

**AES Horizons Investments Limited**

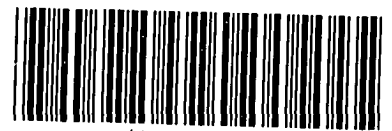
**Annual report and Financial statements**

**31 December 2017**

**Registered number: 02676624**



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## **AES Horizons Investments Limited**

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## **AES Horizons Investments Limited**

### **Company information**

#### **Directors**

##### **Appointed**

Roger Casement (appointed on 14 July 2014; resigned on 15 May 2018)  
Ian Luney (appointed on 14 July 2014)  
Mark Green (appointed on 03 May 2016)  
Paul Hutchinson (appointed 15 May 2018)  
James Timothy McCullough (appointed on 15 May 2018)

##### **Registered office**

First Floor Templeback, 10 Temple Back  
Bristol  
United Kingdom  
BS1 6FL

##### **Solicitors**

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

##### **Bankers**

Barclays  
Donegall House  
Donegall Square North  
Belfast  
BT1 5GB

##### **Independent auditors**

Ernst & Young LLP  
Bedford House  
16 Bedford Street  
Belfast  
BT2 7DT

## **AES Horizons Investments Limited**

### **Strategic Report**

The directors present their strategic report and audited financial statements for the year ended 31 December 2017.

#### **Principal activity, trading review and future developments**

The principal activity of the company is that of investment within the group of companies controlled by the AES Corporation. The investments are listed in note 7 to these financial statements.

The directors are not expecting a change in the nature of the principal activity of the company in the foreseeable future.

#### **Business review and future developments**

The loss after taxation for the financial year is £ 8,542,000 (2016: profit after taxation: £ 24,000).

The level of business and the year-end financial position were significantly affected by impairment of investment in AES Kilroot Power Ltd owned through direct subsidiary of AES Horizons Investments Ltd AES (NI) Ltd. The level of activity in the following years will be affected by lower dividend income from AES (NI) Limited, partly due to redemption reserve requirements and partly due to the unfavourable decision of Single Electricity Market Committee to reduce the capacity fee by 10% in 2015. The latter change in the regulation affects adversely AES NI's investment in AES Kilroot Power Ltd. AES Kilroot Power's turnover and operating profit is influenced by lower prices on the spot electricity market. As of 2012, AES Kilroot Power operates all units in the Single Electricity Market. The activity of AES Kilroot Power Ltd is expected to be further limited by implementation of new Integrated Single Electricity Market (ISEM).

In 2018 regulatory authorities are expected to update the market framework to reflect the integration of the SEM day-ahead and intra-day markets with EU energy markets, introduce a new competitive capacity auction, and revise arrangements for system services (DS3 arrangements) to incentivize flexibility. The market will be renamed ISEM.

On 26 January 2018, Eirgrid and SONI announced the results of the first annual ISEM capacity auction. Both Kilroot coal units failed to clear in this auction and did not secure annual capacity contracts. As a result, and given the clear exit signal, AES intends to retire these coal units at the start of ISEM. Originally this was to be 23 May 2018, but the start of this new market has been delayed to 1 October 2018. In order to retire a unit, AES must follow the SONI Generation Plant Closure Process which requires a derogation to be sought to retire units within 36 months. AES is currently within this process and SONI have not yet made a recommendation to the Utility Regulator as to whether these units can close on the dates requested. Management's assumption is that the coal units will close at the start of ISEM on 1 October 2018.

The decision to retire the coal units triggered a revision of the recoverability of the assets of AES Kilroot Power Ltd and resulted in an impairment of fixed assets of power plant as well as an impairment of the investment of AES Horizons Investments Ltd. The total impairment amounts to £37,314, £27,941 decrease of revaluation reserve and £9,373 impairment loss in the profit and loss account.

#### **Key performance indicators ('KPIs')**

The directors manage the company's operations on a divisional basis. For this reason, the company's directors believe that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business of the company.

#### **Environment**

The company recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. The directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

#### **Health and safety**

The company is committed to achieving the highest practicable standards in health and safety management and strives to make all sites and offices safe environments.

## **AES Horizons Investments Limited**

### **Strategic Report (continued)**

#### **Principal risks and uncertainties**

The company's operations expose it to a variety of financial 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 the related finance costs.

