

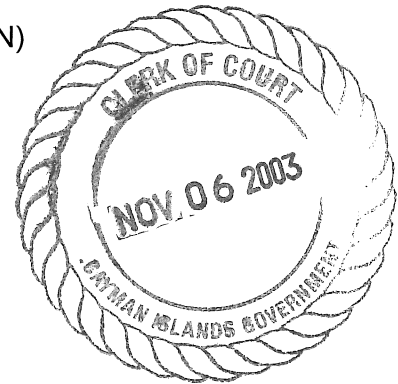


IN THE GRAND COURT OF THE CAYMAN ISLANDS

722 ✓
CAUSE NO. OF 2003

IN THE MATTER OF THE COMPANIES LAW (2003 REVISION)

AND IN THE MATTER OF DRAX HOLDINGS LIMITED



PETITION

To the Grand Court of the Cayman Islands

The Humble Petition of DRAX HOLDINGS LIMITED showeth as follows:

1. The object of this Petition is to seek the sanction of the Court for a Scheme of Arrangement between the above named Drax Holdings Limited (the "Company") and its Scheme Creditors ("the Scheme"), pursuant to section 86 of the Companies Law (2003 Revision) (the "Law"). Save where otherwise defined, capitalised terms in this Petition shall have the meanings attributed to them in the Schedule annexed to this Petition.
2. The Company was incorporated in the Cayman Islands on 26 August 1999 as an exempted company limited by shares under the Companies Law (1998 Revision) (as amended).
3. The registered office of the Company is at Citco Trustees (Cayman) Limited, Corporate Centre, PO Box 31106 SMB, West Bay Road, Grand Cayman, Cayman Islands. The authorised share capital of the Company is £2,000,000,000 divided into 2,000,000,000 ordinary shares of £1 each. The amount of the capital paid up or credited as paid up is £20,050,002. The objects for which the

Company was established as set out in its memorandum of association are unrestricted.

4. The Company was formed for the purpose of financing the acquisition of the Drax power station from National Power plc (the "Acquisition"). The current financing arrangements of the Company are complex. The financing of the Acquisition was structured, inter alia, so as to maximise the cash flows available to service the debt incurred. In summary, the Acquisition was funded by the issue by the Company of £1.725 billion secured bonds due 2015 (the "Eurobonds") which were subscribed in full by InPower, a Jersey company, and a £189,000,000 equity contribution by AES, the Company's ultimate parent.
5. The Eurobonds were issued pursuant to the Eurobond Trust Deed entered into by, among others, the Company as issuer, and the Eurobond Trustee. The principal sum of £1.725 billion payable in respect of the Eurobonds (the "Eurobond Principal") is represented by a single global bond in bearer form and outstanding interest payable in respect of the Eurobond Principal is represented by a series of coupons in bearer form (the "Eurobond Coupons"). Interest on the Eurobond Principal is payable semi-annually at a rate of 8.86%. No payments are required to be made in respect of the Eurobond Principal until its maturity on 30 June 2015.
6. Pursuant to the Preference Share Subscription Agreement, InPower agreed with the Company that it would subscribe for up to 1.725 billion perpetual cumulative preference shares of £1 each in the Company (the "Preference Shares"). Under the terms of the Assignment Agreement, InPower assigned its rights to receive and be allotted the Preference Shares to Drax Acquisition for £425 million.
7. InPower funded its subscription for the Eurobonds from two sources:

- (a) a facility agreement for £1.3 billion between InPower and various banks (the “Facility Agreement”) with BondPower as guarantor and, among others, the Bank Security Trustee and numerous other banks (the “Senior Banks”);
 - (b) the £425 million received from Drax Acquisition under the Assignment Agreement referred to in paragraph 6 above.
- 8. InPower uses the payments which it receives under the Eurobond Coupons to pay, in part, the amounts which it owes to the Senior Banks under the Facility Agreement. There are mismatches between the payments received by InPower under the Eurobond Coupons and the payments InPower is required to make under the Facility Agreement as the payments due under the Eurobond Coupons are fixed while the payments due under the Facility Agreement are floating. The payments due under the Facility Agreement are payments of principal and interest as opposed to interest only under the Eurobond Coupons. In order to ensure that InPower is able to fund the payments of principal and interest under the Facility Agreement, InPower entered into a swap arrangement (the “InPower Harich Swap”) with Harich Investments BV (“Harich”). Drax Power has also entered into a swap arrangement with Harich on essentially the same terms (the “Drax Harich Swap”, together with the InPower Harich Swap, the “Harich Swaps”).
- 9. On 2 August 2000, the Company issued £200,000,000 of 9.07% Senior Secured Bonds due 2025 and US\$302,400,000 10.41% Senior Secured Bonds due 2020 (the “Senior Bonds”).
- 10. In connection with the financing of the Acquisition and the issue of the Senior Bonds, the Company and Drax Power had entered into various hedging arrangements with certain banks (the “Hedging Banks”). The Company hedged its foreign exchange exposure in relation to the Senior Bonds by entering into currency swaps and Drax Power entered into various interest rate swaps (together the “Hedging Arrangements”). The Company and the various Hedging Banks entered into the Hedging Agreement pursuant to which the Hedging Arrangements were gradually closed out. This resulted, among other things, in

amounts being payable by Drax Power to the Hedging Banks (the "Hedging Termination Payments"). Pursuant to a novation agreement between the Company, Drax Power and the Hedging Banks, the obligation to pay the Hedging Termination Payments has been novated to the Company.

11. The Company's financial difficulties are such that it is unable to pay in full the interest due in respect of the Senior Bonds, the Eurobonds and the sums due to the Hedging Banks. As a result, InPower is unable to pay in full the periodical payments due to the Senior Banks under the Facility Agreement.
12. The Company and InPower now wish to restructure their debt obligations and the Scheme (in conjunction with the InPower Scheme) embodies the proposals for that restructuring. The purpose of the Scheme is to constitute a compromise and arrangement between the Company and its Scheme Creditors enabling the Company to continue to carry on business as a going concern. It is proposed that the Scheme be effected in England and the Cayman Islands and that the InPower Scheme be effected in England and Jersey.
13. If the Scheme and the InPower Scheme are not pursued, the Eurobond Principal would become repayable and payment under the Eurobond Coupons would be accelerated. The notional amount due in those circumstances ("the Notional Amount") will be used to calculate both the amount for which votes may be cast in respect of the Eurobonds at the Scheme Meeting and the proportion of the consideration to be distributed under the Scheme in respect of the Eurobond Coupons.
14. Prior to the Scheme Meeting, InPower will dispose of such proportion of its interest in the Eurobond Coupons ("the Excluded Eurobond Coupons") that the Notional Amount due in respect of the interest which it retains ("the Included Eurobond Coupons") will be equal to the sum due from InPower to the Senior Banks under the Facility Agreement. The Excluded Eurobond Coupons will be assigned to InPower 2 and InPower 2 will assume the liability of InPower to Harich under the InPower Harich Swaps.

15. The Excluded Eurobond Coupons will be excluded from the Scheme and InPower 2 will consent to be bound by the Scheme. For the purposes of the two Schemes the liability of the Company in respect of the Included Eurobond Coupons will be equal to the liability of InPower to the Senior Banks and pursuant to the InPower Scheme the consideration due to the Eurobond Trustee on behalf of InPower under the Scheme will be distributed to the Senior Banks.

16. Under the Scheme (in conjunction with the InPower Scheme) the following will occur:
 - a. InPower will assign all of its right, title and interest in the Included Eurobond Coupons to InPower 2 (InPower's interest in the Excluded Eurobond Coupons having been assigned to InPower 2 on the Record Date), subject to existing security given over the Included Eurobond Coupons including all rights to interest accruing on and from 1st July, 2003 on the Included Eurobond Coupons and all rights in respect of all guarantees of the Included Eurobond Coupons. Following this assignment, the Eurobond Trustee and the Eurobond Common Depositary will hold the Included Eurobond Coupons, subject to the existing security, on behalf of InPower 2;

 - b. the assignment by the Global Depositary and Definitive Holders to InPower 2 of all of their rights, title and interest in the Senior Bonds including all rights to interest accruing on and from 1st July, 2003 on the Senior Bonds and all rights in respect of guarantees of the Senior Bonds;

