AES (NI) Limited

Annual report

for the year ended

31 December 2012

Registered number: **NI 26332**

AES (NI) Limited

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AES (NI) Limited

Directors and advisors

Directors

M Miller
J Nebreda
M Green (appointed 2 September 2013)

Company Secretaries

L O'Neill
J Leeburn

Registered office

Kilroot Power Station
Larne Road
Carrickfergus
Co Antrim
BT38 7LX

Solicitors

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

Bankers

Barclays
Donegall House
Donegall Square North
Belfast
BT1 5GB

Bank of Ireland
4 – 8 High Street
Belfast
BT1 2BA

Caisse des dépôts et Consignations
56,rue de Lille
75356-Paris Cedex 07

Independent auditors

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

AES (NI) Limited

Directors' report for the year ended 31 December 2012

The directors present their report and the audited financial statements for the year ended 31 December 2012.

Principal activity

The principal activity of the AES (NI) Limited group is that of generating electricity. AES Kilroot Power Limited is the main operating subsidiary of the AES (NI) Limited group, and is the company which encompasses the Plant.

Review of business and future developments

2012 was a very solid Single Electricity Market (SEM) performance year in respect of the two main coal/oil fired units in the AES (NI) Limited group. The Open Cycle Gas Turbines continued to perform as expected. During the year the Power Purchase Agreements (PPA's) for GT1 and GT2 were terminated by the Regulatory Authority in accordance with terms and conditions of the PPA's. As a result all units at Kilroot are now fully merchant and being commercially managed under the SEM. Both the level of business and year-end financial position were within the director's expectations under prevailing market conditions and satisfactory. The directors expect that the level of operational and financial activity of the various generating units in 2013 (corrected for scheduled outage periods) will be sustained for the foreseeable future.

Key performance indicators

For each of the AES (NI) Limited group companies, the directors have established a set of key metrics, or Key Performance Indicators (KPI's) to monitor the performance or position of the company's operations in the areas of safety, environmental, operational and financial performance where applicable. The concept of 'continuous improvement' is a basis for all operations within the group.

The directors utilise the following KPI's as main indicators of performance:

KPI	**2012**	2011
EAF	**94.00%**	85.50%
EFOR	**5.82%**	5.74%
CA	**94.00%**	86.30%
LTI's	**1**	1

EAF: Equivalent Availability Factor
EFOR: Equivalent Forced Outage Rate
CA: Commercial Availability
LTI: Lost Time Incident

Environment

The group 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 group 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.

AES (NI) Limited

Directors' report for the year ended 31 December 2012 (continued)

Human resources

The group's most important resource is its people; their knowledge and experience is crucial to meeting customer requirements. Retention of key staff is critical and the group has invested increasingly in employment training and development and has introduced appropriate incentive and career progression arrangements.

Principal risks and uncertainties

As of 1 November 2012, AES Kilroot Power Limited (KPL) operates all units of the Kilroot Power Station in the SEM. The SEM is a gross mandatory pool and covers Northern Ireland and the Republic of Ireland (the "All Island Market"). Units bid into the SEM receive capacity payments (based on actual unit availability) and energy payments which are based on the short run marginal cost profile of the individual units. Generating units bid into the SEM utilising principles set out in the Bidding Code of Practice which stipulates that all market players bid actual costs into the market and therefore fully recover variable costs.

The group's operations expose it to a number of operational risks including reduction in plant availability through forced outages, prolonged plant breakdown or inability to operate within the agreed level of environment emissions.

The group's operations expose it to a variety of risks that include the availability risk, energy income risk, emissions risk, price risk, credit risk, foreign exchange risk, liquidity risk and interest rate risk. The company has in place a risk management program which seeks to limit the adverse effects of these risks on performance.

Operational risks

Availability risk

The group seeks to limit the risk to availability income through a program of continuous plant monitoring designed to identify possible plant failure in advance.

A set overhaul program has been put in place for each Generating Unit which requires thorough inspection and refurbishment every 3-4 years. Gas turbines are inspected and overhauled in accordance with prudent industry practice based on original equipment manufacturer guidelines.

The group has in place adequate levels of Business Interruption insurance to limit the financial effect of a prolonged period of plant breakdown.

Energy income risk

The group seeks to maximise plant efficiency through a process of continuous plant monitoring designed to identify areas where efficiency improvements can be obtained. Once a potential reduction in efficiency has been identified actions are taken to improve performance whenever it is economically viable to do so.

Emissions risk

The group continuously monitors its environmental emissions to ensure that the plant operates within the agreed limits. The group keeps up to date with Environmental Legislation and is committed to implementing modifications to the plant when required

Price risk

Price risk under the SEM is mitigated by daily bidding of spot foreign exchange rates, fuel and carbon.

AES (NI) Limited

Directors' report for the year ended 31 December 2012 (continued)

Financial risks

Commodity Risk

The group's energy margin secured from SEM depends to a significant extent on the relevant pricing between coal, gas and carbon commodities. During 2012, the relative position of these three commodities resulted in favourable clean dark spread within SEM allowing the company to secure infra-marginal rent. In order to mitigate the risks associated with commodity volatility and the potential impact on the company's energy revenue, a hedging strategy was deployed during the latter part of 2012 and this has been rolled forward into 2013 and 2014. The hedging strategy mitigates energy revenue volatility through the execution of power and commodity hedge products with appropriate counter-parties.

Credit risk

SEM is a fully collateralised market and as such market credit worthiness is supported by cash credit support of all market players. There is some credit risk exposure associated with hedge counter-parties but the group has managed this risk by transacting with counter-parties who either have an investment grade credit rating or by the requirement to be able to call credit support (via letter of credit or cash collateral) above a prescribed unsecured credit thresh-hold. No credit-support was called during 2012.

