AES Ballylumford Holdings Limited

Annual Report and Financial Statements
Registered number No 07261857
31 December 2016

Contents

CORPORATE INFORMATION

DIRECTORS	Appointed on	Resigned
Ian Luney	06.10.2014	
Mark Reynolds	21.05.2010	
Carla Tully	18.02.2015	11.09.2017
Roger Casement	11.09.2017	

AUDITORS
Ernst & Young LLP
Auditors
16 Bedford Street
Belfast
BT2 7DT

BANKERS
Barclays
Donegall House
Donegall Square North
Belfast
SW1A 1QA

SOLICITORS
Arthur Cox
Capital House
3 Upper Queen Street
Belfast
BT1 6PU

REGISTERED OFFICE
First Floor
Templeback
10 Temple Back
Bristol
BS1 6FL

Strategic report

The directors present their strategic report for the year ended 31 December 2016.

Principal activity

The principal activity of the company is that of holding investments in associated undertakings. The company continues to hold an investment in AES Ballylumford Limited, which operates an electricity generating station near Belfast and in AES Barry Operations Limited, a holding company with investments in a power plant in Maritza of the AES Corporation.

Review of the business

There have not been any significant changes in the company's principal activities in the year under review.

Principal risks and uncertainties

The company's activities are exposed to a number of financial risks which the directors considered to be the company's principal risks. The group to which the company belongs has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring the levels of debt finance and related finance costs. The company does not use derivative financial instruments for speculative purposes.

Credit risk
The company's principal financial asset is other receivables. The company has no significant concentration of credit risk, with exposure spread over a large number of related parties.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets are mainly inter-group loans which earn interest at variable rates. The company's interest bearing liabilities are mainly inter-group loans which also bear interest at variable rates. Where appropriate, the company fixes the interest rate on inter-group loans to minimise the interest rate cash flow risk.

By order of the Board
Ian Luney
Director

Date: 14 September 2017

Director's report

The directors present their annual report and audited financial statements for the year ended 31 December 2016.

Results and dividends

The company's profit for the year ended 31 December 2016 after taxation is £1,724,000 (2015: £2,058,000).

The directors paid no interim dividend in the year (2015: £1,152,000). The directors do not recommend the payment of a final dividend (2015: £nil).

Directors of the company

The directors of the company who served throughout the year and to the date of these financial statements (except as noted) are given on page 1.

Events since the balance sheet date

Effective as of 16 June 2017, the currency of the loan between the AES Ballylumford Holdings and AES Amsterdam Holdings BV balancing to £72,427,144.80 at the end of 2016 is changed to US Dollars. Considering the change in the economic facts and conditions, the new functional currency of the Company has been determined to be USD affective as of 16 June 2017. The event does not impact the 2016 Financial statements.

Financial instruments

The company does not have any derivatives at the year end and doesn't apply hedge accounting. Trade debtors and creditors are all on normal commercial terms.

Directors' indemnity

During the year the Company maintained liability insurance for its Directors and officers. The Company indemnifies the directors in its Articles of Association to the extent allowed under the Companies Act 2006. The indemnity provision, which is a qualifying third-party indemnity provision as defined by section 236 of the Companies Act 2006, has been in force throughout the year.

Disclosure of information to auditor

So far as each of the directors in office at the date of approval of these financial statements is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

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

Ian Luney
Director

Date: 14 September 2017

Statement of directors' responsibilities in respect of the annual report and financial statements

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements. The company has received letter of support from its parent company – AES UK Holdings Ltd.

