# AES (NI) Limited

# Annual report

# for the year ended

# 31 December 2013

**Registered number:** NI 026332

# AES (NI) Limited

# AES (NI) Limited

## Directors and advisors

### Directors

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

### Company Secretaries

L O'Neill (resigned 1 May 2014)
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

## STRATEGIC REPORT

The directors present their strategic report and the audited financial statements for the year ended 31 December 2013.

### PRINCIPAL ACTIVITY

The principal activity of the AES (NI) Limited group ('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.

### BUSINESS REVIEW

*Key Performance Indicators*

Given the nature of its business the group's directors have established a set of key metrics, or Key Performance Indicators (KPI's) to monitor the performance or position of the group'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:

*Key Financial Performance Indicators*

| | 2013 | 2012 |
|---|---|---|
| | £'000 | £'000 |
| Turnover | 187,568 | 160,695 |
| Operating profit | 60,690 | 37,479 |

The increase in turnover is primarily attributable to a gain on spot electricity, the benefit of which is reflected in higher operating profit in the year in spite of higher cost of sales mainly resulting from the purchase of a higher number of environmental allowances.

*Key Non-Financial Performance Indicators*

| | | 2013 | 2012 |
|---|---|---|---|
| EAF | (Equivalent Availability Factor) | 93.8% | 94.0% |
| EFOF | (Equivalent Forced Outage Frequency) | 4.95% | 5.82% |
| CA | (Commercial Availability) | 93.68% | 94.0% |
| LTI's | (Lost Time Incident) | 0 | 1 |

2013 was a very solid Single Electricity Market (SEM) performance year in respect of the two main coal/oil fired units driven by strong clean dark spread value. The Open Cycle Gas Turbines continued to perform as expected. All units at Kilroot are fully merchant and being commercially managed under the SEM with a fully developed risk management strategy that hedges variable margin on a forward basis. 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 2014 (corrected for scheduled outage periods) will be sustained for the foreseeable future.

### PRINCIPAL RISKS AND UNCERTAINTIES

As of 1 November 2012, AES Kilroot Power Limited 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 as a result of forced outages, prolonged plant breakdown or inability to operate within specified environmental limits. In addition operating at efficiency levels lower than contractual limits may lead to the loss of energy income. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring these risk areas.

## PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

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 group 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 availability risk through a programme of plant monitoring and asset management to identify possible plant failure in advance.

A set overhaul program has been put in place for each coal/oil 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 business interruption insurance to limit the financial effect of a prolonged period of plant breakdown.

*Efficiency Risk*

The group seeks to maximise plant efficiency through a process of continuous plant monitoring designed to identify areas where improvements may be made. Once a potential reduction in efficiency is identified actions are taken to improve efficiency where 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*

The group is not exposed to significant price risk as this risk under the SEM is mitigated by daily bidding of spot foreign exchange rates, fuel and carbon.

## FINANCIAL RISK MANAGEMENT

*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 group to secure infra-marginal rent. In order to mitigate the risks associated with commodity volatility and the potential impact on the group'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

*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.

*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 threshold. No credit-support was called during 2013.

## STRATEGIC REPORT (CONTINUED)

*Credit Risk (Continued)*
The group is not exposed to significant credit risk due to the high credit rating of the contract counter party. SEM credit worthiness is supported by cash credit support of all market participants.

*Foreign Exchange Risk*
The group's activities expose it to financial risks arising from changes in foreign currency exchange rates. The group manages this risk by regularly monitoring of the foreign currency exchange rates and entering into foreign currency hedging arrangements to mitigate against any adverse impacts in foreign currency fluctuations.

*Interest rate and 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 a fixed rate. Interest bearing liabilities relate to debenture stock 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.

By order of the Board

Mark Miller
Director
29 September 2014

# AES (NI) Limited

## DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 December 2013.

### RESULTS AND DIVIDENDS

The group's profit for the financial year after taxation is £46,648,000 (2012: £28,437,000).

The directors have recommended the payment of an interim dividend of £40,973,000 (2012: £6,500,000). The directors do not recommend the payment of a final dividend (2012: £nil).

### DIRECTORS

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

### DIRECTORS' INDEMNITY

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006.

### 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 the site a safe environment for employees, contractors and visitors alike.

### HUMAN RESOURCES

The group's most important resource is its people, as 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.

### DONATIONS

The group made charitable donations of £51,000 during the year to local and national charities (2012: £60,000). No donations for political purposes were made during the year (2012: £nil).

### 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.

Applications for employment by disabled persons are fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the group.

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.