Foreign exchange risk

While the greater part of the group's revenues and expenses are denominated in sterling, the group is exposed to some foreign exchange risk in the normal course of business. The group 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 group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the group has sufficient available funds for operations and planned expansions. The group minimises liquidity risk through the weekly preparation of cash flow forecasts and a policy of investing in short term bank deposits held by banks with a minimum credit rating of P1.

Interest rate cash flow risk

The group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances, all of which earn interest at fixed rate. Interest bearing liabilities relate to debenture stock, bank loans and subordinated loan stock. The group minimises Interest rate cash flow risk through its policy of investing in only short term bank deposits and continually monitoring the financial markets to identify appropriate longer term instruments including structured investment accounts and interest rate swaps.

AES (NI) Limited

Directors' report for the year ended 31 December 2012 (continued)

Results and dividends

The consolidated profit and loss account for the year is set out on page 10.

The directors have paid the following dividends during 2012 and 2011:

	2012 £'000	2011 £'000
Interim dividend paid	6,500	-

No final dividend has been proposed.

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.

Charitable contributions

The group participates in a give as you earn scheme where it matches the donations of employees. During the year the group made matching donations of £17,000 (2011: £26,000).

Other charitable contributions of £43,000 (2011: £24,000) were made during the year in support of community initiatives and relationships in the UK.

Employees

The group's policy is to consult and discuss with employees, through unions and at meetings, matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, whenever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

The group is committed to the well-being of its people and recognises its obligations under the Health and Safety at Work Order 1978. In the conduct of its business the group will assess the risk to the health and safety of employees and others who may be affected by its activities and will implement, audit and review such arrangements as appropriate for effective control of risks.

AES (NI) Limited

Directors' report for the year ended 31 December 2012 (continued)

Policy on the payment of creditors

The group has a policy of paying its creditors 30 days after the end of the month of invoice unless other terms have been agreed. As at 31 December 2012 the number of creditor days in respect of trade creditors was 30 days (2011: 28 days).

Policy on preservation of amenity and fisheries

The group subscribes to Schedule 9 of the Electricity (Northern Ireland) Order 1992 concerning the preservation of amenity and fisheries. Accordingly, AES (NI) Limited recognises the desirability of preserving natural beauty, of conserving flora, fauna and geographical or physiographical features of special interest and of protecting sites, buildings and objects of architectural, historic or archaeological interest; and shall do what it reasonably can to mitigate any effect which proposals would have on the natural beauty of the countryside or on any such flora, fauna, features, sites, buildings or objects.

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 group'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 s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company.

On behalf of the Board

M Miller
Director
23 September 2013

AES (NI) Limited

Statement of directors' responsibilities

The directors are responsible for preparing 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 group and the company and of the profit or loss of the group 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 proper accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of AES (NI) Limited

We have audited the financial statements (the "financial statements") of AES (NI) Limited for the year ended 31 December 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 29. 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).

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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, 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 group's and 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 to identify material inconsistencies with the audited financial statements. 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 group's and parent company's affairs as at 31 December 2012 and of the group's profit 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of AES (NI) Limited (continued)

Matters on which we are required to report by exception

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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

Keith Jess (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Belfast
23 September 2013

AES (NI) Limited

Group profit and loss account for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	**160,695**	124,854
Cost of sales	3	**(86,504)**	(75,037)
Gross profit		**74,191**	49,817
Administrative expenses	3	**(35,381)**	(32,269)
Operating profit		**38,810**	17,548
Interest receivable and similar income	6	**359**	311
Interest payable and similar charges	7	**(2,968)**	(3,861)
Other finance costs	19	**(110)**	(366)
Profit on ordinary activities before taxation	8	**36,091**	13,632
Tax on profit on ordinary activities	9	**(7,654)**	(2,150)
Net profit for the financial year	21	**28,437**	11,482

All amounts above relate to continuing operations of the group.

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.

Group statement of total recognised gains and losses for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Profit for the financial year		**28,437**	11,482
Actuarial (loss)/gain recognised in the pension scheme	19	**(13,893)**	11,228
Movement on deferred tax relating to pension loss/gain		**3,404**	(2,975)
Total recognised gains and losses since last annual report		**17,948**	19,735

AES (NI) Limited

Group and Company balance sheets at 31 December 2012

	Notes	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Fixed assets					
Tangible assets	12	**147,359**	164,854	**-**	-
Investments	13	**-**	–	**278,556**	278,556
		147,359	164,854	**278,556**	278,556
Current assets					
Stocks	14	**21,350**	14,992	**-**	-
Debtors: amounts falling due within one year	15	**14,700**	13,809	**5,468**	4,835
Cash at bank and in hand		**12,075**	23,107	**9,415**	3,975
		48,125	51,908	**14,883**	8,810
Creditors: amounts falling due within one year	16	**(47,381)**	(53,902)	**(150,230)**	(138,050)
Net current assets/(liabilities)		**744**	(1,994)	**(135,347)**	(129,240)
Total assets less current liabilities		**148,103**	162,860	**143,209**	149,316
Creditors: amounts falling due after more than one year	17	**(43,628)**	(71,027)	**(12,468)**	(29,313)
Provisions for liabilities	18	**(20,872)**	(23,930)	**-**	-
Net assets excluding pension (deficit)/surplus		**83,603**	67,903	**130,741**	120,003
Pension (deficit)/surplus	19	**(1,623)**	2,566	**-**	-
Net assets		**81,980**	70,469	**130,741**	120,003
Capital and reserves					
Called up share capital	20	**13,117**	13,117	**13,117**	13,117
Share premium account	21	**3,729**	3,729	**3,729**	3,729
Profit and loss reserve	21	**63,851**	52,403	**113,895**	103,157
Other reserves	21	**1,283**	1,220	**-**	-
Shareholders' funds	23	**81,980**	70,469	**130,741**	120,003

The financial statements were approved for issue by the board of directors on 23 September 2013 and signed on its behalf by:

Mark Miller
Director

AES (NI) Limited

Group statement of cash flows for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Net cash inflow from operating activities	24	**47,894**	28,507
Returns on investments and servicing of finance			
Interest received		**360**	377
Interest paid		**(4,676)**	(2,190)
		(4,316)	(1,813)
Taxation			
Corporation tax paid including group relief payable		**(6,328)**	(6,207)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(3,510)**	(5,400)
Sale of tangible fixed assets		**85**	2
		(3,425)	(5,398)
Dividends paid to shareholders		**(6,500)**	-
Net cash inflow before use of liquid resources and financing		**27,325**	15,089
Management of liquid resources			
Increase in short-term deposits with banks		**-**	3,000
Financing			
Repayment of loan capital		**(24,994)**	(37,644)
New loan capital		**-**	32,000
Issue costs		**-**	(1,695)
Transferable loan stock repaid during year		**(13,363)**	-
		(38,357)	(7,339)
(Decrease)/increase in cash in the year	25 & 26	**(11,032)**	10,750

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies

Basis of preparation
These financial statements are prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards. The principal accounting policies are set out below.

As noted on the AES (NI) Limited company balance sheet, the company is in a net current liability position of £135,347,000 (2011:£129,240,000). Included in current liabilities for 2012 are amounts owed to other group undertakings of £146,247,000 (2011: £137,786,000). In the unlikely event that the AES (NI) Limited is unable to settle its current liabilities, management does not expect that the other group undertakings to call the amounts as they come due.

Basis of consolidation
The consolidated financial statements include the company and its subsidiary undertakings drawn up to 31 December 2012. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of the acquisition or up to the date of their disposal. Intra-group sales and profits are eliminated fully on consolidation. No profit and loss account is presented by AES (NI) Limited as permitted by section 408 of the Companies Act 2006.

Tangible fixed assets
The cost of tangible fixed assets is their purchase cost, together with incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal periods used for this purpose are:

Asset	Life in years
Long leasehold land	12
Long leasehold generating plant and buildings on hand	12
Additions to generating plant and buildings in year	12
Motor vehicles	4
Fixtures and fittings	4
Computer equipment	4
Maintenance assets	See policy below

The group is not depreciating construction work in progress costs until the related asset is completed and ready for use.

Contributions received towards the cost of tangible fixed assets are included as deferred income and credited on a straight-line basis to the profit and loss account over the useful economic life of the related asset.

Strategic spares
Emergency and rotable spare parts are included within generating plant and buildings and are depreciated over the life of the related generating plant and buildings.

Maintenance assets
In accordance with FRS 15, 'Tangible fixed assets' the relevant component of the generating plant that will be overhauled is depreciated over the period until the expenditure is needed. That period is usually between three and nine years. When the overhaul expenditure takes place it is capitalised as part of the cost of the asset since it restores or replaces the previously depreciated component.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies (continued)

Investments

Fixed asset investments are stated at their purchase cost less any provision for diminution in value. Investment income is included in the profit and loss account on an accruals basis.

Stock

Fuel stocks and general and engineering stores are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete stocks.

Debtors

Debtors are stated after all known bad debts have been written off and specific provision has been made against all debts considered doubtful of collection.

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 a business 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 revenue received from the sale of emissions allowances will be 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.

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies (continued)

Provisions for liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Bank loans

Bank loans are recognised at gross proceeds less any capitalised costs of raising finance.

Foreign exchange

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or the exchange rate of a related foreign exchange contract where appropriate. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the date of the transaction. The resulting gain or loss is dealt with in the profit and loss account.

Pension

The principal trading subsidiaries within the group participate in a defined benefit pension scheme.

The funds are valued every two years by a professionally qualified independent actuary, the rates of contribution being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. The assets of the scheme are held separately from those of the group.

Pension scheme assets are measured using bid-market value. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability. The increase in the present value of the liabilities of the group's defined benefit pension scheme arising from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The group operates a defined contribution scheme for those employees not covered by the above scheme. The cost of funding the defined contribution scheme is charged to the profit and loss account as incurred.

Employee share schemes

The ultimate parent company issues equity-settled share-based payments to certain employees of the group which must be measured at fair value and recognised as an expense in the profit and loss account with a corresponding increase in equity. The fair values of these payments are measured at the dates of grant using option-pricing models, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards, subject to the company's estimate of the number of awards which will lapse, either due to employees leaving the company prior to vesting or due to non-market based performance conditions not being met. Where an award has market-based performance conditions, the fair value of the award is adjusted at the date of grant for the probability of achieving these via the option pricing model. The total amount recognised in the profit and loss as an expense is adjusted to reflect the actual number of awards that vest, except where forfeiture is due to the failure to meet market-based performance measures.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies (continued)

Turnover

Turnover represents the invoiced value of generating services based on customer usage net of value added tax. Revenue is recognised when, and to the extent that, the group obtains the right to consideration in exchange for its performance.

Energy revenue is recognised when energy is sold and is calculated as a product of System Marginal Price SMP) and the relevant quantity.

Capacity revenue is recognised when the plant is declared available.

Dividends

Revenue is recognised when the Company's right to receive payment is established.

Final dividends are recorded in the Company's accounts in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are paid.

2 Turnover

The group operates principally in the electricity generation industry within Ireland. Turnover and profit relate primarily to a single class of business and geographical area.

3 Cost of sales and administrative expenses

	2012	2011
	£'000	£'000
Cost of sales	**86,504**	75,037
Administrative expenses	**35,381**	32,269
	121,885	107,306

The expenses above of £121,885,000 (2011: £107,306,000) relate to continuing operations.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

4 Employee information

The average monthly number of persons employed by the group during the year was:

	2012 Number	2011 Number
By activity		
Production	**107**	125
Administration	**10**	10
	117	135

The company had no employees during 2012 and 2011.

