347)
		<hr/>	<hr/>
GROUP OPERATING (LOSS)/ PROFIT			
Continuing operations		24,833	8,035
Discontinued operations		(106,995)	4,756
		<hr/>	<hr/>
		(82,162)	12,791
Share of operating profit of associates	5	11,128	10,153
		<hr/>	<hr/>
TOTAL OPERATING (LOSS)/ PROFIT	5	(71,034)	22,944
(Loss)/profit on sale of operations	6	(26,738)	16,626
		<hr/>	<hr/>
		(97,772)	39,570
Amounts written-off investments		-	(30)
Finance charges (net)			
Group	7	(34,909)	(32,262)
Associates	7	(6,628)	(7,375)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(139,309)	(97)
Tax on loss on ordinary activities	8	(9,096)	(6,517)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(148,405)	(6,614)
Equity minority interests		(514)	291
		<hr/>	<hr/>
LOSS FOR THE FINANCIAL YEAR	23	(148,919)	(6,323)
Retained deficit brought forward		(76,273)	(69,950)
		<hr/>	<hr/>
Retained deficit carried forward		(225,192)	(76,273)
		<hr/>	<hr/>

There are no recognised gains or losses or other movements in shareholder's funds for the current and preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses has been prepared.

AES UK HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET

As at 31 December 2001

	Note	2001 £'000	2000 £'000
FIXED ASSETS			
Goodwill	11	204,021	251,896
Tangible assets	12	378,956	454,703
Investments	13	39,642	35,805
		<u>622,619</u>	<u>742,404</u>
CURRENT ASSETS			
Stocks	15	19,256	18,126
Debtors	16	67,866	55,064
Cash at bank and in hand	17	119,648	88,909
		<u>206,770</u>	<u>162,099</u>
CREDITORS: amounts falling due within one year	18	<u>(185,962)</u>	<u>(134,893)</u>
NET CURRENT ASSETS		<u>20,808</u>	<u>27,206</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>643,427</u>	<u>769,610</u>
CREDITORS: amounts falling due after more than one year	19	<u>(591,272)</u>	<u>(579,771)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	20	<u>(52,865)</u>	<u>(59,880)</u>
		<u>(710)</u>	<u>129,959</u>
CAPITAL AND RESERVES			
Called up share capital	21	18,001	1
Share premium account	22	208,231	208,231
Profit and loss account	23	<u>(225,192)</u>	<u>(76,273)</u>
GROUP SHAREHOLDER'S FUNDS	24	<u>1,040</u>	<u>131,959</u>
Equity minority interest - deficit		<u>(1,750)</u>	<u>(2,000)</u>
EQUITY SHAREHOLDER'S FUNDS		<u>(710)</u>	<u>129,959</u>

These financial statements were approved by the Board of Directors on 26 April 2004.

Signed on behalf of the Board of Directors



John McLaren

Director

AES UK HOLDINGS LIMITED

COMPANY BALANCE SHEET

As at 31 December 2001

	Note	2001 £'000	2000 £'000
FIXED ASSETS			
Investments	13	293,346	275,346
CURRENT ASSETS			
Debtors	16	638	638
CREDITORS: amounts falling due within one year	18	-	-
NET CURRENT ASSETS		638	638
TOTAL ASSETS LESS CURRENT LIABILITIES		293,984	275,984
CREDITORS: amounts falling due after more than one year	19	(83,653)	(76,244)
		210,331	199,740
CAPITAL AND RESERVES			
Called up share capital	21	18,001	1
Share premium account	22	208,231	208,231
Profit and loss account	9,23	(15,901)	(8,492)
EQUITY SHAREHOLDER'S FUNDS		210,331	199,740

These financial statements were approved by the Board of Directors on 26 April 2004.

Signed on behalf of the Board of Directors



John McLaren

Director

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidation

The group consolidates the accounts of the company and all of its subsidiary undertakings made up to 31 December.

Shares in associated undertakings are accounted for using the net equity method of accounting. The consolidated profit and loss account includes the group's share of the pre-tax profits or losses and attributable taxation of the associates based on audited financial statements. In the consolidated balance sheet the group's interests in associated undertakings are shown as the group's share of the net assets of the associates. The group's share of the associates' net assets and results for the year are shown after making adjustments to reflect the group's accounting policies where these are different from those of the associates. Acquisitions are accounted for using the acquisition method of accounting.