Independent Auditor's Report to the members of AES Ballylumford Holdings Limited

We have audited the financial statements of AES Ballylumford Holdings Limited for the year ended 31 December 2016 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 'The Financial Reporting Standard applicable in the UK and Republic of Ireland;

- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;

- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the members of AES Ballylumford Holdings Limited (Continued)

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Ruth Logan (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast
Date:
15th September 2017

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Revenue	2	4,570	5,018
Administrative expenses		(44)	(17)
OPERATING PROFIT		**4,526**	**5,001**
Interest receivable and similar income	3	936	1,083
Interest Expense - Intercompany	4	(4,147)	(4,488)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**1,315**	**1,596**
Tax credit on profit on ordinary activities	7	409	462
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**1,724**	**2,058**
Other comprehensive income			
Other comprehensive income for the year, net of income tax		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,724**	**2,058**

Ian Luney

Director

Company registered number: No 07261857

AES Ballylumford Holdings Ltd

STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
FIXED ASSETS			
Investments in group undertakings	8	184,686	184,686
		184,686	**184,686**
CURRENT ASSETS			
Debtors			
- due within one year		5,084	3,423
- due after more than one year		2,514	2,514
Debtors	9	7,598	5,937
CREDITORS: Amounts falling due within one year	10	(13,124)	(11,671)
NET CURRENT ASSETS /(LIABILITIES)		(5,526)	(5,734)
TOTAL ASSETS LESS CURRENT LIABILITIES		179,160	178,952
CREDITORS: Amounts falling due after more than one year	11	(72,427)	(73,960)
NET ASSETS		106,734	104,992
CAPITAL AND RESERVES			
Called up share capital		-	-
Share premium	6	94,837	94,818
Profit and loss account		11,897	10,174
TOTAL SHAREHOLDERS FUNDS		106,734	104,992

These financial statements were approved by the board of directors on 25 August 2017 and were signed on its behalf by:

Ian Luney
Director
Company registered number: No 07261857

DATE 14 SEPTEMBER. 2017

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2015	-	94,818	9,268	104,086
Profit or loss for the year	-	-	2,058	2,058
Dividends declared paid	-	-	(1,152)	(1,152)
Balance at 31 December 2015	-	94,818	10,174	104,992
Balance at 1 January 2016	-	94,818	10,174	104,992
Profit or loss	-	-	1,724	1,724
Equity-settled share based payment transactions	-	18	-	18
Balance at 31 December 2016	-	94,837	11,897	106,734

Notes to the financial statements
for year ended 31 December 2016

1. Accounting policies

AES Ballylumford Ltd (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 (1) of Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")* as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

- Fair value as deemed cost: The previous GAAP revaluation at transition date has been used as deemed cost for specific tangible fixed assets, specific investment property and specific intangible assets.
- Borrowing costs: The company has elected to capitalise borrowing costs only from the date of transition.

The Company's ultimate parent undertaking, The AES Corporation includes the Company in its consolidated financial statements. The consolidated financial statements of The AES Corporation are prepared in accordance with generally accepted accounting principles adopted by the U.S. Securities and Exchange Commission and are available to the public and may be obtained from the Securities and Exchange Commission, 450 5th Street NW, Washington DC 20549, USA. In these financial statements, the company is considered to be a qualifying entity for the purposes of FRS 102 and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- A reconciliation of the number of shares outstanding at the beginning and at the end of the period (a requirement of Section 4 Statement of Financial Position, paragraph 4.12(a) (iv);
- Cash Flow Statement and related notes
- Related party transactions, and
- Key Management Personnel compensation in total (a requirement of Section 33 Related Party Disclosures paragraph

As the consolidated financial statements of The AES Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23,
- The disclosures required by Section 11 *Basic Financial Instruments*, paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f),11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) and Section 12 *Other Financial Instrument Issues,* paragraphs 12.26 (in relation to those cross-referenced paragraphs from which a disclosure exemption is available), 12.27, 12.29(a), 12.29(b), and 12.29A in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through the profit or loss.

Notes to the financial statements
for year ended 31 December 2016

1. Accounting policies (continued)

1.2 Going concern

On the basis of their assessment of the company's financial position and review of budgets, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Foreign currency translation

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income, which are recognised in other comprehensive income

1.4 Classification of financial instruments issued by the company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries

Since these are separate financial statements of the company, investments in subsidiaries are carried at cost less impairment.