	2012 £'000	2011 £'000
Staff costs (for the above persons)		
Wages and salaries	**6,224**	6,203
Social security costs	**831**	686
Other pension costs current service cost	**546**	3,088
Defined contribution pension cost	**205**	175
Cost of employee share schemes (see note 22)	**63**	63
	7,869	10,215

5 Directors' emoluments

The directors received total remuneration for the year of £882,000 (2011:£1,049,000) all of which was paid by various subsidiaries of The AES Corporation. The directors do not believe that it is practical to apportion this amount between the services as directors of the company and their services as employees of other companies within The AES Corporation.

6 Interest receivable and similar income

	2012 £'000	2011 £'000
Interest receivable on bank balances	**154**	144
Other interest receivable	**205**	167
	359	311

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

7 Interest payable and similar charges

	2012 £'000	2011 £'000
Interest payable on debentures and other loans	**809**	1,300
Interest payable to parent company	**1,938**	2,004
Other interest payable	**221**	557
	2,968	3,861

8 Profit on ordinary activities before taxation

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Staff costs (see note 4)	**7,869**	10,215
Depreciation of tangible fixed assets	**18,585**	18,288
Amortisation of deferred income (see note 17)	**4,890**	4,633
Gain on sale of fixed assets	**(21)**	(2)
Hire of plant and machinery	**311**	405
Auditors' remuneration - for audit services (company £12,000 (2011: £5,000))	**87**	56
- for other services (company £Nil (2011 : £Nil))	**-**	-

9 Tax on profit on ordinary activities

	2012 £'000	2011 £'000
Current tax:		
UK corporation tax at 24.5% (2011: 26.5%)	**8,992**	4,912
Adjustment in respect of previous years	**178**	162
Total current tax	**9,170**	5,074
Deferred tax:		
Accelerated capital allowances and other timing differences	**(1,516)**	(1,094)
Pension contribution relief in excess of pension cost charge	**2,049**	357
Effect of decreased rate on opening deferred tax liability	**(1,871)**	(1,910)
Adjustment in respect of previous years	**(178)**	(277)
Total deferred tax	**(1,516)**	(2,924)
Tax on profit on ordinary activities	**7,654**	2,150

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

9 Tax on profit on ordinary activities (continued)

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are explained below:

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	**36,091**	13,632
Profit on ordinary activities multiplied by standard rate in the UK 24.5% (2011 : 26.5%)	**8,842**	3,612
Effects of:		
Expenses not deductible for tax purposes	**585**	498
Accelerated capital allowances and other timing differences	**1,614**	1,159
Pension contribution relief in excess of pension cost charge	**(2,049)**	(357)
Adjustment in respect of previous years	**178**	162
Current tax charge for the year	**9,170**	5,074

Factors that may affect future tax charges:

Based on the current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

In the budget of March 2012, change in future corporation rates in the UK were proposed of 1% per annum reducing to 23% by 2013. Further reductions in the UK Corporation Tax rate (to 21% from 1 April 2014) were announced in the Chancellor's Statement on 5 December 2012.

The Chancellor's Budget of 20 March 2013 announced further rate reductions to 20% from 1 April 2015.

The phased reduction to the main rate of UK corporation tax is expected to have an impact on the future income statement tax charge of the company as a lower tax rate is applied to taxable profits, and deferred tax assets and liabilities are adjusted to reflect their reversal at a lower rate of corporation tax suitable taxable profits in the future.

10 Profit for the financial year

The company's profit after tax for the year was £17,238,000 (2011: profit of £2,019,000).

11 Dividends

	2012 £'000	2011 £'000
Ordinary dividend paid of £0.1239 per 25p share (2011: £Nil)	**6,500**	-

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

12 Tangible assets

The company has no tangible assets. Details of those relating to the group are as follows:

	Long leasehold land £'000	Long leasehold generating plant and buildings £'000	Maintenance asset £'000	Motor vehicles £'000	Fixtures And Fittings £'000	Computer Equipment £'000	Construction work in progress £'000	Total £'000
Cost								
At 1 January 2012	929	338,152	15,765	400	179	1,419	44	**356,888**
Additions	-	1,103	(86)	-	-	41	96	**1,154**
Disposals	-	(77)	-	-	-	-	-	(77)
Transfers	-	1	-	-	-	-	(1)	-
At 31 December 2012	**929**	**339,179**	**15,679**	**400**	**179**	**1,460**	**139**	**357,965**
Accumulated depreciation								
At 1 January 2012	597	184,327	6,171	362	174	403	-	**192,034**
Charge for year	37	16,594	1,738	21	5	190	-	**18,585**
Eliminated in respect of disposals	-	(13)	-	-	-	-	-	**(13)**
At 31 December 2012	**634**	**200,908**	**7,909**	**383**	**179**	**593**	-	**210,606**
Net book amount								
At 31 December 2012	**295**	**138,271**	**7,770**	**17**	-	**867**	**139**	**147,359**
At 1 January 2012	332	153,825	9,594	38	5	1,016	44	164,854

Included within accruals and deferred income at 31 December 2012 are contributions to the cost of construction work in progress. See notes 16 and 17.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

13 Investments

Company

	Interests in group undertakings £'000
Cost	
At 1 January 2012 **and 31 December 2012**	278,556
Amounts Written Off	
At 1 January 2012 **and 31 December 2012**	-
Net book amount	
At 31 December 2012	**278,556**
At 1 January 2012	278,556

Interests in principal group undertakings:

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held by Group %	Company %
AES Kilroot Power Limited	N. Ireland	Ordinary £1 shares	-	100
AES Belfast West Power Limited	N. Ireland	Ordinary £1 shares	-	100
Kilroot Electric Limited	Cayman Islands	Ordinary US $1 shares	100	-

The above companies operated principally in their country of incorporation with the exception of Kilroot Electric Limited which operated in Northern Ireland.

The principal business activities of these subsidiary undertakings are:

(I) AES Kilroot Power Limited – generation of electricity.
(II) Kilroot Electric Limited – investment company.