Implementation of FRS 18 'Accounting policies'

The company has adopted FRS 18 in its accounts for the year ended 31 December 2001. Adoption of FRS 18 required a full review of all the group's accounting policies and estimation techniques (the latter being the methods by which accounting policies are implemented). This review was conducted in accordance with FRS 18 which requires that, where a choice of treatment is available, the "most appropriate" accounting policies and estimation techniques shall be used. The four 'fundamental accounting concepts' of SSAP2 (i.e. going concern, accruals, consistency and prudence) are replaced by a framework that requires accounting policies to be selected against the objectives of relevance, reliability, comparability and understandability. Implementation of FRS 18 has not resulted in any changes being made to the group accounting policies or estimation techniques.

Cash flow statement

The company has taken advantage of the exemption granted in Financial Reporting Standard No. 1 (Revised) not to produce a cash flow statement, since its ultimate parent company produces a consolidated cash flow statement including the cash flow of the company.

Intangible fixed assets

Goodwill arising on consolidation is capitalised and amortised on a straight-line basis over its useful economic life, which is 20 years.

Strategic spares

Emergency and rotatable spare parts are included within generating plant and buildings and are depreciated over the life of the related generating plant and buildings.

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation net of depreciation and any provision for impairment.

Freehold land and assets in the course of construction are not depreciated. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The estimated useful lives are:

Leasehold improvements	The term of the lease
Plant and machinery	Estimated composite lives of the assets which range from 5 to 38.5 years
Fixtures, fittings, tools and equipment	Between 3 and 10 years

Assets in the course of construction represent amounts incurred for professional services, salaries, permits, options, capitalised interest and other directly attributable and incremental costs. These costs are depreciated on a straight-line basis over the life of the project only when the development is completed. Provision for impairment is made if the directors determine that a particular project will no longer be developed.

Overhaul of generating plant

In accordance with FRS 15 the relevant component of the generating plant that will be overhauled is depreciated over the period until the expenditure is needed. That period is usually between three and nine years. When the overhaul expenditure takes place it is capitalised as part of the cost of the asset since it restores or replaces the previously depreciated component.

Decommissioning of generating plant

Prior to the adoption of FRS 12, charges were made on an equal annual basis against profits for the estimated costs of decommissioning generating plant. Since that date decommissioning costs have been capitalised as part of fixed assets and depreciated on a straight line basis over the remaining useful economic life.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Stocks

Stocks are stated at the lower of cost, inclusive of appropriate overheads based on normal levels of activity, and net realisable value.

Foreign currency translation

Within companies, transactions expressed in foreign currencies are translated into sterling at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates ruling at the year end or at the rate at which the related asset or liability has been hedged by the purchase of a forward contract.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred taxation is provided in full on timing differences relating to pension and other post-retirement benefits calculated at the rates at which it is expected that tax will arise. Deferred taxation is provided on other timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future without replacement, calculated at the rates at which it is expected that tax will arise.

Leased assets

Fixed assets under finance leases are capitalised and depreciated over the expected useful lives. Finance charges are amortised over each lease to give a constant rate of charge on the remaining balance of the obligation.

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of the debt at a constant rate on the carrying amount.

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantively all the activities necessary to get the asset ready for use are complete.

Debt

Debt is initially stated at the amount of net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

Pension

Two trading subsidiaries within the group participate in a defined benefit pension scheme. The fund is valued every three years by an independent actuary. The regular cost of providing pensions and related benefits and any variations from regular cost arising from the actuarial valuations are charged to the profit and loss account over the expected remaining service lives of scheme members.

The accounting requirements of FRS 17 "Retirement Benefits" will have to be implemented in full for the year ended 30 June 2005. FRS 17 requires a surplus or deficit in a pension scheme (measured with reference to the fair values of the scheme assets and actuarially valued liabilities) to be shown on the employer's balance sheet. Changes in those fair values from year to year will be reflected in the profit and loss account or statement of total recognised gains and losses as appropriate. Disclosures required under the transitional arrangements of FRS 17 are provided in Note 26 to these financial statements.

All other subsidiaries operate defined contribution pension schemes. Employer's contributions to those schemes are expensed as incurred. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Reclassification of prior year comparatives

The comparative figures have been reclassified from administrative expenses to cost of sales (£29.9m) to achieve comparability with the current year classification, which the directors consider to be more appropriate.

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

2. TURNOVER

Turnover represents amounts derived from the provision of services which fall within the group's ordinary activities after deduction of value added tax. All turnover is derived from the same class of business.