#### **Price risk**

The company has no price risk as its income is derived from its investment in associate companies.

#### **Credit risk**

The company is not exposed to a significant credit risk as its investment income is derived from a company that is wholly owned within The AES Corporation.

#### **Foreign exchange risk**

While the greater part of the company's revenues and expenses are denominated in sterling, the company is exposed to some foreign exchange risk in the normal course of business. The company has a policy of hedging certain foreign exchange transactions over a prescribed minimum size. Cover generally takes the form of a forward purchase of foreign currencies.

#### **Liquidity risk**

The company actively maintains and monitors its bank account to ensure that it always has sufficient funds available for its operations.

By order of the Board



James Timothy McCullough

Director

Date: 28 August 2018

## AES Horizons Investments Limited

### Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 December 2017.

### Results and dividends

The company has paid the following dividends during 2017 and 2016:

	2017	2016
	£'000	£'000
Interim dividend paid	<u>3,301</u>	<u>—</u>

The directors do not recommend a final dividend payment for the year ended 31 December 2017 (2016: £Nil)

### Directors

The directors who served during the year are shown on page 1.

In accordance with the articles of association, none of the directors are required to retire by rotation.

There were no contracts of significance subsisting during or at the end of the financial year, in which a director of the company was materially interested.

### 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.

### Statement of disclosure of information to auditors

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.

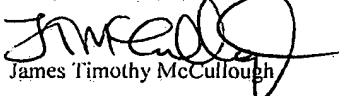
### Auditors

Pursuant to Section 485 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

### Subsequent events

In April 2018 the SEM Committee decided to extent the ISEM go-live date to 1 October 2018. As a result, the coal units of AES Kilroot Power Ltd will continue to operate till that date.

On behalf of the Board

  
James Timothy McCullough

Director

Date: 28 August 2018

## **AES Horizons Investments Limited**

### **Directors' Responsibilities Statement**

The directors are responsible for preparing the Strategic Report, the 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 of the profit or loss of the company for that period. In preparing those 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AES HORIZONS INVESTMENTS LIMITED

### **Opinion**

We have audited the financial statements of AES Horizon Investments Limited for the year ended 31 December 2017 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice)".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AES HORIZONS INVESTMENTS LIMITED (continued)

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

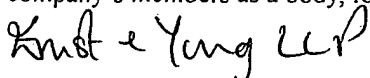
### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

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



Ruth Logan (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Belfast

Date:

21.9.18

**AES Horizons Investments Limited**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

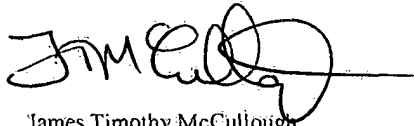
	Notes	2017 £'000	2016 £'000
Gain on disposal of fixed asset investment	7	837	-
Impairment of investment	7	(9,373)	-
Other operating (costs)/income		(19)	24
<b>Operating (loss)/profit</b>		<u>(8,555)</u>	<u>24</u>
<b>(Loss)/profit before taxation</b>	5	<u>(8,555)</u>	<u>24</u>
Tax on loss/(profit)	6	13	-
<b>(Loss)/profit after taxation</b>		<u>(8,542)</u>	<u>24</u>
<b>Other comprehensive income</b>			
Other comprehensive loss	7	(27,941)	-
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		<u>(36,483)</u>	<u>24</u>

All amounts above relate to continuing operations of the company.

**AES Horizons Investments Limited**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2017**

	Notes	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Investments	7	417	40,171
		<u>417</u>	<u>40,171</u>
<b>Current assets</b>			
Debtors	8	6,474	6,460
Cash at bank and in hand		95	120
		<u>6,569</u>	<u>6,580</u>
<b>Creditors: amounts falling due within one year</b>	9	(12,772)	(12,753)
<b>Net current liabilities</b>		<u>(6,203)</u>	<u>(6,173)</u>
<b>Total assets less current liabilities</b>		<u>(5,786)</u>	<u>33,998</u>
<b>Net (liabilities)/assets</b>		<u>(5,786)</u>	<u>33,998</u>
<b>Capital and reserves</b>			
Called up share capital	10	1,000	1,000
Revaluation reserve	11	-	30,381
Profit and loss reserve		(6,786)	2,617
<b>Shareholders' (deficit)/funds</b>		<u>(5,786)</u>	<u>33,998</u>