1. Accounting policies (continued)

1.6 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and

- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on re-measurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

1. Accounting policies (continued)

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings. Strategic spares such as emergency and rotable spare parts are included within generating plant and buildings and are depreciated over the life of the related plant and buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.15 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. No depreciation is charged on assets under construction. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Long leasehold land and buildings	24 years
Steam plant	29 years
Open cycle gas turbine plant	32 years
Combined cycle gas turbine plant (excluding blades)	37 years
Turbine blades	3 to 4 years (based on hours usage)
Tools and equipment	5 years
Motor vehicles	5 years
Fixtures and fittings	4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.8 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and less accumulated impairment losses. Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

Notes to the financial statements
for year ended 31 December 2016

1. Accounting policies (continued)

1.9 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

The company receives government grants by way of emission allowances. Emissions allowances granted by regulatory authorities directly to the company at zero cost are assigned a zero basis by the company. These grants are not recorded at fair value on the date of the grant. Emissions allowances that are purchased are recorded at cost. Emissions allowances are expensed into cost of sales as required after the available zero-basis allowances granted by the regulatory authority are exhausted. The expense is based on the actual quantities of physical emissions (typically measured in tons) in excess of the available zero-basis allowances. The expensing of purchased allowances is calculated on a first-in-first-out (FIFO) basis. If the company holds insufficient allowances to cover its actual emission allowance submission requirements as at the balance sheet date, a liability will be recorded based on the estimated cost of acquiring allowances to cover any shortfall. Allowances that have not yet been granted to the business cannot be considered when determining the extent of any shortfall. Likewise, allowances that have been granted but will be made available to the business after the settlement date for the current regulatory period cannot be considered when determining the extent of any shortfall. The last free emission allowances were allocated in 2012.

1.10 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method for fuel and the average cost method for spare parts. Provision is made for slow moving and obsolete stocks.

1.11 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the financial statements
for year ended 31 December 2016

1. Accounting policies (continued)

1.12 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

The company operates two defined benefit schemes for specific employees. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company's net obligation in respect of each defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods which is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Share-based payment transactions

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the company.

Where the company is part of a group share-based payment plan, it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group.

Notes to the financial statements
for year ended 31 December 2016

1. Accounting policies (continued)

1.12 Employee benefits (continued)

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured based on an observable market price, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

1.13 Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.14 Turnover

Turnover represents the invoiced value of services supplied, net of value added tax, together with accrued revenues and is recognised when supplies of electricity and related services are made.
Revenue received from the sale of emissions allowances is recorded in other operating revenue in the month of sale, as determined by the transfer date. The cost of the allowances sold is recorded in cost of sales and is determined on a specific identification basis

1.15 Expenses

Operating lease
Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Notes to the financial statements
for year ended 31 December 2016

1. Accounting policies (continued)

1.15 Expenses (continued)

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the financial statements
for year ended 31 December 2016

2 Revenue

	2016	2015
	£'000	£'000
Dividend income	4,570	5,018
	4,570	**5,018**

3 Interest receivable and similar income

	2016	2015
	£'000	£'000
Interest income from group undertakings	936	1,083
	936	**1,083**

4 Interest payable and similar income

	2016	2015
	£'000	£'000
Interest payable to group undertakings	4,147	4,308
Interest other	-	180
	4,147	**4,488**

5 Staff costs

- The company had no employees in the years ended 31 December 2016 and 31 December 2015.

- The directors received total emoluments for the year all of which was paid by various subsidiaries of the AES Corporation. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as employees of other companies within AES Corporation.
- Total Director's emoluments for the year 2016 are £982,284.43.

6 Called up share capital :

	2016	2015
	£'000	£'000
Allotted and fully paid:		
113 ordinary shares (112 at 2015 year end) of £1 each	**113**	**112**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Share premium amount at 2016 year end is £94,836,491 (at 2015 year end is £94,817,491).