3. GEOGRAPHICAL ANALYSIS OF TURNOVER

	2001 £'000	2000 £'000
Turnover by origin and destination		
United Kingdom	207,669	120,198
Kazakhstan	-	15,161
	<u>207,669</u>	<u>135,359</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2001 £'000	2000 £'000
Directors' emoluments		
Fees and other emoluments	410	422
Pension contributions	14	11
	<u>424</u>	<u>433</u>
 Remuneration of the highest paid director	 <u>297</u>	 <u>271</u>

The group contributed to the defined contribution pension scheme of one of the directors during the year (2000: one).

	2001 No.	2000 No.
Average monthly number of persons employed (including directors)		
Administration	49	35
Development	54	38
Operations	339	828
	<u>442</u>	<u>901</u>
	2001 £'000	2000 £'000 Restated
Staff costs during the year (including directors)		
Wages and salaries	16,169	15,150
Social security costs	1,715	1,628
Pension costs	1,577	1,277
	<u>19,461</u>	<u>18,055</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

5. OPERATING (LOSS)/PROFIT

	2001	2000
	£'000	£'000
Operating (loss)/profit is after charging:		
Depreciation of tangible fixed assets		
Owned	24,946	10,065
Held under finance leases	846	846
Amounts written off tangible fixed assets (see note 12):	94,094	-
Amortisation of goodwill	14,061	14,458
Rentals under operating leases		
Other operating leases	462	321
Auditors' remuneration		
Audit fees	97	69
Other services	277	375
	<u>277</u>	<u>375</u>

The share of associates' operating profits of £11,128,000 (2000: £10,153,000) is all derived from continuing operations. There is no goodwill on the balance sheet in respect of associates and therefore no amortisation charge.

6. EXCEPTIONAL ITEM REPORTED AFTER OPERATING (LOSS)/PROFIT

The loss on sale of operations is due to the sale of the group's interest in the ordinary share capital of AES Partington Ltd. The effect of the exceptional charge on taxation is £nil. The impact on minority interests is £nil.

7. FINANCE CHARGES (NET)

	2001	2000
	£'000	£'000
Interest payable and similar charges	57,929	49,502
Less: investment income	(16,392)	(9,865)
	<u>41,537</u>	<u>39,637</u>
Group	34,909	32,262
Associate	6,628	7,375
	<u>41,537</u>	<u>39,637</u>

Investment income

	2001	2000
	£'000	£'000
Income from fixed asset investments	8,854	2,208
Interest receivable and similar income	7,538	7,657
	<u>16,392</u>	<u>9,865</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

7. FINANCE CHARGES (NET) (continued)

Interest payable and similar charges

	2001	2000
	£'000	£'000
Bank loans and overdrafts repayable		
Within five years	34,085	16,077
Due to parent company		
After more than five years	10,492	9,180
Other loans repayable		
After more than five years	2,365	7,727
	<hr/>	<hr/>
	46,942	32,984
Share of associates' interest payable and similar charges	7,376	8,090
Exchange loss on foreign currency borrowings	3,611	8,428
	<hr/>	<hr/>
	57,929	49,502
	<hr/>	<hr/>

8. TAX CHARGE ON LOSS ON ORDINARY ACTIVITIES

	2001	2000
	£'000	£'000
United Kingdom Corporation Tax at 30% (2000: 30%)	10,042	2,259
Overseas tax	664	(15)
Associated companies	1,857	3,617
Deferred tax	(2,908)	(1,190)
	<hr/>	<hr/>
	9,654	4,671
Adjustments in respect of prior years		
- current tax	(371)	26
- deferred tax	(187)	1,820
	<hr/>	<hr/>
	9,096	6,517
	<hr/>	<hr/>

9. PROFIT OF THE PARENT COMPANY

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial year amounted to £7,409,000 (2000 – £9,126,000 loss).

10. NON-ADJUSTING POST-BALANCE SHEET EVENT

In 2002 AES Barry Ltd converted its Gas Supply Agreement into a tolling agreement with TXU Europe. On 19 November 2002 TXU Europe went into administrative receivership. On 24 July 2003, Barry Power Station was sold to Centrica plc for £39,742,884 by AES Barry Ltd. This value is considerably less than the carrying value of the assets at 31 December 2001 of £91,246,000 and will result in an impairment in the 2002 financial statements. There will also be an additional impairment of the group's goodwill of approximately £62,136,934 on sale.