The financial statements were approved by the board of directors and were signed on its behalf by:



James Timothy McCullough  
 Director

Date: 28 August 2018

**AES Horizons Investments Limited**  
**STATEMENT OF CHANGES IN EQUITY**  
**AT 31 DECEMBER 2017**

	Note	Called up Share Capital	Revaluation reserve	Profit and loss account	Total equity
		£ 000	£ 000	£ 000	£ 000
<b>Balance at 1 January 2016</b>		1,000	30,381	2,593	33,974
Profit for the year		-	-	24	24
<b>Balance at 31 December 2016</b>		<b>1,000</b>	<b>30,381</b>	<b>2,617</b>	<b>33,998</b>
<b>Balance at 1 January 2017</b>		<b>1,000</b>	<b>30,381</b>	<b>2,617</b>	<b>33,998</b>
Other comprehensive loss		-	(27,941)	-	(27,941)
Transfer to profit and loss account		-	(2,440)	2,440	-
Loss for the year		-	-	(8,542)	(8,542)
Dividends paid		-	-	(3,301)	(3,301)
<b>Balance at 31 December 2017</b>		<b>1,000</b>	<b>-</b>	<b>(6,786)</b>	<b>(5,786)</b>

## AES Horizons Investments Limited

### Notes to the financial statements for the year ended 31 December 2017

#### 1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements are prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework, “*The Financial Reporting Standard*” applicable in the UK and Republic of Ireland (“FRS 101”). The presentation currency of these financial statements is GBP. All amounts in the financial statements have been rounded to the nearest £1,000. AES Horizons Investment Limited is incorporated and domiciled in England and Wales.

The company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes allowed by FRS 101.8(h);
- Comparative period reconciliations for share capital and tangible fixed assets allowed by FRS 101.8(a);
- Disclosures in respect of transactions with wholly owned subsidiaries allowed by FRS 101.8(k);
- Disclosures in respect of capital management allowed by FRS 101.8(g);
- The effects of new but not yet effective IFRSs allowed by FRS 101.8(i);
- Disclosures in respect of the compensation of Key Management Personnel allowed by FRS 101.8(j).

As the consolidated financial statements of AES Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments allowed by FRS 101.8(a);
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets allowed by FRS 101.8(l);
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations allowed by FRS 101.8(c);
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the company in the current and prior periods including the comparative period reconciliation for goodwill allowed by FRS 101.8(b); and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures allowed by FRS 101.8(d) and FRS 101.8(c).

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

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of AES Corporation. The results of AES Horizons Investment Limited are included in the consolidated financial statements of AES Corporation which can be obtained from the Securities and Exchange Commission, 450 5th Street NW, Washington DC 20549, USA.

## **AES Horizons Investments Limited**

### **Notes to the financial statements for the year ended 31 December 2017**

## **2. Accounting policies**

### **Measurement convention**

The financial statements are prepared on the historical cost basis.

### **Going concern**

Based on 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.

### **Dividend income**

Dividend income from investments is recognised when the shareholder's right to receive the payment is established.

### **Dividend payable**

Final dividends are recorded in the accounts in the year in which they are approved by the company's shareholders. Interim dividends are recorded in the year in which they are approved and paid.

### **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.

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.

### **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.

### **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 creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

**AES Horizons Investments Limited**  
**Notes to the financial statements for the year ended 31 December 2017**

**2. Accounting policies (continued)**

**Investments in subsidiaries**

Investments in subsidiaries are recognised initially at fair value which is normally the transaction price. Subsequently, they are measured at cost less impairment.

**Impairment of investments**

At each balance sheet date, the Company reviews the carrying amount of its investments to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the recoverable amount of such investment is estimated to determine the extent of any impairment loss.

The recoverable amount is the higher of the fair value less costs to sell, and value in use. In assessing the value in use, the estimated future cash flows are discounted to their net 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 investment.

If the recoverable amount of an investment is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, because the reason for the original impairment has ceased to exist, the carrying amount of the investment is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been recognized had no impairment loss been recognized for the investment in prior years. A reversal of an impairment loss is recognised immediately in profit.

**Reversal of impairment loss**

The impairment loss recognised for investments, shall be reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply.

The management of the company assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any indication for the reversal exists, the entity shall determine whether all or part of the prior impairment loss should be reversed.

