

**Company Registration No. 3878803**

**AES UK POWER FINANCING LIMITED**

**Report and Financial Statements**

**Year ended 31 December 2003**



# **AES UK POWER FINANCING LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2003**

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**AES UK POWER FINANCING LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2003**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

John Turner  
Neil Hopkins  
Garry Levesley  
Naveed Ismail

**SECRETARY**

Neil Hopkins

**REGISTERED OFFICE**

18 Parkshot  
Richmond  
Surrey  
TW9 2RG

**AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
London

## DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2003

### ACTIVITIES

The principal activity of the company is that of an intermediate holding company. The company has not traded in the current year and is not expected to trade in the foreseeable future.

### REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Drax group of companies ("Drax"), of which the company is a member and which is a part of the AES Corporation group ("AES"), had been operating under standstill arrangements with its senior creditors since 12 December 2002 to provide a period of stability during which consensual restructuring of Drax could take place. On 5 August 2003 The AES Corporation withdrew its support for, and participation in, the restructuring process.

On 30 September 2003, the security trustee delivered enforcement notices affecting the revocation of voting rights of the shares of AES Drax Acquisition Limited which were mortgaged in favour of the security trustee.

As of 30 September 2003, The AES Corporation and its subsidiaries have no continuing involvement in Drax Power Station.

We understand that on 22 December 2003 restructured credit arrangements were entered into by Drax with the senior creditors. At the time AES entered into a letter agreement with Drax, the senior creditors and others under which AES and certain of its subsidiaries were released from their obligations under the original credit agreement.

### RESULTS AND DIVIDENDS

The results for the year are set out on page 5. The directors do not recommend the payment of a dividend (2002 £nil).

### DIRECTORS AND THEIR INTERESTS

The directors of the company who served throughout the year and thereafter 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 during the current or preceding financial year.

### AUDITORS

A resolution proposing the reappointment of Deloitte & Touche LLP as auditors of the company will be proposed at the forthcoming Annual General Meeting.

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



John Turner

Director

16 DECEMBER 2004

# AES UK POWER FINANCING LIMITED

## 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 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 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AES UK POWER FINANCING LIMITED**

We have audited the financial statements of AES UK Power Financing Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 11. 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 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.

*Going Concern*

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the accounts, concerning the ability of the company to continue as a going concern.

In view of the fundamental uncertainties surrounding the future of the company, we draw your attention to this matter.

Our audit opinion is not qualified in respect of this matter.

**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 2003 and of its result 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

22 December 2004

# AES UK POWER FINANCING LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Administrative expenses - exceptional	4	-	(172,000)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	-	(172,000)
Tax on loss on ordinary activities	5	-	-
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR TRANSFERRED FROM RESERVES</b>	9, 10	-	(172,000)

All activities relate to continuing operations

There are no recognised gains or losses or other movements in shareholders' funds for the current or 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.

**BALANCE SHEET**  
**31 December 2003**

	Note	2003 £'000	2002 £'000
<b>FIXED ASSETS</b>			
Investments	6	-	-
<b>CREDITORS: amount falling due within one year</b>	7	<u>(171,000)</u>	<u>(171,000)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(171,000)</u>	<u>(171,000)</u>
<b>NET LIABILITIES</b>		<u>(171,000)</u>	<u>(171,000)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	1,000	1,000
Profit and loss account	9	<u>(172,000)</u>	<u>(172,000)</u>
<b>TOTAL SHAREHOLDERS' DEFICIT</b>	10	<u>(171,000)</u>	<u>(171,000)</u>

These financial statements were approved by the Board of Directors on 15 DEC 2004.

Signed on behalf of the Board of Directors



John Turner  
 Director



# AES UK POWER FINANCING LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2003

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### Basis of preparation of financial statements

The Drax group of companies, of which the company is a member and which is a part of the AES Corporation group, had been operating under standstill arrangements with its senior creditors since 12 December 2002 to provide a period of stability during which consensual restructuring of Drax could take place. On 5 August 2003 The AES Corporation withdrew its support for, and participation in, the restructuring process and hence withdrew its support for the Drax group and therefore the company. The Drax group impaired its investments in full during 2002 leaving net liabilities and is not expected to trade in the foreseeable future. The going concern basis of preparation has been adopted for the financial statements for the year ended 31 December 2003. The directors believe that this is appropriate, since it allows appropriate accounting policies and bases to be adopted, notwithstanding the fact the company is likely to enter a liquidation process in the foreseeable future. The preparation of the financial statements on a non-going concern (or break-up) basis would result in no adjustments other than the accrual of liquidation costs, which are not believed to be significant to the company's financial position.

#### Accounting Policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been applied consistently in both the current and preceding financial year.