On the 11 November 2003 AES Medway Electric Ltd sold its investment comprising of loan stock and 25% equity holding in Medway Power Ltd to Scottish and Southern Energy Plc for a consideration of £35,317,000. This value is in excess of the carrying value of the assets at 11 November 2003 of £30,368,441; however after the write-off of goodwill of £6,554,582, there will be a loss on sale of £1,606,026 and this loss will be reported in the 2003 financial statements.

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

10. NON-ADJUSTING POST-BALANCE SHEET EVENT (continued)

On the 11 November 2003 AES Electric Ltd sold AES Medway Operations Ltd to Scottish and Southern Energy Plc for a consideration of £11,069,000. This value is in excess of the carrying value of the assets at 11 November 2003 of £2,512,009; however after the write-off of goodwill of £1,846,902, there will be a profit of £665,107 and this profit will be reported in the 2003 financial statements.

As mentioned in note 12, the directors of AES Fifoots Point Limited requested the appointment of an administrative receiver on 21 March 2002. This has resulted in AES Fifoots Point Limited being deconsolidated from the group from this date. As this was a ring-fenced project, there is no recourse back to the group and the net liabilities recorded will be reversed in 2002 upon deconsolidation. The net liabilities recorded as at 31 December 2001 in respect of Fifoots were £71,300,000.

At 31 December 2003 an impairment test was completed on the tangible fixed assets of AES Indian Queens Power Limited as a result of an unplanned outage and resulting losses were reported in the profit and loss account of that subsidiary. The outcome of this test was that the tangible fixed assets, on a standalone basis, were not impaired. However, at a group level after taking into consideration the associated goodwill, the impairment test would indicate an impairment in the carrying value of the group's goodwill of approximately £5,400,000. This impairment charge will be recorded in the 2003 financial statements.

On 22 December 2003, AES Electric Limited transferred its investment in AES Pakistan (Holdings) Limited to another AES subsidiary outside the immediate group. There was no resulting gain or loss on sale of this investment.

A number of write-offs of balance sheet costs from development projects have occurred on AES Electric books at the end of 2003 as the directors have withdrawn their support for certain projects. The costs incurred to date are considered to be unrecoverable. These include the ZEG project which relates to a potential development of a gas plant in Poland. There were capitalised costs of £8,367,117 included for this project as at 31 December 2001. These costs had increased to £10,552,513 before they were fully written off in December 2003.

The Bujagal project relates to a development in Uganda. As at 31 December 2001, there were £29,382,403 development costs and at December 2003 the remaining development costs of £12,775,773 were fully written off.

The Sapele project relates to a development in Nigeria. As at 31 December 2001, there were £1,115,293 development costs and at December 2003 the remaining development costs of £1,732,454 were fully written off.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

11. GOODWILL

Group	£'000
Cost	
At 1 January 2001	288,757
Adjustments (see note 14)	(7,076)
Disposals	<u>(34,000)</u>
At 31 December 2001	247,681
Amortisation	
At 1 January 2001	(36,861)
Amortisation during year	(14,061)
Disposals	<u>7,262</u>
At 31 December 2001	<u>(43,660)</u>
Net book value	
At 31 December 2001	<u>204,021</u>
At 31 December 2000	<u>251,896</u>

There are no intangible assets in the company only accounts.

There has been adjustment to the goodwill during the year as described in note 14. The disposal relates to the sale of AES Partington Ltd as described in note 6.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

12. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Leasehold improve- ments £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Assets in the course of construction £'000	Total £'000
Cost						
At 1 January 2001	14,032	187,197	131,590	962	136,913	470,694
Additions	100	2,173	15,847	1,866	24,046	44,032
Transfers	-	-	105,545	-	(105,545)	-
Disposals	-	(291)	(28)	(409)	(1,338)	(2,066)
At 31 December 2001	14,132	189,079	252,954	2,419	54,076	512,660
Accumulated depreciation						
At 1 January 2001	(14)	(4,732)	(10,765)	(480)	-	(15,991)
Charge for the year	(921)	(9,640)	(14,814)	(317)	(100)	(25,792)
Exceptional - impairment loss	-	-	(94,094)	-	-	(94,094)
Disposals	-	129	1,635	409	-	2,173
At 31 December 2001	(935)	(14,243)	(118,038)	(388)	(100)	(133,704)
Net book value						
At 31 December 2001	13,197	174,836	134,916	2,031	53,976	378,956
At 31 December 2000	14,018	182,465	120,825	482	136,913	454,703

Included in the group's tangible fixed assets are plant and machinery held under finance leases with a net book value of £20,594,000 as at 31 December 2001 (2000 - £21,440,000).