 - c. the novation to InPower 2 of all of the right, title and interest of the Hedging Banks to the Hedging Termination Payments including all rights to interest accruing on the Hedging Termination Payments (calculated in accordance with the Hedging Bank Agreement) and all rights in respect of all guarantees of the Hedging Termination Payments (including, without limitation, the guarantees granted to the Hedging Banks under the Drax Intercreditor and Security Trust Deed and all rights to interest);

- d. the payment to InPower 2 of such interest accrued on the Senior Bonds and, if necessary, interest accrued on the Included Eurobond Coupons and, if necessary, the outstanding Included Eurobond Coupons that have fallen due for payment and, if necessary, interest outstanding on the Hedging Termination Payments sufficient to allow InPower 2 to meet its obligations under the Scheme and the Distribution Agreement;
- e. the payment by the Company of the Actual Project Funds, the Subscription Amount the Restructuring Fee Pool and the Additional Cash Payment to InPower 2;
- f. immediately upon receipt from the Company, the payment by InPower 2 of the Actual Project Funds, the Subscription Amount, the Restructuring Fee Pool and the Additional Cash Payment to the Escrow Trustee;
- g. the payment by IPR of the IPR A Cash-Out Funds and the Actual B Cash-Out Funds to InPower 2 in accordance with the terms of the COOIA;
- h. immediately upon receipt from IPR, the payment by InPower 2 of the IPR A Cash-Out Funds and the Actual B Cash-Out Funds to the Escrow Trustee;
- i. the allotment and issue by Drax Group Limited to Designated Recipients entitled, in accordance with the terms of the Scheme and the Distribution Agreement, to receive Scheme Consideration on the Effective Date, the number of New Shares to which they are entitled, calculated in accordance with the terms of the Scheme and the Distribution Agreement;
- j. the allotment and issue by Drax Group Limited of the remaining New Shares to the Escrow Trustee;

- k. the acknowledgement by InPower 2 of its indebtedness to Designated Recipients entitled, in accordance with the terms of this Scheme and the Distribution Agreement, to receive Restructuring Loans on the Effective Date, in respect of the amount of Restructuring Loans to which they are entitled, calculated in accordance with the terms of this Scheme;
 - l. the acknowledgement by InPower 2 of its indebtedness to NoteCo, in respect of the amount of Restructuring Loans in a principal amount equal to the Restructuring Notes that NoteCo becomes required to issue as a result of the Notes/Loans Election;
 - m. the acknowledgement by InPower 2 of its indebtedness in respect of the remaining Restructuring Loans, to the Escrow Trustee;
 - n. the issuance by NoteCo of Restructuring Notes in accordance with the terms of the Scheme and the Distribution Agreement;
 - o. the compromise and arrangement of the Scheme Claims of Scheme Creditors for Scheme Consideration; and
 - p. the discharge of the guarantees of the Senior Bonds and the Hedging Termination Payments assigned to InPower 2 and of the guarantees granted by Drax Acquisition and AES Financing under the Eurobond Trust Deed
15. It will be for the benefit of the Company and its Scheme Creditors that the Scheme should be sanctioned by this Honourable Court.

YOUR PETITIONER THEREFORE HUMBLY PRAYS AS FOLLOWS:

- (1) That the Scheme may be sanctioned by the Court so as to be binding on the Company and its Scheme Creditors; and/or
- (2) That such other orders may be made in the premises as this Honourable Court shall deem fit.

DATED this 6th day of November 2003.



WALKERS
Attorneys-at-Law for the Petitioner

NOTE: It is intended to serve this Petition on the Registrar of Companies

ENDORSEMENT

This petition, having been presented to the Grand Court of the Cayman Islands on the 6th day of November, 2003 will be heard at the Grand Court of the Cayman Islands on:

DATE: 15 December 2003

TIME:

(or as soon thereafter as the petition can be heard).

THIS PETITION was filed by Walkers, Attorneys-At-Law for the Company, whose address for service is that of its said Attorneys-At-Law, Walker House, PO Box 265GT, Mary Street, George Town, Grand Cayman, Cayman Islands