

# AES Horizons Investments Limited

## Annual report for the year ended 31 December 2007

	Pages
Directors and advisers	1
Directors' report	2 - 4
Independent auditors' report	5
Profit and loss account	6
Reconciliation of movements in shareholders' funds	6
Balance sheet	7
Notes to the financial statements	8 - 12

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## Directors and advisers

### Directors

John McLaren  
Neil Hopkins

### Secretary

Neil Hopkins

### Registered office

37 Kew Foot Road  
Richmond  
Surrey  
TW9 2SS

### Solicitors

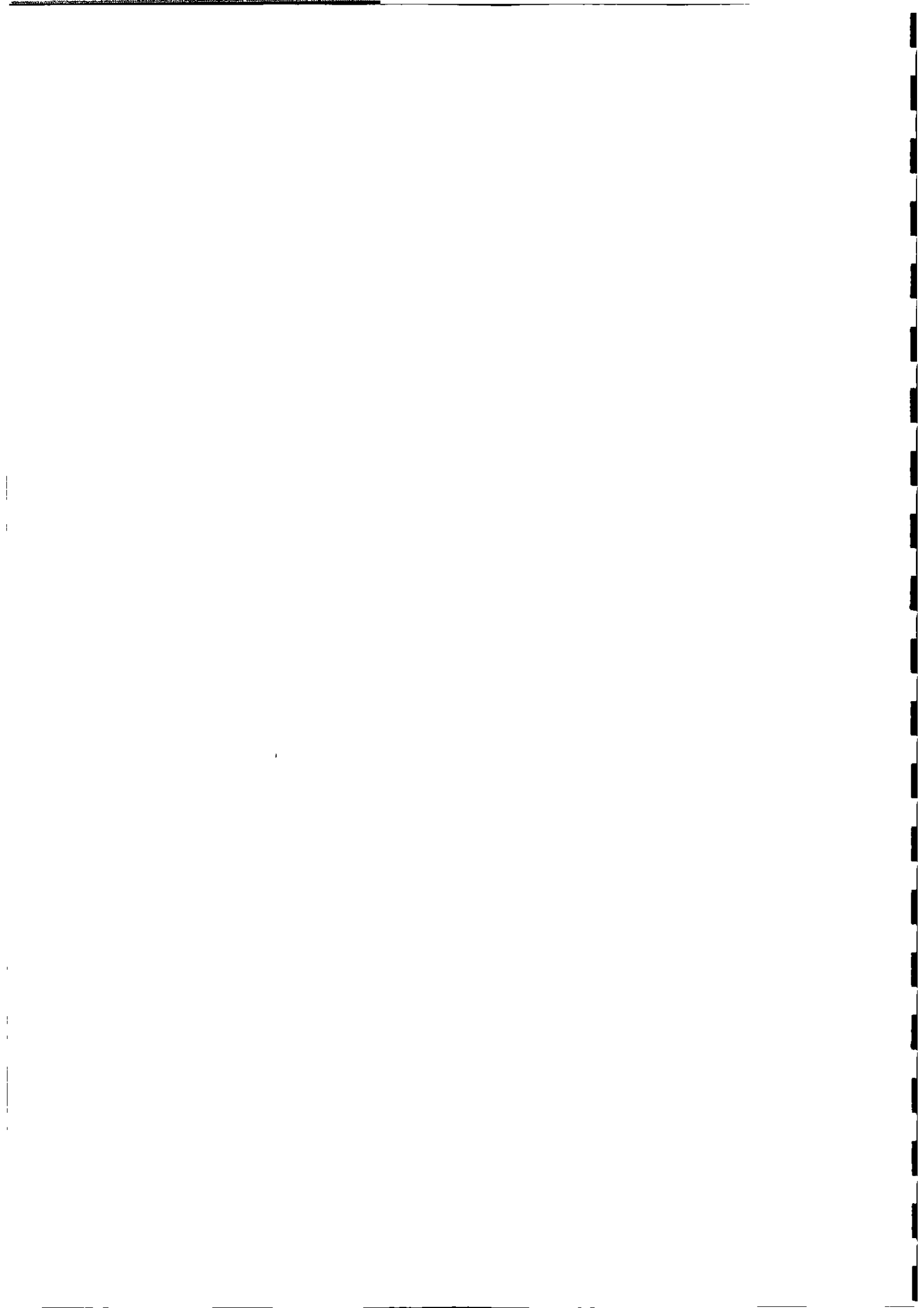
Carson & McDowell  
Murray House  
Murray Street  
Belfast  
BT1 6HS

### Bankers

Bank of Ireland Limited  
High Street  
Belfast  
BT1 2BA

### Registered auditors

PricewaterhouseCoopers LLP  
Waterfront Plaza  
8 Laganbank Road  
Belfast  
BT1 3LR



## Directors' report for the year ended 31 December 2007

The directors present their report and the audited financial statements for the year ended 31 December 2007

### Principal activity

The principal activity of the company is that of investment. The company also derives income by making available industrial and technical support services.