The management of the Company estimate the recoverable amount of the investment at the current reporting date and if the estimated recoverable amount of the investment exceeds its carrying amount, the entity shall increase the carrying amount to recoverable amount, subject to the limitation described below. That increase is a reversal of an impairment loss.

The reversal of an impairment loss shall not increase the carrying amount of the investment above the carrying amount that would have been determined had no impairment loss been recognised for the investment in prior years.

**3. Directors' emoluments**

No remuneration was paid out to Directors of the company as they provided negligible qualifying services to the company. Directors are paid out of the parent entity and an apportionment of salary was not deemed practical.

**4. Employee information**

The company had no employees in the years ended 31 December 2017 and 31 December 2016.

**AES Horizons Investments Limited**  
**Notes to the financial statements for the year ended 31 December 2017**

**5. (Loss)/profit before taxation**

	2017	2016
	£'000	£'000
(Loss)/profit before taxation is stated after charging:		
Auditors' remuneration - audit services	8	8
Impairment of investment	9,373	-
	<hr/>	<hr/>

**6. Tax on loss/(profit)**

	2017	2016
	£'000	£'000
Current tax:		
Group relief receivable	(13)	-
Total tax credit	<hr/> (13) <hr/>	<hr/> - <hr/>

The current tax assessed for the year differs from the standard rate of corporation tax in the UK - 19.25% (2016: 20%). The differences are explained below:

	2017	2016
	£'000	£'000
(Loss) / profit before taxation	(8,555)	24
(Loss)/Profit on ordinary activities at the standard UK corporation tax rate of 19.25% (2016: 20%)	(1,647)	5
Effect of:		
Permanent differences	1,634	(8)
Group relief	-	4
Total tax (credit)/charge for the period	<hr/> (13) <hr/>	<hr/> - <hr/>

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) were substantively enacted on 26 October 2015 and 16 September 2016 respectively. Any deferred tax balance at 31 December 2017 has been calculated based on these rates.



**AES Horizons Investments Limited**  
**Notes to the financial statements for the year ended 31 December 2017**

**7. Fixed asset investments**

	Subsidiary undertakings
	£'000
<b>Cost</b>	
At 1 January 2017	47,392
Disposal	(2,440)
<b>At 31 December 2017</b>	<u>44,952</u>
<b>Impairment</b>	
At 01 January 2017	7,221
Charge for the year 2017	37,314
<b>At 31 December 2017</b>	<u>44,535</u>
<b>Net book value:</b>	
At 31 December 2017	<u>417</u>
At 31 December 2016	<u>40,171</u>

**Interest in group undertakings**

Name of undertaking	Country of Incorporation or registration	Registered offices	Description of shares held	Company Proportion of (%) nominal value of issued shares held by Group (%)
AES (NI) Limited	N Ireland	Kilroot Power Station, Larne Road, Carrickfergus, Co Antrim, BT38 7LX	Ordinary £1 shares	51 99
AES Kilroot Power Limited	N Ireland	Kilroot Power Station, Larne Road, Carrickfergus, Co Antrim, BT38 7LX	Ordinary £1 shares	- 99
AES Belfast West Power Limited	N Ireland	Larne Road, Carrickfergus, BT38 7LX	Ordinary £1 shares	- 99
AES Kilroot Generating Limited	N Ireland	Kilroot Power Station, Larne Road, Carrickfergus, Co. Antrim, BT38 7LX	Ordinary £1 shares	- 99

The principal business activities of these related undertakings are:

- (i) AES (NI) Limited, AES Kilroot Power Limited - generation of electricity.
  - AES Kilroot Generating Limited and AES Belfast West Power Limited did not trade during the current year.
  - Cloghan Ltd sale was finalized in February 2017 between AES Electric Ltd. and LCC Group Ltd. AES Horizons realized gain from the deal in 2017 amounts to £837,000.

On 26 January 2018, Eirgrid and SONI announced the results of the first annual ISEM capacity auction. Both Kilroot coal units failed to clear in this auction and did not secure annual capacity contracts. As a result, and given the clear exit signal, AES intends

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**7. Fixed asset investments (continued)**

to retire these coal units at the start of ISEM. Originally this was to be 23 May 2018, but the start of this new market has been delayed to 1 October 2018. In order to retire a unit, AES must follow the SONI Generation Plant Closure

Process which requires a derogation to be sought to retire units within 36 months. AES is currently within this process and SONI have not yet made a recommendation to the Utility Regulator as to whether these units can close on the dates requested. Management's assumption is that the coal units will close at the start of ISEM on 1 October 2018.