## DIRECTORS' REPORT (CONTINUED)

### POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The group aims to pay all of its creditors promptly. It is the group's policy to agree the terms of the payment at the start of business with each supplier, ensure that suppliers are aware of the terms of the payment, and to pay in accordance with contractual and other legal obligations.

### 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, the group 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.

### POST BALANCE SHEET EVENTS

Since 31 December 2013 the group proposed and paid interim dividends totalling £25,353,000.

### DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report 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, the directors have taken all steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### AUDITORS

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

By order of the Board

Mark Miller
Director
29 September 2014

**Company Registration No. NI 26332**

# AES (NI) 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 group and the company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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 group and 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 auditors' report to the members of AES (NI) Limited

We have audited the financial statements of AES (NI) Limited for the year ended 31 December 2013 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 31. 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 Directors' Responsibilities Statement 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 Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2013 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 Strategic Report and 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
30 September 2014

# AES (NI) Limited

## Group profit and loss account for the year ended 31 December 2013

| | Notes | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| **Turnover** | 2 | **187,568** | 160,695 |
| Cost of sales | 3 | **(120,329)** | (116,662) |
| **Gross profit** | | **67,239** | 44,033 |
| Administrative expenses | 3 | **(6,606)** | (6,554) |
| Other operating income | | **57** | - |
| **Operating profit** | | **60,690** | 37,479 |
| Interest receivable and similar income | 6 | **2,347** | 4,385 |
| Interest payable and similar charges | 7 | **(4,567)** | (5,663) |
| Other finance costs | 21 | **(442)** | (110) |
| **Profit on ordinary activities before taxation** | 8 | **58,028** | 36,091 |
| Tax on profit on ordinary activities | 9 | **(11,380)** | (7,654) |
| **Net profit for the financial year** | 23 | **46,648** | 28,437 |

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.

The loss after taxation dealt with in the financial statements of the parent company is £7,517,000 (2012: £8,875,000).

## Group statement of total recognised gains and losses for the year ended 31 December 2013

| | Notes | 2013 £'000 | 2012 £'000 |
|---|---|---|---|
| Profit for the financial year | | **46,648** | 28,437 |
| Actuarial loss recognised in the pension scheme | 21 | **(1,491)** | (13,893) |
| Movement on deferred tax relating to pension loss/gain | | **347** | 3,404 |
| **Total recognised gains and losses since last annual report** | | **45,504** | 17,948 |

# AES (NI) Limited

## Group and Company balance sheets at 31 December 2013

| | Notes | Group 2013 £'000 | Group 2012 £'000 | Company 2013 £'000 | Company 2012 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 10 | **130,478** | 147,359 | - | - |
| Investments | 11 | - | - | **278,556** | 278,556 |
| | | **130,478** | 147,359 | **278,556** | 278,556 |
| **Current assets** | | | | | |
| Stocks | 12 | **19,947** | 21,350 | - | - |
| Debtors: amounts falling due within one year | 13 | **16,132** | 14,442 | **4,732** | 3 |
| Cash at bank and in hand | | **4,340** | 12,075 | **379** | 9,415 |
| | | **40,419** | 47,867 | **5,111** | 9,418 |
| **Creditors**: amounts falling due within one year | 14 | **(42,467)** | (47,123) | **(3,951)** | (144,765) |
| **Net current (liabilities)/assets** | | **(2,048)** | 744 | **1,160** | (135,347) |
| **Total assets less current liabilities** | | **128,430** | 148,103 | **279,716** | 143,209 |
| **Creditors**: amounts falling due after more than one year | 16 | **(29,605)** | (43,628) | **(58,507)** | (12,468) |
| **Provisions for liabilities** | 20 | **(16,373)** | (20,872) | - | - |
| **Net assets excluding pension surplus/(deficit)** | | **82,452** | 83,603 | **221,209** | 130,741 |
| **Pension surplus/(deficit)** | 21 | **4,131** | (1,623) | - | - |
| **Net assets** | | **86,583** | 81,980 | **221,209** | 130,741 |
| **Capital and reserves** | | | | | |
| Called up share capital | 22 | **13,117** | 13,117 | **13,117** | 13,117 |
| Share premium account | 23 | **3,729** | 3,729 | **3,729** | 3,729 |
| Profit and loss reserve | 23 | **68,382** | 63,851 | **204,363** | 113,895 |
| Other reserves | 24 | **1,355** | 1,283 | - | - |
| **Shareholders' funds** | 25 | **86,583** | 81,980 | **221,209** | 130,741 |

The financial statements were approved for issue by the board of directors on 29 September 2014 and signed on its behalf by:

Mark Miller
Director

# AES (NI) Limited

## Notes to the financial statements for the year ended 31 December 2013

### 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.

**Basis of consolidation**
The consolidated financial statements include the company and its subsidiary undertakings drawn up to 31 December 2013. 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.