At the balance sheet date, AES Fifoots Point Ltd was unable to make debt repayments as a result of the drop in wholesale electricity prices and ongoing technical difficulties. On 21 March 2002, the directors requested the appointment of an administrative receiver. The directors formally assessed the carrying value of the Fifoots Point fixed assets as at 31 December 2001. Accordingly, this resulted in an impairment charge of £94,094,000. The effect of the exceptional charge on taxation is £nil. The impact on minority interests is £nil.

The company does not have any tangible fixed assets.

13. INVESTMENTS HELD AS FIXED ASSETS

Group	2001 £'000	2000 £'000
Interests in associated undertakings (a)	12,403	9,760
Loans to associated undertakings (b)	6,589	6,859
Loan to ESOP (c)	2,089	624
Other fixed asset investments (d)	18,561	18,562
	<u>39,642</u>	<u>35,805</u>

AES UK HOLDINGS LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2001

13. INVESTMENTS HELD AS FIXED ASSETS (continued)

(a) Associated undertakings

	£'000
Share of net assets:	
At 1 January 2001	9,760
Share of profit after tax of associated undertaking	2,643
	<hr/>
At 31 December 2001	12,403
	<hr/>

Group's share in associated undertakings is as follows:

	2001 £'000	2000 £'000
Turnover	40,432	58,351
Fixed assets	70,502	163,397
Current assets	25,888	54,959
Liabilities due within one year	(17,768)	(33,105)
Liabilities due after one year	(58,350)	(35,642)

The prior year comparative includes AES (NI) Limited and AES Cloghan Limited as associate undertakings up until they became subsidiary undertakings on 31 May 2000 on the acquisition of AES Horizons Investments Limited.

(b) Loans to associated undertakings

	£'000
At 1 January 2001	6,859
Repayment by associated undertaking	(270)
	<hr/>
At 31 December 2001	6,589
	<hr/>

(c) Loan to ESOP

A loan of £2,089,000 has been made to the AES Medway Operations Employee Share Ownership Plan ("ESOP") to enable the acquisition of shares in The AES Corporation.

(d) Other fixed asset investments

	£'000
At 1 January 2001	18,562
Disposals	(1)
	<hr/>
At 31 December 2001	18,561
	<hr/>

The Group owns 16.1% of the share capital of AES Lal Pir Limited, a company incorporated in Pakistan, which operates a generating facility.

The Group owns 15% of the share capital of AES Pak Gen (Private) Company, a company incorporated in Pakistan which operates a generating facility.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

13. INVESTMENTS HELD AS FIXED ASSETS (continued)

Details of the principal investments in which the group or the company held more than 10% of the nominal value of any class of share capital as at 31 December 2001 were as follows:

Name of company	Country of incorporation	Type of shares	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings:				
<i>Directly owned</i>				
AES Electric Ltd	Great Britain	Ordinary	100%	Project development
AES Sirocco Limited	Great Britain	Ordinary	100%	Project development
AES Indian Queens Holdings Limited	Great Britain	Ordinary	100%	Parent
AES Horizons Limited	Great Britain	Ordinary	100%	Project development
<i>Held by a subsidiary</i>				
AES Medway Electric Limited	Great Britain	Ordinary	100%	Parent
AES Medway Operations Limited	Great Britain	Ordinary	100%	Power station operator
AES Barry Limited	Great Britain	Ordinary	100%	Electricity generation
AES Barry Operations Limited	Great Britain	Ordinary	100%	Power station operator
AES Pakistan (Holdings) Limited	Great Britain	Ordinary	100%	Parent
AES Pak Gen (UK) Limited	Great Britain	Ordinary	100%	Parent
AES Lal Pir (UK) Limited	Great Britain	Ordinary	100%	Parent
AES Frontier Ltd (formerly AES Hungary Limited)	Great Britain	Ordinary	100%	Project development
AES Indian Queens Operations Limited	Great Britain	Ordinary	100%	Power station operator
AES Indian Queens Power Limited	Great Britain	Ordinary	100%	Electricity generation
AES East Usk Limited	Great Britain	Ordinary	100%	Project development
AES Fifoots Point Limited	Great Britain	Ordinary	100%	Power station construction
AES Fifoots Point Operations Limited	Great Britain	Ordinary	100%	Power station operator
AES Horizons Investments Ltd	Great Britain	Ordinary	100%	Intermediate holding company
AES Cloghan Ltd	Northern Ireland	Ordinary	100%	Parent
AES Cloghan Point (Holdings) Ltd	Northern Ireland	Ordinary	100%	Provider of an oil tanker berthing facility
AES Energy Ltd (formerly AES New Energy Ltd)	Great Britain	Ordinary	100%	Energy retail
AES(NI) Limited (formerly Nigen Ltd)	Northern Ireland	Ordinary	97.25%	Parent
AES Kilroot Power Ltd (formerly Kilroot Power Ltd)	Northern Ireland	Ordinary	97.25%	Electricity generation
AES Belfast West Power Ltd (formerly Belfast West Power Ltd)	Northern Ireland	Ordinary	97.25%	Electricity generation
Kilroot Electric Ltd	Cayman Islands	Ordinary	97.25%	Investments
Associated undertakings				
Medway Power Limited	Great Britain	Ordinary	25%	Electricity generation
Company				Interests in subsidiary undertakings
				£'000
Cost				
At 1 January 2001				275,346
Additional investment				18,000
At 31 December 2001				<u>293,346</u>