Financial statements of AES Kilroot Power Limited have been prepared up to 31 December 2012 and show a profit after tax of £31,496,000 (2011 : £19,342,000) and net assets amounting to £230,847,000 (2011 : £225,402,000).

Financial statements of Kilroot Electric Limited have been prepared up to 31 December 2012 and show a loss after tax of £4,000 (2011:£nil) and net assets amounting to £21,000 (2011: £25,000).

AES Belfast West Power Limited did not trade during the year.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

14 Stocks

The company has no stocks. Details of those relating to the group are as follows:

	2012 £'000	2011 £'000
Fuel stock	**15,096**	9,812
Engineering stock	**6,254**	5,180
	21,350	14,992

15 Debtors

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Amounts falling due within one year:				
Trade debtors	**13,172**	11,618	**-**	-
Group relief receivable	**–**	–	**1,139**	1,578
Amounts owed by subsidiary undertakings	**–**	–	**4,069**	2,997
Amounts owed by parent company and fellow subsidiary undertakings	**102**	459	**-**	-
Other debtors	**581**	799	**258**	258
Prepayments and accrued income	**845**	933	**2**	2
	14,700	13,809	**5,468**	4,835

16 Creditors: amounts falling due within one year

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Bank loan	**-**	17,689	**-**	-
Trade creditors	**17,077**	11,916	**-**	-
Amounts owed to parent company and fellow subsidiary undertakings	**16,338**	11,284	**146,247**	137,786
Floating rate subordinated loan stock	**3,446**	–	**3,446**	-
Corporation tax	**3,077**	5,963	**-**	-
Other taxation and social security	**2,566**	2,073	**-**	-
Other creditors	**258**	258	**258**	258
Accruals and deferred income	**4,619**	4,719	**279**	6
	47,381	53,902	**150,230**	138,050

Loan from subsidiary undertaking

Company

A loan of £135,908,000 (2011:£135,908,000) between the subsidiary undertaking (AES Kilroot Power Limited) is unsecured and repayable in less than one year. The interest rate levied is 7% per annum. The company was charged interest of £9,513,000 on the loan from fellow subsidiary (2011:£10,774,000).

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Bank Loan	-	5,800	-	-
Loan from subsidiary undertaking	–	–	**1,172**	1,208
Floating rate subordinated loan stock	**11,296**	28,105	**11,296**	28,105
Accruals and deferred income	**32,332**	37,122	-	-
	43,628	71,027	**12,468**	29,313

Bank Loan

Group

Bank loan – Barclays Bank

On 8 September 2011, the company refinanced and obtained financing from Barclays Bank.

The loan carried interest at LIBOR plus a margin of 3.25%.

The loan secured by secondary charges over the assets and share capital of AES Kilroot Power Limited.

The loan was repaid in full on 13 September 2012.

The carrying value of the bank loan included above and in note 16 amounted to £nil (2011: £24,994,000).

The entire loan was repayable in less than five years and repayable as follows:

	2012	2011
	£'000	£'000
In one year or less	-	18,293
In more than one year, but not more than two years	-	6,495
In more than two years, but not more than five years	-	206
	-	24,994
Less: Issue costs to be amortised in future periods	-	(1,505)
	-	23,489

Financing costs of £nil (2011: £1,695,000) were capitalised during the year.
Financing costs of £1,505,000 (2011: £190,000) were recognised in the profit and loss account during the year.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

17 Creditors: amounts falling due after more than one year (continued)

Floating rate subordinated loan stock

Group and company	2012 £'000	2011 £'000
Authorised		
Floating rate subordinated loan stock	**30,300**	30,300

	2012 £'000	2011 £'000
Issued		
Floating rate subordinated loan stock at 1 January 2012	**28,105**	28,105
Transferable loan stock redeemed during the year	**(13,363)**	-
Floating rate subordinated loan stock at 31 December 2012	**14,742**	28,105

The floating rate subordinated loan stock is repayable as follows:

	2012 £'000	2011 £'000
In one year or less	**3,446**	–
In more than one year, but not more than two years	**5,648**	–
In more than two years, but not more than five years	**5,648**	28,105
	14,742	28,105

The floating rate subordinated loan stock is due to be repaid in full by 31 March 2016 and carries interest at a rate of LIBOR plus 6%.

Deferred income

Group	Contributions towards fixed assets £'000	Other £'000	Total £'000
At 1 January 2012	41,761	80	41,841
Credited to the profit and loss account	(4,810)	(80)	(4,890)
At 31 December 2012	**36,951**	**-**	**36,951**

The deferred income in relation to contributions towards the cost of tangible fixed assets will be released to the profit and loss account over the useful economic life of the related asset. The other deferred income relates to a sale of assets for which title to the asset transferred during the period ended 31 December 2012.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

18 Provisions for liabilities

The company has no provision for liabilities. Details of those relating to the group are as follows:

	Deferred tax £'000	Other (see below) £'000	Total £'000
At 1 January 2012	23,579	351	23,930
Profit and loss account	(3,579)	551	(3,028)
Payments in the year	–	(30)	(30)
At 31 December 2012	**20,000**	**872**	**20,872**

Deferred taxation

An analysis of the full potential liability, all of which has been provided, is as follows:

	2012 £'000	2011 £'000
Tax effect of timing difference because of:		
Excess of capital allowances over depreciation	**20,040**	23,820
Provisions	**(40)**	(241)
	20,000	23,579
Deferred tax on pension (deficit)/surplus (note 19)	**(486)**	855
Total provision for deferred tax	**19,514**	24,434

Other provisions

Other provisions relate to industrial disease liabilities which the group recognises when claims are received. Loss adjusters estimate the total liability against each claim. These estimates are adjusted as and when cases are settled. Due to the nature of these claims some liabilities will take many years to be fully resolved.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

19 Pension and similar obligations

The group pension scheme provides pension benefits and death in retirement benefits for eligible employees on a defined benefit basis, the benefits being funded by assets held in a separate fund administered by Trustees. Contributions are based on independent biennial valuations by professionally qualified actuaries.