**Statement of cash flows**
The group is exempt from preparing a statement of cash flows under the terms of Financial Reporting Standard (FRS) 1 (1996) as the company is a subsidiary for which the ultimate parent company, The AES Corporation, prepares consolidated financial statements which include the results and cash flows of the group and are publicly available at www.aes.com.

**Tangible fixed assets**
Fixed assets are stated at cost or valuation less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. No depreciation is provided on assets under construction. The historical cost (or revalued amount) of fixed assets less residual value, is depreciated on a straight line basis over their estimated useful economic lives as follows:

| | |
|---|---|
| Long leasehold land and buildings | 12 years |
| Long leasehold generating plant and buildings on hand | 12 years |
| Plant and machinery – including Maintenance assets | See policy below |
| Leased assets | See policy below |
| Motor vehicles | 4 years |
| Fixtures and fittings | 4 years |
| Tools and equipment – Computers | 4 years |

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 in creditors as deferred income and credited on a straight-line basis to the profit and loss account over the life of the asset.

**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.

**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.

## Notes to the financial statements for the year ended 31 December 2013

### 1 Accounting policies (continued)

**Leased assets**
Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful economic life or the term of the lease, whichever is shorter. Further instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term

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

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

**Emission Allowances**
Emissions allowances granted by regulatory authorities directly to the group at zero cost are assigned a zero basis by the group. 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 last free emission allowances were allocated in 2012.

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.

## 1 Accounting policies (continued)

**Taxation**
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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 group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

**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.

**Foreign currency translation**
Transactions in foreign currencies (different to the sterling which is the functional currency) are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities are denominated in foreign currencies at the balance sheet date are reported at the rate of exchange prevailing at the date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the date of the transaction. Exchange differences are included 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.

# Notes to the financial statements for the year ended 31 December 2013

## 1 Accounting policies (continued)

**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 group's estimate of the number of awards which will lapse, either due to employees leaving the group 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.

**Turnover**
Turnover, which excludes value added tax, represents the invoiced value of generating services supplied together with accrued revenues and 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 by the group calculated as a product of System Marginal Price (SMP) and the relevant quantity.

Capacity revenue is recognised when the plant is declared and available supplies of electricity and related services are made.

**Interest**
Interest expense is recognised as interest accrued using the effective interest rate method. Interest is charged against income in the year in which it is incurred.

**Dividends**
Revenue is recognised when the group'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

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Cost of sales | **120,329** | 116,662 |
| Administrative expenses | **6,606** | 6,554 |
| | **126,935** | 123,216 |

The expenses above of £126,935,000 (2012: £123,216,000) relate to continuing operations.

# AES (NI) Limited

## Notes to the financial statements for the year ended 31 December 2013

### 4 Employee information

The average monthly number of persons employed by the group during the year (excluding directors) was:

| | 2013 Number | 2012 Number |
|---|---|---|
| **By activity** | | |
| Production | 98 | 107 |
| Administration | 14 | 10 |
| | 112 | 117 |

The company had no employees during 2013 and 2012.

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Staff costs (for the above persons)** | | |
| Wages and salaries | 6,547 | 6,224 |
| Social security costs | 798 | 831 |
| Other pension costs current service cost | 659 | 546 |
| Defined contribution pension cost | 191 | 205 |
| Share based payment charge (see note 24) | 72 | 63 |
| | 8,267 | 7,869 |

### 5 Directors' emoluments

The directors received total remuneration for the year of £1,568,000 (2012: £882,000) 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

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Interest receivable on bank balances | 162 | 154 |
| Foreign exchange gain | 2,078 | 4,026 |
| Other interest receivable | 107 | 205 |
| | 2,347 | 4,385 |

## Notes to the financial statements for the year ended 31 December 2013

### 7 Interest payable and similar charges

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Interest payable on debentures and other loans | **8** | 809 |
| Interest payable to parent company and fellow subsidiary undertakings | **849** | 1,937 |
| Finance charges payable under finance leases | **51** | - |
| Amortisation of deferred financing costs | **-** | 1,505 |
| Other interest payable | **3,659** | 1,412 |
| | **4,567** | 5,663 |

