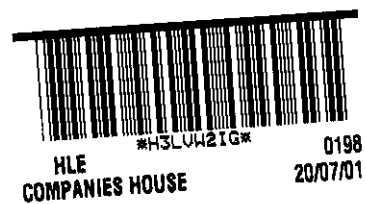


AES DRAX POWER LIMITED

Report and Financial Statements

31 December 2000

Deloitte & Touche
10-12 East Parade
Leeds
LS1 2AJ



REPORT AND FINANCIAL STATEMENTS 2000

CONTENTS

Page

Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Statement of total recognised gains and losses	5
Balance sheet	6
Notes to the accounts	7

REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Michael Armstrong	
John Turner	
Neil Hopkins	
Lord Taylor of Blackburn	(appointed 18 May 2001)
John Grimes	(appointed 21 May 2001)
John Prickett	(appointed 21 May 2001)
Derek Paton	(appointed 21 May 2001)
Ian Foy	(appointed 21 May 2001)

SECRETARY

Neil Hopkins	
Amanda Cade	(appointed 1 May 2001)

REGISTERED OFFICE

Drax Power Station
Selby
North Yorkshire
YO8 8PQ

AUDITORS

Deloitte & Touche
Chartered Accountants
10-12 East Parade
Leeds
LS1 2AJ

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2000.

ACTIVITIES

The principal activity of the company is the generation and sale of electricity.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors are satisfied with the performance of the company in the year and believe that this will continue in the future.

RESULTS AND DIVIDENDS

The company's results for the year ended 31 December 2000 showed a profit after tax of £129,572,000 (Seven week period ended 31 December 1999: £29,960,000). The directors have paid an interim dividend of £121,836,000 (Seven week period ended 31 December 1999: £10,182,000). The retained profit of £7,736,000 (Seven week period ended 31 December 1999: £19,778,000) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors of the company who served during 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 group company during the year.

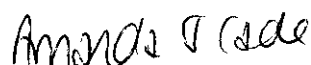
EMPLOYEE INVOLVEMENT AND DISABLED PERSONS

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

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office.

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



Amanda Cade

Secretary

16 July 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. 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;
- 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.



AUDITORS' REPORT TO THE DIRECTORS OF

AES DRAX 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 and 8.

Respective responsibilities of directors and auditors

The company's directors are responsible for the preparation of the financial statements which are prepared in accordance with applicable United Kingdom law and accounting standards. 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 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, 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

20 JULY 2001

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2000

		Year ended 31 December 2000	Seven weeks ended 31 December 1999
	Note	£'000	£'000
TURNOVER – continuing operations	2	622,956	107,495
Cost of sales		(278,218)	(40,618)
GROSS PROFIT		344,738	66,877
Administrative expenses		(158,014)	(20,127)
OPERATING PROFIT – continuing operations	4	186,724	46,750
Interest receivable and other income	5	11,154	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		197,878	46,750
Tax on profit on ordinary activities	6	(68,306)	(16,790)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		129,572	29,960
Dividends	7	(121,836)	(10,182)
RETAINED PROFIT FOR THE FINANCIAL YEAR / PERIOD TRANSFERRED TO RESERVES	16	7,736	19,778

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses for the current or preceding financial period other than as stated in the profit and loss account. Therefore, no statement of total recognised gains and losses has been presented.

BALANCE SHEET
31 December 2000

	Note	2000 £'000	1999 £'000
FIXED ASSETS			
Tangible assets	8	1,166,832	1,192,276
CURRENT ASSETS			
Stocks	9	59,946	52,533
Debtors	10	208,386	100,393
Cash at bank and in hand	11	40,041	42,514
		308,373	195,440
CREDITORS: amounts falling due within one year	12	(144,793)	(90,271)
NET CURRENT ASSETS		163,580	105,169
TOTAL ASSETS LESS CURRENT LIABILITIES		1,330,412	1,297,445
CREDITORS: amounts falling due after more than one year	13	(86,175)	(68,951)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(11,181)	(3,174)
		1,233,056	1,225,320
CAPITAL AND RESERVES			
Called up share capital	15	1,000	1,000
Share premium	16	1,204,542	1,204,542
Profit and loss account	16	27,514	19,778
TOTAL EQUITY SHAREHOLDERS' FUNDS		1,233,056	1,225,320

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

16 July 2001.

Derek Paton

Derek Paton
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2000**1. ACCOUNTING POLICIES**

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Cash flow statement

The cash flows of the company are included in the consolidated group cash flow statement of AES UK Power Holdings Limited. Accordingly, the company has taken advantage of the exemption under Financial Reporting Standard No. 1 not to publish a cash flow statement.