### Review of business and future developments

Both the level of business and the year end financial position are satisfactory. However, the level of activity in the following years will be affected by lower dividend income from AES (NI) Limited, principally due to redemption reserve requirements.

### 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 for employees and customers alike.

### Financial risk management

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 an associate company.

#### 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

There is no risk as the company's revenues and expenses are denominated in sterling. The company does not use any type of financial instruments.

#### Liquidity risk

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

## Directors' report (continued)

### Interest rate cash flow risk

The company has an interest bearing asset in the form of an investment in an associate company within the AES Corporation group. Interest is earned at a fixed rate.

### Results and dividends

The profit for the financial year was £2,828,893 (2006 £2,264,107). The directors have paid an interim dividend of £Nil (2006 £44,000,000) for the year ended 31 December 2007.

### 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.

### Post balance sheet event

Details of the post balance sheet event are shown in note 17 of the financial statements.

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

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

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). The financial statements are required by law to 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, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which 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 1985. 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.

## Directors' report (continued)

### 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 are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

### Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting

By order of the Board



Neil Hopkins  
Secretary  
26 February 2008

## Independent auditors' report to the members of AES Horizons Investments Limited

We have audited the financial statements of AES Horizons Investments Limited for the year ended 31 December 2007, which comprise the profit and loss account, the reconciliation of movement in shareholders' funds, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable Northern Ireland law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Belfast  
3 March 2008

**Profit and loss account  
for the year ended 31 December 2007**

	Notes	2007 £'000	2006 £'000
<b>Operating costs</b>		(1)	(1)
<b>Operating loss</b>		(1)	(1)
Investment income	4	1,888	2,568
<b>Profit on ordinary activities before taxation</b>	5	1,887	2,567
Taxation	6	942	(303)
<b>Profit for financial year</b>	13	2,829	2,264

All amounts above relate to continuing operations of the company

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

The company has no recognised gains or losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

**Reconciliation of movements in shareholders' funds**

	2007 £'000	2006 £'000
Opening shareholders' funds	6,020	47,756
Profit for the financial year	2,829	2,264
Dividends paid	-	(44,000)
<b>Closing shareholders' funds</b>	8,849	6,020



## Balance sheet at 31 December 2007

	Notes	2007 £'000	2006 £'000
<b>Fixed assets</b>			
Investments in associates	7	16,040	16,040
<b>Current assets</b>			
Debtors	8	5,721	3,831
Cash at bank and in hand		1	1
		5,722	3,832
<b>Creditors: amounts falling due within one year</b>	9	(525)	(1,464)
<b>Net current assets</b>		5,197	2,368
<b>Total assets less current liabilities</b>		21,237	18,408
<b>Creditors: amounts falling due after more than one year</b>	10	(12,388)	(12,388)
<b>Net assets</b>		8,849	6,020
<b>Capital and reserves</b>			
Called up share capital	12	3,125	3,125
Profit and loss account	13	5,724	2,895
<b>Equity shareholders' funds</b>		8,849	6 020

The financial statements on pages 6 to 12 were approved by the board on 26 February 2008 and were signed on its behalf by



N Hopkins  
Director

## Notes to the financial statements for the year ended 31 December 2007

### 1 Accounting policies

These financial statements are prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies adopted are set out below.

#### Related undertakings

In accordance with FRS 9, related undertakings are included at the cost of investment less any amounts written off.

#### Investment income

Investment income is included in the profit and loss account on an accruals basis.

#### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profit and its results as stated in the financial statements. Deferred tax assets and liabilities recognised have not been discounted.

#### Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial period. All other foreign exchange differences are taken to the profit and loss account in the period in which they relate.

#### Consolidated financial statements

The financial statements contain information about AES Horizons Investments Limited as an individual company and do not contain consolidated information as the parent of the group. The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, AES Corporation, a company incorporated in the United States of America.

#### Cash flow

The company is exempt under the terms of FRS 1 from publishing a cash flow statement.

### 2 Directors' emoluments

There were no emoluments paid to the directors during 2007 and 2006.

### 3 Employee information

There were no persons (including executive directors) employed by the company during 2007 and 2006.