On 1 August 2001, the company invested a further £18m of equity in AES Electric Ltd.

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

14. REVISION OF GOODWILL ON ACQUISITION

The acquisition of AES Horizons Investments Ltd in May 2000 included assets held in Cloghan Ltd and Cloghan Point Holdings Ltd. These assets were not included in the original provisional goodwill calculation. An adjustment to the fair value of assets and liabilities is shown below to include these assets as permitted under FRS 7 as this is the first full accounting period after the acquisition date.

	Expected Fair value	Revised Fair Value
	£'000	£'000
Net liabilities of AES (NI) Ltd	(49,461)	(49,461)
Minority interests	1,360	1,360
Net assets of AES Horizons Investments Ltd	383	383
Net assets of Cloghan Ltd/ Cloghan Point Holdings Ltd	-	7,076
Net liabilities	(47,718)	(40,642)
Consideration	25,504	25,504
Goodwill arising	73,222	66,146

15. STOCKS

	Group	
	2001	2000
	£'000	£'000
Raw materials and consumables	5,085	7,020
Fuel	14,171	11,106
	19,256	18,126

There is no material difference between the balance sheet value of stocks and their replacement cost.

The company does not have any stocks.

16. DEBTORS

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Trade debtors	28,922	18,226	-	-
Amounts owed by group undertakings	15,451	17,868	-	-
Amounts owed by associated undertakings	5,147	2,724	-	-
Other debtors	14,714	13,523	638	638
Prepayments	3,632	2,723	-	-
	67,866	55,064	638	638

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

17. CASH AT BANK AND IN HAND

Within the cash balance £23,335,000 (2000 - £23,229,412) is held in an escrow account in connection with a sale and lease back financing arrangement for the Indian Queens plant. There is also £49,400,000 (2000:£18,000,000) held as restricted cash in AES (NI) Ltd to be used to service the loan stock.

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Bank loans	-	6,696	-	-
Bank overdraft	16,590	836	-	-
Finance lease	1,625	1,563	-	-
Trade creditors	11,815	31,761	-	-
Amounts owed to group undertakings	123,069	64,818	-	-
Current corporation tax	7,931	5,533	-	-
Other creditors	6,673	4,569	-	-
Accruals	18,259	19,117	-	-
	<u>185,962</u>	<u>134,893</u>	<u>-</u>	<u>-</u>

There is a loan from AES Corporation for £46,730,000 that has been reclassified as due within 1 year as there is no specified repayment date for the loan.

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Amount owed to ultimate parent company	-	43,335	-	-
Amounts owed to immediate parent company	136,907	125,139	66,814	59,405
Amounts owed to group undertakings	-	-	16,839	16,839
Other creditors	-	300	-	-
Finance lease				
Payable between one and two years	1,690	1,723	-	-
Payable between two and five years	5,706	7,567	-	-
Payable after more than five years	16,373	13,891	-	-
Bank loans:				
Payable between one and two years	-	-	-	-
Payable between two and five years	12,590	24,997	-	-
Payable after more than five years	391,670	362,819	-	-
Accruals and deferred income	26,336	-	-	-
	<u>591,272</u>	<u>579,771</u>	<u>83,653</u>	<u>76,244</u>

The immediate parent company loans are unsecured, have varying interest rates and are repayable in 2007.