Under the terms of the Electricity (Protected Persons) Pensions Regulations (Northern Ireland) 1992, assets were sufficient to cover 65.8% of the liabilities. A full valuation of the scheme was carried out at 31 March 2011 by a qualified independent actuary. The group intends to fund the scheme on a basis consistent with the Regulations.

The defined benefit scheme is closed to new entrants but the group has established a defined contribution scheme to provide benefits to new employees.

During the accounting period, the group paid regular contributions at the rate of £4,100,000 (2011: £4,800,000).

It is expected that the group will make regular contributions at the rate of £4,100,000 in 2013.

Defined benefit scheme

An actuarial valuation of the scheme using the projected unit basis was carried out at 31 December 2012. The major assumptions used by the actuary were:

	31 December 2012	31 December 2011
Scheme asset valuation	**Bid value**	Bid value
Rate of increase in salaries	3.25%	3.50%
Rate of increase in pensions in payment and deferred benefits during deferment	2.00%	2.25%
Discount rate	4.25%	4.75%
Inflation assumption	2.75%	3.00%

The mortality assumptions used were as follows:

Average expected future life (in years) at age 65 for:		
Member currently aged 65	24.08	19.90
Member currently aged 40	25.93	21.70

The assets in the scheme and the expected rate of return were:

	Long-term rate of Return Expected at 31.12.12 %	**Value at 31.12.12 £'000**	Long-term rate of return expected At 31.12.11 %	Value at 31.12.11 £'000
Equities	**5.75**	**34,146**	5.75	45,003
Bonds	**3.00**	**85,666**	3.00	67,505
Market value of assets		**119,812**		112,508

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

19 Pension and similar obligations (continued)

	2012 £'000	2011 £'000
Total market value of assets	**119,812**	112,508
Present value of scheme liabilities	**(121,921)**	(109,087)
(Deficit)/surplus in the scheme	**(2,109)**	3,421
Net pension (deficit)/surplus	**(2,109)**	3,421
Related deferred tax asset/(liability)	**486**	(855)
Net pension (deficit)/surplus	**(1,623)**	2,566

Reconciliation of present value of scheme liabilities

	2012 £'000	2011 £'000
Opening value of scheme's liabilities	**109,087**	106,525
Current service cost	**546**	558
Member contributions	**170**	202
Interest on scheme liabilities	**5,062**	5,751
Actuarial loss/(gain) recognised in the pension scheme	**14,821**	(1,539)
Benefits paid	**(7,760)**	(4,935)
Premiums paid	**(5)**	(5)
Plan curtailments	**-**	2,530
Closing value of scheme's liabilities	**121,921**	109,087

Reconciliation of fair value of scheme assets

	2012 £'000	2011 £'000
Opening value of scheme's assets	**112,508**	97,372
Expected return	**4,952**	5,385
Actuarial gain recognised in the pension scheme	**928**	9,689
Employer contributions	**9,019**	4,800
Member contributions	**170**	202
Benefits paid	**(7,760)**	(4,935)
Premiums paid	**(5)**	(5)
Closing value of scheme's assets	**119,812**	112,508

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £5,880,000 (2011: £15,074,000)

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

19 Pension and similar obligations (continued)

Analysis of the amount charged to profit and loss account is as follows:

	2012 £'000	2011 £'000
Current service cost	546	558
Plan curtailments	-	2,530
Expected return on scheme assets	(4,952)	(5,385)
Interest on pension scheme liabilities	5,062	5,751
Total	656	3,454

The total current service cost £546,000 (2011: £558,000) is included within cost of sales.

Other finance costs

	2012 £'000	2011 £'000
Expected return on pension scheme assets	5,062	5,751
Interest on pension scheme liabilities	(4,952)	(5,385)
Total	110	366

Analysis of the amount taken to the Statement of total recognised gains and losses is as follows:

	2012 £'000	2011 £'000
Actual return on scheme assets	5,880	15,074
Less Expected return on scheme assets	(4,952)	(5,385)
Actuarial (loss)/gain	(14,821)	1,539
Total	(13,893)	11,228

Amounts for current and previous four years:

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Defined benefit obligations	121,921	109,087	106,525	105,150	92,741
Scheme's assets	119,812	112,508	97,372	90,234	77,530
(Deficit)/surplus	(2,109)	3,421	(9,153)	(14,916)	(15,211)
Experience adjustments on scheme liabilities	(2,339)	(22)	583	342	(1,075)
Experience adjustments on scheme assets	928	9,689	1,306	6,745	(15,047)
Total recognised in statement of total recognised gains and losses:	(13,893)	11,228	2,700	(7,124)	(2,855)

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

19 Pension and similar obligations (continued)

Defined contribution scheme

The cost of contributions to the defined contribution scheme amounts to £205,000 (2011: £175,000).

20 Called up share capital

	2012 £'000	2011 £'000
Authorised		
160,000,000 ordinary shares of 25p each	**40,000**	40,000
Allotted and fully paid		
52,465,999 ordinary shares of 25p each	**13,117**	13,117

21 Reserves

Group

	Share premium account £'000	Other reserves £'000	Profit and loss reserve £'000	Total £'000
At 1 January 2012	3,729	1,220	52,403	57,352
Profit for the financial year	-	-	28,437	28,437
Dividends paid			(6,500)	(6,500)
Actuarial loss recognised in the pension scheme	-	-	(13,893)	(13,893)
Movement on deferred tax relating to pension deficit	-	-	3,404	3,404
Share based payments	-	63	-	63
At 31 December 2012	**3,729**	**1,283**	**63,851**	**68,863**

Company

	Share premium account £'000	Profit and loss reserve £'000
At 1 January 2012	3,729	103,157
Profit for the financial year	-	17,238
Dividends paid	-	(6,500)
At 31 December 2012	**3,729**	**113,895**

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

22 Share based payments

Stock options

The AES Corporation grants employees options to purchase shares of common stock under stock option plans. Under the terms of the plans, The AES Corporation may issue options to purchase shares of The AES Corporation's common stock at a price equal to 100% of the market price at the date the option is granted. Stock options are generally granted based upon a percentage of an employee's base salary. Stock options issued under these plans in 2008 and 2007 have a three-year vesting schedule and vest in one-third increments over the three-year period. No stock options were awarded in 2011 and 2012. In all circumstances, stock options granted by The AES Corporation do not entitle the holder the right, or obligate AES, to settle the stock option in cash or other assets of The AES Corporation. The cost of providing Stock options is recognised in the profit and loss account evenly over the three year vesting period. The expense recognised for this scheme in respect of employee services received during the year to 31 December 2012 is £nil (2011: £8,000).