#### Accounting convention

The financial statements are prepared under the historical cost convention.

#### Consolidation

The company is exempt from the requirement to prepare and deliver consolidated financial statements.

These financial statements therefore present information about the company as an individual undertaking and not about the group.

#### Investments

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

#### 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.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

### 2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

All of the directors' remuneration is borne by other wholly owned subsidiaries within The AES Corporation group.

The company had no employees during the year or the preceding year.

### 3. OPERATING LOSS

Auditors' remuneration has been borne by other group companies in both financial periods.

**AES UK POWER FINANCING LIMITED**

**NOTES TO THE ACCOUNTS**

**Year ended 31 December 2003**

**4. EXCEPTIONAL ITEMS**

	2003 £'000	2002 £'000
Impairment of investment in subsidiaries	-	1,000
Write off of inter-company debt from Drax Power Finance Holding Ltd	-	171,000
	<u>-</u>	<u>172,000</u>

**5. TAX ON LOSS ON ORDINARY ACTIVITIES**

**a) Analysis of charge in the year**

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Current tax - United Kingdom corporation tax at 30%	<u>-</u>	<u>-</u>

**b) Factors affecting tax charge for the current year**

The tax for the period is nil rather than that resulting from applying the standard rate of corporation tax of 30% (2002: 30%). The differences are explained below:

	Year ended 31 December 2003 £'000	Year ended 31 December 2002 £'000
Loss on ordinary activities before tax	<u>-</u>	<u>(172,000)</u>
Tax credit on ordinary activities at 30% (2002: 30%)	-	51,600
<i>Effects of:</i>		
Amounts not deductible for tax	<u>-</u>	<u>(51,600)</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

NOTES TO THE ACCOUNTS  
Year ended 31 December 2003

6. INVESTMENTS HELD AS FIXED ASSETS

£'000

At 31 December 2002

-

At 31 December 2003

-

Details of the investment are below:

Name of company	Country of incorporation	Type of Shares	Proportion of voting rights held	Proportion of shares held	Nature of business
<b>Subsidiary undertakings:</b>					
<i>Directly owned</i>					
AES UK Power Financing II Limited	Great Britain	Ordinary	100%	100%	Non-trading
AES Drax Power Finance Holdings Limited	Great Britain	Ordinary	99%	99%	Non-trading
<i>Indirectly owned</i>					
AES Drax Power Finance Holdings Limited	Great Britain	Ordinary	1%	1%	Non-trading
AES Drax Energy Limited	Cayman Islands	Ordinary	100%	100%	Non-trading
AES Drax Energy II Limited	Great Britain	Ordinary	100%	100%	Non-trading
AES Drax Power Finance Limited	Great Britain	Ordinary	100%	100%	Non-trading
AES Drax Acquisition Holdings Limited	Great Britain	Ordinary	100%	100%	Non-trading

In 2002 the group impaired its investments following the withdrawal of AES Corporation from its support and participation in the restructuring process of the group. Consequently the company lost its control under the following sub-subsidiaries, which were controlled directly by AES Drax Acquisition Holdings Limited: AES Drax Acquisition Limited, AES Drax Holding Limited, AES Drax Electric Limited, AES Drax Limited, AES Drax Power Limited.

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £'000	2002 £'000
Amount owed to immediate parent	171,000	171,000

# AES UK POWER FINANCING LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2003

### 8. CALLED UP SHARE CAPITAL

	2003 £'000	2002 £'000
<b>Authorised</b>		
1,000,000,000 ordinary shares of £1 each	1,000,000	1,000,000
<b>Called up, allotted and fully paid</b>		
1,000,001 ordinary shares of £1 each	1,000	1,000

### 9. PROFIT AND LOSS ACCOUNT

	£'000
At 1 January 2003	(172,000)
Retained loss for the financial year	-
At 31 December 2003	(172,000)

### 10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2003 £'000	2002 £'000
Loss for the financial year	-	(172,000)
Net movement in shareholders' (deficit) / funds	-	(172,000)
Opening shareholders' (deficit) / funds	(171,000)	1,000
Closing shareholders' deficit	(171,000)	(171,000)

### 11. ULTIMATE PARENT COMPANY

The immediate parent company, and smallest group for which accounts are prepared is AES UK Power Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. Copies of the group accounts of AES UK Power Holdings Limited can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

The ultimate parent company and controlling entity is The AES Corporation, a company incorporated in the State of Delaware, USA. This is the parent undertaking of the largest group which includes the company and for which group accounts are prepared. Copies of that company's financial statements may be obtained from the Securities and Exchange Commission, 450 5th Street NW, Washington DC 20549, USA.

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 the AES Corporation group. The company is also exempt from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996).