Tangible fixed assets

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:

Freehold buildings, plant and machinery	30-40 years
Plant spares	30-40 years
Fixtures and fittings	3-5 years

Stocks

Stocks are stated at the lower of cost, inclusive of appropriate overheads, and net realisable value. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Leased assets

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Pension costs

Pension contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension costs, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or a prepayment in the balance sheet.

Revenue recognition

Revenues from the sale of electricity are recorded based upon output delivered and capacity provided at rates specified under contract terms or prevailing market rates.

Derivatives

The company enters into various derivative transactions in order to hedge its exposure to certain market risks. The company currently has outstanding interest rate swap, cap and floor agreements that hedge against interest rate exposure on floating rate debt. Interest swaps, caps and floors are accounted for by adjusting the interest rate cost on the floating rate debt.

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

1. ACCOUNTING POLICIES (continued)

Deferred finance costs

Financing costs are deferred and amortised over the related financing period using the effective interest method of amortisation.

2. TURNOVER

Turnover comprises primarily sales to the electricity trading market in England and Wales of electricity generated by the company. Most of the power plant's revenue relies primarily on sales contracts with a few large customers. Two customers accounted for 43.5% and 19.5% of revenues in the year to 31 December 2000. One customer accounted for 43% in 1999.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

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

	Year ended 31 December 2000	Seven weeks ended 31 December 1999
	No.	No.
Average number of persons employed		
Operations	482	522
Business services	52	57
	<u>534</u>	<u>579</u>
Staff costs during the period (excluding directors)	£'000	£'000
Wages and salaries	15,716	1,239
Social security costs	1,281	97
Pension costs	1,469	131
	<u>18,466</u>	<u>1,467</u>

4. OPERATING PROFIT

	Year ended 31 December 2000	Seven weeks ended 31 December 1999
	£'000	£'000
Operating profit is after charging:		
Depreciation of owned assets	31,937	1,839
Rentals under operating leases		
Other operating leases	-	3
Auditors' remuneration		
Audit fees	45	30
Non-audit fees	47	-
	<u>32,029</u>	<u>1,872</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2000 £'000	Seven weeks ended 31 December 1999 £'000
Bank interest receivable	11,154	-

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 31 December 2000 £'000	Seven weeks ended 31 December 1999 £'000
United Kingdom corporation tax at 30% - current year	13,949	9,833
- prior year	458	-
Group relief	45,892	3,893
Deferred tax	8,007	3,064
	68,306	16,790

The tax charge is high due to depreciation on assets which do not qualify for capital allowances.

7. DIVIDENDS

	Year ended 31 December 2000 £'000	Seven weeks ended 31 December 1999 £'000
Dividend on ordinary shares of £121.84 (1999: £10.18) per share	121,836	10,182

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Plant, machinery, fixtures & fittings £'000	Assets in the course of construction £'000	Plant spares £'000	Total £'000
Cost					
At 1 January 2000	132,080	1,069,204	153	20,534	1,221,971
Additions	89	10,463	809	632	11,993
Disposals	-	(5,500)	-	-	(5,500)
Reclassifications	-	153	(153)	-	-
At 31 December 2000	132,169	1,074,320	809	21,166	1,228,464
Accumulated depreciation					
At 1 January 2000	3,324	26,335	-	36	29,695
Charge for the year	3,202	28,290	-	445	31,937
At 31 December 2000	6,526	54,625	-	481	61,632
Net book value					
At 31 December 2000	125,643	1,019,695	809	20,685	1,166,832
At 31 December 1999	128,756	1,042,869	153	20,498	1,192,276

Freehold land amounting to £1,060,000 (1999: £1,060,000) has not been depreciated.

9. STOCKS

	2000 £'000	1999 £'000
Raw materials and consumables	59,946	52,533

10. DEBTORS

	2000 £'000	1999 £'000
Trade debtors	132,606	77,110
Amounts owed by intermediate parents	5,767	-
Prepayments and other debtors	70,013	23,283
	208,386	100,393

11. CASH AT BANK AND IN HAND

Included within the total cash balance are restricted cash deposits amounting to £9,241,000 (1999: £Nil). These comprise part of a required balance which needs to be in place on each repayment date.