**4 Investment income**

	2007	2006
	£'000	£'000
Interest receivable from associate	821	1,012
Dividends received from associate	1,067	1,556
	<b>1,888</b>	<b>2,568</b>

**5 Profit on ordinary activities before taxation**

	2007	2006
	£'000	£'000
<b>Profit on ordinary activities before taxation is stated after charging:</b>		
Auditors' remuneration - audit services	1	1

**6 Taxation**

	2007	2006
	£'000	£'000
<b>Current tax:</b>		
UK corporation tax at 30% (2006 30%)	246	303
Adjustment in respect of previous years	(1,188)	-
<b>Tax on profit on ordinary activities</b>	<b>(942)</b>	<b>303</b>

The current tax assessed for the year differs from the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007	2006
	£'000	£'000
<b>Profit on ordinary activities before tax</b>	<b>1,887</b>	<b>2,567</b>
Profit on ordinary activities multiplied by standard rate in the UK 30% (2006 30%)	566	770
Effects of		
Income not taxable	(320)	(467)
Adjustment in respect of previous years	(1,188)	-
<b>Current tax (credit)/charge for the year</b>	<b>(942)</b>	<b>303</b>

**Factors that may affect future tax charges:**

The standard rate of Corporation Tax in the UK changes to 28% with effect from the 1 April 2008

**7 Fixed asset investments**

	Related company £'000	Loan stock held in related undertakings £'000	Total £'000
<b>Cost</b>			
At 1 January 2007 and 31 December 2007	6,656	9,384	16,040
<b>Net book value</b>			
At 31 December 2006 and 31 December 2007	6,656	9,384	16,040

**Interest in group undertakings**

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held by:	
			Company %	Group %
AES (NI) Limited	N Ireland	Ordinary £1 shares	51	99
AES Kilroot Power Limited	N Ireland	Ordinary £1 shares	-	99
AES Belfast West Power Limited	N Ireland	Ordinary £1 shares	-	99
Cloghan Limited	N Ireland	Ordinary £1 shares	50	100
Cloghan Point Holdings	N Ireland	Ordinary £1 shares	-	100
Eden Village Produce Limited	N Ireland	Ordinary £1 shares	-	99
Kilroot Electric Limited	Cayman Islands	Ordinary US \$1 shares	-	99
AES Kilroot Generating Limited	N Ireland	Ordinary £1 shares	-	99
Nigen Supply Limited	N Ireland	Ordinary £1 shares	-	99

The principal business activities of these related undertakings are

- (i) AES (NI) Limited, AES Kilroot Power Limited and AES Belfast West Power Limited - generation of electricity
- (ii) Kilroot Electric Limited - investment company
- (iii) Cloghan Point Holdings Limited – provision of an oil tanker berthing facility

Cloghan Limited, Eden Village Produce Limited, AES Kilroot Generating Limited and Nigen Supply Limited did not trade during the current or prior year

**Loan stock**

During the year the convertible loan stock of £3,134,000 held by the company was converted into 12,536,000 ordinary shares in AES(NI) Limited. As at 31 December 2007 the company holds £6,250,000 floating rate subordinated deferred loan stock

Interest levied on the loan stock is calculated as the sum of

- (i) the applicable margin, 6%
- (ii) LIBOR on quotation date

**8 Debtors**

	2007	2006
	£'000	£'000
<b>Amounts falling due within one year</b>		
Amounts owed by related undertaking	5,721	3,831

Amounts owed by related undertaking are unsecured, interest free and repayable on demand

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

	2007	2006
	£'000	£'000
Amounts owed to related undertaking	5	3
Corporation tax	518	1,460
Accruals and deferred income	2	1
	<b>525</b>	<b>1,464</b>

Amounts owed to related undertaking are unsecured, interest free and repayable on demand

**10 Creditors: amounts falling due after more than one year**

	2007	2006
	£'000	£'000
Amounts owed to related undertaking	12,388	12,388

Amounts owed are unsecured, interest free and repayable in the foreseeable future

**11 Deferred taxation**

Deferred taxation is not provided in the financial statements as there are no timing differences arising

**12 Called up share capital**

	2007	2006
	£'000	£'000
<b>Authorised</b>		
3,125,000 ordinary shares of £1 each	3,125	3,125
<b>Allotted and fully paid</b>		
3,125,000 ordinary shares of £1 each	3,125	3,125

**13 Profit and loss account**

	£'000
At 1 January 2007	2,895
Profit for the financial year	2,829
<b>At 31 December 2007</b>	<b>5,724</b>

## 14 Contingent Liabilities

The company has no contingent liabilities at the year end (2006 £Nil)

## 15 Related party transactions

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are part of the AES Corporation group

## 16 Ultimate parent company

The company is 100% owned by AES Electric Limited, a company registered in England and Wales

The ultimate parent undertaking and controlling party is AES Corporation, a company registered in the United States of America, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of AES Corporation consolidated financial statements can be obtained from the Company Secretary at 4300 Wilson Boulevard, Arlington, Virginia 22203

## 17 Post balance sheet events

A number of changes to the UK Corporation Tax system were announced as part of the March 2007 budget statement. Some of these changes were substantively enacted in the 2007 Finance Act on 26 June 2007. The impact of these changes has been recognised in these financial statements.

Some other changes are expected to be enacted in the 2008 Finance Act. The impact of these changes will be recognised in the period in which the 2008 Finance Act becomes substantively enacted, which is expected to be in the year to 31 December 2008.