The decision to retire the coal units triggered a revision of the recoverability of the assets of AES Kilroot Power Ltd and resulted in an impairment of fixed assets of power plant as well as an impairment of the investment of AES Horizons Investments Ltd. The total impairment amounts to £37,314 - £27,941 decrease of revaluation reserve and £9,373 impairment loss in the profit and loss account.

Below is summary of significant assumptions used to determine the impairment loss for 2017. No impairment has been recognized in 2016:

	Fair value £	Valuation technique	Unobservable input	Range (weighted average)
Investment in AES Kilroot Power Ltd	417,000	Discounted cash flow	Annual revenue growth	-88% to 6% (-7%)
			Annual pre-tax operating margin	-74% to 10% (0%)
			Weighted average cost of capital	8.3%

**8. Debtors**

	2017 £'000	2016 £'000
Amounts owed by parent undertaking	4,321	4,321
Amounts owed by related undertaking	2,139	2,138
Other tax and social security	14	1
	<b>6,474</b>	<b>6,460</b>

Amounts owed by the parent company AES Electric Ltd and related undertaking AES Kilroot Power Ltd are non-interest-bearing receivables derived from the normal course of business.

**9. Creditors: amounts falling due within one year**

	2017 £'000	2016 £'000
Amounts owed to parent undertaking	9,300	9,250
Amounts owed to related undertaking	3,448	3,474
Accruals and deferred income	24	29
	<b>12,772</b>	<b>12,753</b>

Amounts owed to the parent company AES Electric Ltd and related undertaking are non-interest-bearing payables derived from the normal course of business.

The amount of £9,300,000 (2016: £9,250,000) consists of £8,941,000 (2016: £8,941,000) a non-interest-bearing loan from the company's immediate parent undertaking AES Electric Ltd and is payable on demand. The fair value is reasonable approximation to the carrying value. The loan was reclassified from non-current to current payable in 2016.

The amount of £3,448,000 (2016: £ 3,474,000) consists of £ 3,448,000 (2016: £3,448,000) a non-interest-bearing loan from the company's ultimate parent undertaking AES Corporation and is payable on demand. The fair value is reasonable approximation to the carrying value. The loan was reclassified from non-current to current payable in 2016.

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**10. Called up share capital**

	2017	2016
	£'000	£'000
<b>Allotted and fully paid</b>		
1,000,000 (2016: 1,000,000) ordinary shares of £1 each	1,000	1,000

The Company has granted a fixed charge over its dividends as continuing security for the payment and discharge of secured obligations with the Trustees of the NIGEN pension scheme.

**11. Revaluation reserve**

	2017	2016
	£'000	£'000
Revaluation reserve	-	30,381

On transition to FRS 101 the company has elected the option allowed under IFRS 1.D15 for FRS 101 to adopt fair value as deemed cost on the date of transition 1 January 2014 for its investment in AES NI Limited and AES Cloghan Ltd. This resulted in a £30,381,000 (AES NI £27,941,000 and AES Cloghan Ltd £2,440,000) revaluation reserve in equity. After impairment of investment and sale of Cloghan Ltd in 2017 the reserve was completely written off.

**12. Dividends**

	2017	2016
	£'000	£'000
Dividends declared and paid during the year (£3.301 per share)	3,301	-

**13. Financial instruments**

The carrying amounts of the financial assets and liabilities include:

	2017	2016
	£000	£000
Assets measured at amortized cost	6,474	6,460
Assets measured at cost less impairment	417	40,171
Liabilities measured at amortized cost	12,772	12,753

**14. Ultimate parent company**

The immediate parent undertaking and controlling party is AES Electric Limited, a company incorporated in England and Wales.

The ultimate parent company and controlling entity, and parent of the smallest and largest group for which consolidated financial statements are prepared of which this company is a part, 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.

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**15. Subsequent events**

In April 2018, the SEM Committee decided to extend the ISEM go-live date to 1 October 2018. As a result, the coal units of subsidiary company AES Kilroot Power Ltd will continue to operate till that date.