The weighted average fair value of each option grant has been estimated, as of the grant date, using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted, with the following weighted average assumptions:

	2012	2011	2010
Expected volatility	N/A	N/A	N/A
Expected annual dividend yield	N/A	N/A	N/A
Expected option term (years)	N/A	N/A	N/A
Risk-free interest rate	N/A	N/A	N/A

The AES Corporation exclusively relies on implied volatility as the expected volatility to determine the fair value using the Black-Scholes option-pricing model. The implied volatility may be exclusively relied upon due to the following factors:

- The AES Corporation utilises a valuation model that is based on a constant volatility assumption to value its employee share options;
- The implied volatility is derived from options to purchase The AES Corporation common stock that are actively traded;
- The market prices of both the traded options and the underlying share are measured at a similar point in time to each other and on a date reasonably close to the grant date of the employee share options;
- The traded options have exercise prices that are both near-the-money and close to the exercise price of the employee share options; and
- The remaining maturities of the traded options on which the estimate is based are at least one year.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

22 Share based payments (continued)

Stock options (continued)

Pursuant to share-based compensation accounting guidance, The AES Corporation used a simplified method to determine the expected term based on the average of the original contractual term and the pro rata vesting period. This simplified method was used for stock options granted during the years ended December 31, 2008 and 2007. This is appropriate given a lack of relevant stock option exercise data. This simplified method may be used as The AES Corporation's stock options have the following characteristics:

- The stock options are granted at-the-money;
- Exercisability is conditional only on performing service through the vesting date;
- If an employee terminates service prior to vesting, the employee forfeits the stock options;
- If an employee terminates service after vesting, the employee has a limited time to exercise the stock option; and
- The stock option is non-hedgeable and not transferable.

The AES Corporation does not discount the grant date fair values determined to estimate post-vesting restrictions. Post-vesting restrictions include black-out periods when the employee is not able to exercise stock options based on their potential knowledge of information prior to the release of that information to the public.

Using the above assumptions, the weighted average fair value of each stock option granted was £3.92 and £4.35, for the years ended 31 December 2008 and 2007, respectively.

The following table summarizes the components of stock-based compensation related to employee stock options recognised in the Company's financial statements:

	2012 **£'000**	2011 £'000
Total intrinsic value of options exercised	**49**	2
Total fair value of options exercised	**16**	32

There was no cash used to settle stock options or compensation cost capitalised as part of the cost of an asset for the years ended 31 December 2012, 2011 and 2010. As of 31 December 2012, £nil (2011: £nil) of total unrecognised compensation cost related to stock options is expected to be recognised over a weighted average period of nil years (2011: nil years). There were no modifications to stock option awards during the year ended 31 December 2012.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

22 Share based payments (continued)

Stock options (continued)

A summary of the option activity for year ended 31 December 2012 and 31 December 2011 follows:

	2012	**2012**	
	Number	**Weighted average exercise price**	**Weighted Average Remaining Contractual Term (in years)**
Outstanding at 1 January	**103,057**	**£7.55**	
Exercised during the year	**(8,901)**	**£1.75**	
Forfeited and expired during the year	**(4,215)**	**£12.32**	
Net shares transferred during the year.	**-**	**-**	
Outstanding at 31 December	**89,941**	**£7.57**	**2.2**
Vested and expected to vest at 31 December	**89,941**	**£7.57**	**2.2**
Exercisable at 31 December	**89,941**	**£7.57**	**2.2**

	2011	2011	
	Number	Weighted average exercise price	Weighted Average Remaining Contractual Term (in years)
Outstanding at 1 January	158,068	£10.80	
Exercised during the year	(823)	£5.77	
Forfeited and expired during the year	(77,404)	£13.85	
Net shares transferred during the year.	23,216	£7.04	
Outstanding at 31 December	103,057	£7.55	3.1
Vested and expected to vest at 31 December	103,057	£7.55	3.1
Exercisable at 31 December	103,057	£7.55	3.1

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between The AES Corporation's closing stock price on the last trading day of the fourth quarter of 2012 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on 31 December 2012. The amount of the aggregate intrinsic value will change based on the fair market value of The AES Corporation's stock. The AES Corporation initially recognizes compensation cost on the estimated number of instruments for which the requisite service is expected to be rendered. The AES Corporation has estimated a forfeiture rate of 24.28% and 22.57% for stock options granted in 2008 and 2007, respectively. Those estimates shall be revised if subsequent information indicates that the actual number of instruments forfeited is likely to differ from previous estimates.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

22 Share based payments (continued)

Restricted Stock Units

The AES Corporation issues restricted stock units ("RSUs") under its long-term compensation plan. The RSUs are generally granted based upon a percentage of the participant's base salary. The units have a three-year vesting schedule and vest in one-third increments over the three-year period. The units are then required to be held for an additional two years before they can be redeemed for shares, and thus become transferable. The cost of providing RSUs is recognised in the profit and loss account evenly over the three year vesting period. The expense recognised for this scheme in respect of employee services received during the year to 31 December 2012 is £63,000 (2011: £55,000).