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000	1999
	£'000	£'000
Trade creditors	45,441	27,820
Amounts owed to fellow subsidiary undertakings	1,233	-
Amounts owed to ultimate parent	1,112	-
Corporation tax	6,016	10,712
Group relief payable	-	3,893
Other creditors and accruals	90,991	47,846
	<u>144,793</u>	<u>90,271</u>

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

	2000	1999
	£'000	£'000
Amounts owed to immediate parent	85,940	68,705
Retentions	235	246
	<u>86,175</u>	<u>68,951</u>

The amount owed to the immediate parent company has no fixed repayment date, however the directors have indicated that payment will not be requested within one year. No interest is payable on this amount.

All retentions are payable within 1 to 2 years.

14. PROVISIONS FOR LIABILITIES AND CHARGES

	1 January	Current year	31 December
	2000	charge	2000
	£'000	£'000	£'000
Deferred taxation	3,064	8,007	11,071
Reinstatement provision	110	-	110
	<u>3,174</u>	<u>8,007</u>	<u>11,181</u>

The amount of deferred taxation provided and unprovided in the financial statements are:

	2000		1999	
	Provided	Not provided	Provided	Not provided
	£'000	£'000	£'000	£'000
Capital allowances in excess of depreciation	11,071	-	3,102	-
General provision	-	-	(38)	-
	<u>11,071</u>	<u>-</u>	<u>3,064</u>	<u>-</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

15. CALLED UP SHARE CAPITAL

	2000 £'000	1999 £'000
Authorised		
1,000,001 ordinary shares of £1 each	1,000	1,000
Called up, allotted and fully paid		
1,000,001 ordinary shares of £1 each	1,000	1,000

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
At 1 January 2000	1,000	1,204,542	19,778	1,225,320
Profit for the financial year	-	-	129,572	129,572
Dividends	-	-	(121,836)	(121,836)
At 31 December 2000	1,000	1,204,542	27,514	1,233,056

17. PENSION SCHEME FUNDING

The majority of pensions are funded through the industry-wide scheme, the Electricity Supply Pension Scheme (ESPS) which is a defined benefit scheme with assets invested in separate trustee-administered funds. The ESPS is divided into sections, one of which is the National Power PLC section, of which AES Drax Power Limited is a part.

An actuarial valuation is carried out every three years by a professionally qualified actuary, who recommends the rates of contribution by each employer. The latest available review of the assets and liabilities in National Power PLC's section of the ESPS for accounting purposes was undertaken as at 31 March 1998, using the projected unit credit method. The assumptions which have the most significant effect on the results of the review are those relating to the rate of return of investments and the rates of increase in salaries and pensions. It was assumed that the annual investment return will be 2.75% higher than the annual general increase in salaries and 4.5% higher than the annual increases in pensions. Dividends are expected to grow at 5% per annum, with allowance made for the loss of tax credits on UK equities.

At 31 March 1998, the market value of the National Power PLC ESPS assets was £2,595 million and the actuarial value covered 105% of the benefits that had accrued to members after allowing for expected future increases in earnings and benefit improvements granted to members following the formal valuation of the National Power PLC section of the ESPS as at 31 March 1998.

During the year ended 31 December 2000, the company contributed to the ESPS at the rate of 12% of members' pensionable earnings.

The total pension cost for the company over the year was £1,469,000 (Seven weeks ended 31 December 1999: £131,000).

NOTES TO THE ACCOUNTS
Year ended 31 December 2000**18. COMMITMENTS AND CONTINGENCIES**

Guaranteed Secured Bonds amounting to £1,725 million are guaranteed on an unlimited, unconditional and irrevocable basis by each of AES Drax Power Limited, AES Drax Acquisition Limited, AES Drax Holdings Limited, AES Drax Financing Limited and AES Drax Limited and each such entity has granted security over all their assets as security for, inter alia, the Guaranteed Secured Bonds and certain related swaps, finance documents and guarantees. Repayment of the Guaranteed Secured Bonds is further secured by direct agreements from certain of the major project parties and other security arrangements.

19. ULTIMATE PARENT COMPANY

The immediate parent company is AES Drax Limited, a company incorporated in the Cayman Islands.

The parent undertaking of the smallest group, which includes the company and for which group accounts are prepared, is AES UK Power Holdings Limited, a company incorporated in Great Britain. Copies of the group accounts of AES UK Power Holdings Limited can be obtained from Companies House, Maindy, Cardiff CF4 3UZ.

The ultimate parent company and controlling entity is The AES Corporation, a company incorporated in the State of Delaware, USA. 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.

20. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8, not to disclose transactions with other group companies.