The finance lease creditor is linked to the escrow account disclosed in note 17 and earns interest at LIBOR less a margin renewable every six months. It is secured by the assets to which it relates.

A bank loan of £100,336,000 (2000: £100,166,000) is secured by a mortgage and fixed and floating charges on the shares and assets of AES Barry Limited. The interest on £91,000,000 of the loan has been hedged through swap agreements at an average rate of 6.15% until 15 September 2008.

Another bank loan of £88,168,000 (2000: £72,080,000) is secured by a fixed and floating charge over the assets of AES Fifoots Point Limited. Interest on the loan is hedged by a swap agreement at 6.69% until 28 April 2010. The loan is repayable in six-monthly instalments until April 2018.

A further bank loan of £18,833,000 (2000: £18,821,000) accrues interest at LIBOR plus 1.0625%. The interest rate increased in March 2002 to LIBOR plus 1.3625% and will increase in March 2005 to LIBOR plus 1.7125%. This loan is secured on a pari-passu basis by the assets of AES Indian Queens Power Limited. The loan is repayable on 31 March 2014.

On 26 July 1994 Kilroot Electric Ltd, issued £198,500,000 9.5% secured debenture stock (2006-2010) at £99.896 per cent in order to meet long term financing requirements of AES (NI) Limited (formerly Nigen Limited). The debenture is unconditionally and irrevocably guaranteed by AES Kilroot Power Ltd (formerly Kilroot Power Limited). The carrying value of the debenture stock is £196,294,538 after adjusting for issue costs and interest paid during the year.

The company only loan is with the immediate parent company and is repayable in June 2007. Interest on the loan is set at LIBOR plus 3.625%.

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

20. PROVISIONS FOR LIABILITIES AND CHARGES

Group	Others £'000	Deferred Tax £'000	Total £'000
At 1 January 2001	10,614	49,266	59,880
Profit and loss account	827	(3,095)	(2,268)
Utilised during the year	(4,747)	-	(4,747)
At 31 December 2001	<u>6,694</u>	<u>46,171</u>	<u>52,865</u>

Other provisions

These relate to decommissioning, severance and pension provisions relating to the group's businesses in Northern Ireland.

Deferred tax

The amount of deferred tax provided in the financial statements and the potential amount of unrecognised deferred tax asset is:

	Provided		Unrecognised asset	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Capital allowances in excess of depreciation	55,771	57,062	(72)	(85)
Other timing differences	(9,600)	(7,796)	(17,138)	(9,859)
	<u>46,171</u>	<u>49,266</u>	<u>(17,210)</u>	<u>(9,944)</u>

There are no provisions for liabilities and charges in the company only balance sheet.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

21. CALLED UP SHARE CAPITAL

Group and Company	2001		2000	
	Number of shares	£'000	Number of shares	£'000
Authorised				
Ordinary shares of £1 each	50,000,000	50,000	1,000	1
Called up, allotted and fully paid:				
Ordinary shares of £1 each	18,001,000	18,001	1,000	1

During the year the company allotted 18,000,000 (2000 – nil) shares with a nominal value of £1 at par value.

22. SHARE PREMIUM ACCOUNT

Group and Company	2001 £'000	2000 £'000
At 31 December	208,231	208,231

23. PROFIT AND LOSS ACCOUNT

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Balance at 1 January	(76,273)	(69,950)	(8,492)	634
Loss for the financial year	(148,919)	(6,323)	(7,409)	(9,126)
Balance at 31 December	(225,192)	(76,273)	(15,901)	(8,492)

24. RECONCILIATION OF MOVEMENT IN GROUP SHAREHOLDER'S FUNDS

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Loss for the year	(148,919)	(6,323)	(7,409)	(9,126)
New shares issued	18,000	-	18,000	-
Net (reduction)/addition to shareholder's funds	(130,919)	(6,323)	10,591	(9,126)
Opening shareholder's funds	131,959	138,282	199,740	208,866
Closing shareholder's funds	1,040	131,959	210,331	199,740

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

25. FINANCIAL COMMITMENTS

AES Medway Operations Limited has contracted to operate the Medway Power Station. This obligation has been secured by Letters of Credit amounting to £1,319,935 (2000: £1,245,000) and a Deed of Guarantee to Medway Power Limited from the ultimate parent company, The AES Corporation, a company incorporated in the State of Delaware, USA.