For the years ended 31 December 2012, 2011, and 2010, RSUs had a grant date fair value equal to the closing price of The AES Corporation's stock on the grant date. The AES Corporation does not discount the grant date fair values to reflect any post-vesting restrictions. RSUs granted to employees during the years ended 31 December 2012, 2011, and 2010 had grant date fair values per RSU of £8.49, £8.29 and £7.78 respectively. The total grant date fair value of RSUs granted was £77,000 during the year ended 31 December 2012.

The following table summarizes the components of The AES Corporation's stock-based compensation related to its employee RSUs recognized in the Company's financial statements:

	2012 **£'000**	2011 £'000
Total value of RSUs converted	**52**	40
Total fair value of RSUs vested	**51**	70

There was no cash used to settle RSUs or compensation cost capitalised as part of the cost of an asset for the years ended 31 December 2012, 2011 and 2010. As of 31 December 2012, £66,000 (2011: £57,000) of total unrecognised compensation cost related to RSUs is expected to be recognised over a weighted average period of approximately 1.80 years (2011: 1.82 years). There were no modifications to RSU awards during the year ended 31 December 31 2012.

A summary of the RSUs activity for the year ended 31 December 2012 follows:

	2012 **Number**	**2012** **Weighted average exercise price**	2011 Number	2011 Weighted average exercise price
Non vested at 1 January	**15,611**	**£7.45**	16,324	£7.48
Vested during the year	**(7,818)**	**£6.50**	(8,460)	£8.27
Forfeited and expired during the year	**(157)**	**£7.54**	(241)	£6.23
Granted during the year	**9,028**	**£8.49**	8,142	£8.29
Net shares transferred during the year	**-**	**-**	(154)	£12.14
Non vested at 31 December	**16,664**	**£8.20**	15,611	£7.45
Vested at 31 December	**23,517**	**£8.14**	26,695	£10.76
Vested and expected to vest at 31 December	**38,740**	**£8.15**	41,004	£9.59

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

23 Reconciliation of movements in group shareholders' funds

Group	2012 £'000	2011 £'000
Profit for the financial year	**28,437**	11,482
Dividends	**(6,500)**	-
Share based payments	**63**	63
	22,000	11,545
Actuarial (loss)/gain recognised in the pension scheme	**(13,893)**	11,228
Movement on deferred tax relating to pension scheme	**3,404**	(2,975)
Net movement during year	**11,511**	19,798
Opening shareholders' funds	**70,469**	50,671
Closing shareholders' funds	**81,980**	70,469

Company	2012 £'000	2011 £'000
Profit for the financial year	**17,238**	2,019
Dividends	**(6,500)**	-
Net movement during year	**10,738**	2,019
Opening shareholders' funds	**120,003**	117,984
Closing shareholders' funds	**130,741**	120,003

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

24 Reconciliation of operating profit to net cash inflow from operating activities

	2012 £'000	2011 £'000
Operating profit	**38,810**	17,548
Gain on sale of tangible fixed assets	**(21)**	(2)
Depreciation on tangible fixed assets	**18,585**	18,288
Amortisation of issue costs	**1,505**	587
Movement in stocks	**(6,358)**	239
Movement in trade debtors	**(1,553)**	1,668
Movement in prepayments and accrued income	**87**	14
Movement in amounts owed by parent company and fellow subsidiaries	**357**	(144)
Movement in other debtors	**217**	91
Movement in trade creditors	**11,160**	(4,583)
Movement in amounts owed to parent company and fellow subsidiaries	**(2,611)**	1,744
Movement in other taxation and social security	**259**	(679)
Movement in accruals and deferred income	**(4,890)**	(4,553)
Movement in other creditors	**236**	-
Movement in provisions	**521**	(62)
Difference between pension charge and cash contributions	**(8,473)**	(1,712)
Adjustment in respect of employee share schemes	**63**	63
Net cash inflow from operating activities	**47,894**	28,507

25 Reconciliation of net cash flow to movement in net debt

	2012 £'000	2011 £'000
Decrease/(increase) in cash in the year	**(11,032)**	10,750
Movement in deposits	**-**	(3,000)
Repayment of loan capital	**24,994**	37,644
New loan capital	**-**	(32,000)
Issue costs	**-**	1,695
Transferable loan stock redeemed during the year	**(13,363)**	-
Change in net debt resulting from cash flows	**599**	15,089
Amortisation of debt issue costs	**(1,505)**	(587)
Movement in net debt in the year	**(906)**	14,502
Net debt at 1 January 2012	**(28,487)**	(42,989)
Net debt at 31 December 2012	**(29,393)**	(28,487)

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2012

26 Analysis of net debt

	1 January 2012 £'000	Cash flow £'000	Non cash changes £'000	**31 December 2012 £'000**
Cash at bank or in hand	23,107	(11,032)	-	**12,075**
	23,107	(11,032)	-	**12,075**
Liquid resources	-	-	-	-
	23,107	(11,032)	-	**12,075**
Debt due after 1 year	(33,905)	19,194	11,265	**(3,446)**
Debt due within 1 year	(17,689)	19,163	(12,770)	**(11,296)**
	(51,594)	38,357	(1,505)	**(14,742)**
Net debt	(28,487)	27,325	(1,505)	**(2,667)**

27 Capital commitments

	2012 £'000	2011 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**64**	1,013

28 Ultimate parent companies

The share capital of AES (NI) Limited is owned 47.79% (2011: 47.79%) by AES Electric Limited, a company registered in England and Wales, and 50.86% (2011: 50.86%) by AES Horizons Investments Limited, a company registered in England and Wales.

The ultimate parent undertaking and controlling party is The 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 The AES Corporation consolidated financial statements can be obtained from the Company Secretary at 4300 Wilson Boulevard, Arlington, Virginia 22203.

29 Related Party Transactions

The group and company has taken advantage of the exemptions contained in FRS 8 "Related Party Transactions" not to disclose transactions with related parties as all of the voting rights of the company are ultimately controlled by The AES Corporation.