Notes to the financial statements
for year ended 31 December 2016

7 Tax on ordinary activities

	2016	2015
	£'000	**£'000**
Current tax:		
UK corporation tax recoverable on loss for the period	409	462
Adjustment in respect of previous periods	-	-
Total current tax credit	409	462

The difference between the total tax recognised in the profit and loss and the amount calculated by applying the standard rate of UK corporation tax to the profit / (loss) before tax is as follows:

	2016	2015
	£'000	**£'000**
before tax	1,315	1,596
the standard rate in the UK	263	323
Effect of:		
not deductible for tax	431	233
Non-taxable income	(1,081)	(1,016)
previous periods	(6)	(2)
Current tax credit for the period	392	462

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. Any deferred tax balance at 31 December 2015 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly and reduce any deferred tax balance accordingly.

8 Investments

	Fixed asset investments	
	2016	**2015**
Cost and net book value	**£'000**	**£'000**
At 1 January	184,686	184,686
At 31 December	**184,686**	**184,686**

Name of company	Aggregate of capital and reserve	Profit or loss account	Country of incorporation	Class of shares held	Ownership	Nature of business
Directly owned						
AES Ballylumford Limited £'000	17,618	57,195	Northern Ireland	Ordinary	100%	Electricity generation
AES Barry Operations € '000	25,331	31,166	England & Wales	Ordinary	100%	Holding company

Notes to the financial statements
for year ended 31 December 2016

9 Debtors

	2016	2015
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by group undertakings	5,084	3,423
Amounts falling due after more than one year:		
Amounts owed by group undertakings	2,514	2,514
	7,598	5,937

Amounts falling due after more than one year represent loans made to subsidiary undertakings. The loans are unsecured, interest bearing and are due for repayment in 2020. Fair value is not considered to be materially different from the carrying amount.

Debtor	**Curr.**	**Nominal interest rate**	**Year of maturity**	**Repayment schedule**	**2016**	**2015**
					£000	**£000**
AES Ballylumford Ltd	GBP	GBP 12m LIBOR + 3.5%.	2020	Repayable at maturity	2,388	2,388
AES Ballylumford Ltd	GBP	GBP 12m LIBOR + 3.5%.	2020	Repayable at maturity	126	126

10 CREDITORS: amounts falling due within one year

	2016	2015
	£'000	£'000
Amounts owed to group undertakings	13,124	4,821
Corporation tax	-	6,018
Accruals and deferred income	-	832
	13,124	11,671

11 CREDITORS: Amounts falling due after more than one year

	2016	2015
	£'000	£'000
Loans owed to group undertakings	72,427	73,960
	72,427	73,960

Loans owed to group undertakings represent a loan made from the immediate parent undertaking.
The loan is unsecured, interest bearing and is due for repayment in 2020. Fair value is not considered to be materially different from the carrying amount.

Creditor	**Curr.**	**Nominal interest rate**	**Year of maturity**	**Repayment schedule**	**2016**	**2015**
					£000	**£000**
AES Amsterdam Holdings BV	GBP	GBP 12m LIBOR plus 3.5%.	2020	No schedule	72,427	73,960

12 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	2016	2015
	£'000	£'000
Assets measured at amortised cost	7,598	5,937
Liabilities measured at amortised cost	85,551	85,631

Details of the assets amounts owed by group undertakings are disclosed in note 8. Details of the liabilities amounts falling due within one year and loans owed by group undertakings are disclosed in notes 9 and 10.

13 Dividends

	2016	2015
	£'000	£'000
Declared and paid during the year:	-	1,152
Total	-	1,152

Interim paid – June 2015: £10,285.71 per share

14 Ultimate parent company and parent company of larger group

The company is controlled by its immediate parent undertaking, AES UK Holdings Limited, a company incorporated in England and Wales.
The ultimate controlling party is AES Corporation, a company incorporated in the State of Delaware, USA.
The company is a subsidiary undertaking of AES Corporation which is the ultimate parent undertaking.
The largest and smallest group in which the results of the company are controlled is that headed by AES Corporation.
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

15 Events subsequent to balance sheet date

Effective as of 16 June 2017, the currency of the loan between the AES Ballylumford Holdings and AES Amsterdam Holdings BV balancing to £72,427,144.80 at the end of 2016 is changed to US Dollars. Considering the change in the economic facts and conditions, the new functional currency of the Company has been determined to be USD affective as of 16 June 2017. The event does not impact the 2016 Financial statements.