On 4 December 1997, AES Electric Ltd signed a 15 year lease for office premises at an annual rent of £260,000 per annum. The company is also committed to making payments totalling £100,000 within the next year under an operating lease on its old premises (2000: £100,000). However, these premises were underlet for £100,000 per annum as from 14 April 1998. This underlease runs until the end of the original 15 year lease, which is due to expire in December 2010.

AES Indian Queens Power Ltd and AES New Energy Ltd are committed to operating leases for a building at an annual rent of £25,000 and £35,000 respectively. Both leases expire in more than five years.

26. PENSION AND SIMILAR OBLIGATIONS

The pension scheme of AES (NI) Ltd provides death in retirement benefits for eligible employees on a defined benefit basis, the benefits being funded by assets held in a separate fund administered by Trustees. Contributions are based on independent triennial valuations by professionally qualified actuaries.

A full valuation was carried out at 31 March 2001 by a qualified independent actuary. The main methods and assumptions used were as follows:

	At 31 March 2001
Valuation method	Attained age
Scheme asset valuation	Market value
Rate of increase in salaries	3.0% per annum
Rate of increase in pensions in payment and deferred benefits during deferment	2.5% per annum
Rate of future investment return	6.5% per annum
Inflation assumption	2.5% per annum

On an ongoing basis, the market value of the assets as at 31 March 2001 covered the value of the past service liabilities with a funding level of 130%, representing an excess of assets above prospective accrued benefits amounting to £16,500,000.

Under the terms of the Electricity (Protected Persons) Pensions Regulations (Northern Ireland) 1992, assets were sufficient to cover 89% of the liabilities. AES(NI) Ltd intends to fund the scheme on a basis consistent with the Regulations.

During the accounting year, AES(NI) Ltd paid regular contributions at the rate of £798,000 per annum plus the cost of the early retirement augmentations under a voluntary severance scheme. With effect from April 2002, AES(NI) Ltd's ordinary contribution rate increased to £838,000 per annum, increasing each April thereafter in line with price inflation.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

26. PENSION AND SIMILAR OBLIGATIONS (continued)

The actuarial valuation was updated to 31 December 2001 for FRS 17 purposes. The main financial assumptions used by the actuary for the purpose of calculating pension cost were:

	At 31 December 2001
Valuation method	Projected unit
Scheme asset valuation	Market value
Rate of increase in salaries	3.0%
Rate of increase in pensions in payment and deferred benefits during deferment	2.5%
Discount rate	5.5%
Inflation assumption	2.5%

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31.12.01	Value at 31.12.01 £'000
Equities	6.9%	56,394
Bonds	4.8%	11,270
Cash	4.0%	389
Total market value of assets	6.5%	68,053
Present value of scheme liabilities		70,300
Deficit in the scheme		(2,247)
Net pension liability		(2,247)
Related deferred tax asset		674
Net pension liability		(1,573)

NOTES TO THE ACCOUNTS

Year ended 31 December 2001

26. PENSION AND SIMILAR OBLIGATIONS (continued)

If the above amounts had been recognised in the financial statements, the net assets and profit and loss reserve of the group as at 31 December 2001 would be as follows:

	£'000
Net liabilities excluding pension liability	(710)
Net pension liability	(1,573)
	<hr/>
Net liabilities including pension liability	(2,283)

	£'000
Profit and loss account deficit excluding pension liability	(225,192)
Pension liability	(1,573)
	<hr/>
Profit and loss reserve including pension liability	(226,765)

27. GOING CONCERN

The company has net liabilities as at 31 December 2003. Taking into account events identified in note 10, and that the parent company has made no formal commitment to support the company in the future, there is uncertainty as to whether the company can meet its obligations as they fall due.

The directors have formed a judgement, at the time of approving the financial statements, that considering the likely level of support and dividends receivable from group companies, there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include any adjustments that would result if the going concern basis were not applied.

28. RELATED PARTIES

The company has taken advantage of the exemption granted by Financial Reporting Standard 8 "Related party Disclosures" not to disclose transactions with other undertakings within, and related parties of, the AES Corporation Group.

29. ULTIMATE PARENT COMPANY

The immediate parent company and controlling entity is AES Global Power Holdings BV, a company incorporated in the Netherlands.

The ultimate parent company and controlling entity is The AES Corporation, a company incorporated in the State of Delaware, USA. AES Corporation is also the parent company of the smallest and largest group for which group accounts including AES UK Holdings Limited are prepared. Copies of the parent company's financial statements can be obtained from the Securities and Exchange Commission, 450 5th Street NW, Washington DC 20549, USA.