### 8 Profit on ordinary activities before taxation

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Profit on ordinary activities before taxation is stated after charging/(crediting):** | | |
| Staff costs (see note 4) | **8,267** | 16,341 |
| Depreciation of tangible fixed assets - owned (see note 10) | **18,621** | 18,585 |
| Depreciation of assets held under finance leases (see note 10) | **30** | - |
| Amortisation of deferred income (see note 18) | **4,655** | 4,890 |
| Gain on sale of fixed assets | **-** | (21) |
| Hire of plant and machinery | **-** | 311 |
| Auditors' remuneration - for audit services (company £5,000 (2012: £5,000)) | **78** | 87 |
| - for other services (company £Nil (2012 : £Nil)) | **-** | - |

### 9 Tax on profit on ordinary activities

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Current tax:** | | |
| UK corporation tax at 23.25% (2012: 24.5%) | **(14,291)** | (8,992) |
| Adjustment in respect of previous years | **116** | (178) |
| **Total current tax** | **(14,175)** | (9,170) |
| **Deferred tax:** | | |
| Accelerated capital allowances and other timing differences | **2,034** | 1,516 |
| Pension contribution relief in excess of pension cost charge | **(2,037)** | (2,049) |
| Effect of decreased rate on opening deferred tax liability | **2,779** | 1,871 |
| Adjustment in respect of previous years | **19** | 178 |
| **Total deferred tax** | **2,795** | 1,516 |
| **Tax on profit on ordinary activities** | **(11,380)** | (7,654) |

### 9 Tax on profit on ordinary activities (continued)

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| **Profit on ordinary activities before tax** | **58,028** | 36,091 |
| Tax on profit on ordinary activities at standard UK corporation tax rate of 23.25% (2012: 24.5%) | **(13,491)** | (8,842) |
| Effects of: | | |
| Income not taxable/ expenses not deductible for tax purposes | **(170)** | (585) |
| Accelerated capital allowances and other timing differences | **(2,667)** | (1,614) |
| Pension contribution relief in excess of pension cost charge | **2,037** | 2,049 |
| Adjustment in respect of previous years | **116** | (178) |
| **Current tax charge for the year** | **(14,175)** | (9,170) |

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and 23% (effective 1 April 2013) were substantially enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantially enacted on 2 July 2013. This will reduce the group's future current tax charge accordingly. Any deferred tax asset at 31 December 2013 has been calculated at 20%.

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 group as a lower 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 applicable to taxable profits in the future.

# AES (NI) Limited

## Notes to the financial statements for the year ended 31 December 2013

### 10 Tangible assets

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

| | Long leasehold land, generating plant and buildings £'000 | Plant and machinery £'000 | Computer equipment £'000 | Motor vehicles £'000 | Fixtures and fittings £'000 | Work in progress £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| At 1 January 2013 | 340,108 | 15,679 | 1,460 | 400 | 179 | 139 | 357,965 |
| Additions | 251 | 1,345 | 8 | - | 15 | 151 | 1,770 |
| Transfers | 97 | 56 | - | - | - | (153) | - |
| At 31 December 2013 | 340,456 | 17,080 | 1,468 | 400 | 194 | 137 | 359,735 |
| **Accumulated depreciation:** | | | | | | | |
| At 1 January 2013 | 201,542 | 7,909 | 593 | 383 | 179 | - | 210,606 |
| Charge for the year | 16,700 | 1,754 | 184 | 12 | 1 | - | 18,651 |
| At 31 December 2013 | 218,242 | 9,663 | 777 | 395 | 180 | - | 229,257 |
| **Net book value:** | | | | | | | |
| At 31 December 2013 | 122,214 | 7,417 | 691 | 5 | 14 | 137 | 130,478 |
| At 31 December 2012 | 138,566 | 7,770 | 867 | 17 | - | 139 | 147,359 |

Included in plant and machinery are assets held under finance leases:

| **Leased assets** | Cost £'000 | Accumulated depreciation £'000 | Net book value £'000 |
|---|---|---|---|
| At 31 December 2013 | 1,300 | 30 | 1,270 |

### 11 Investments

**Company**

| | Interests in group undertakings £'000 |
|---|---|
| **Cost** | |
| At 1 January 2013 **and 31 December 2013** | 278,556 |
| **Amounts Written Off** | |
| At 1 January 2013 **and 31 December 2013** | - |
| **Net book amount** | |
| **At 31 December 2013** | **278,556** |
| At 1 January 2013 | 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 2013 and show a profit after tax of £47,743,000 (2012: £31,496,000) and net assets amounting to £139,704,000 (2012: £230,847,000).

Financial statements of Kilroot Electric Limited have been prepared up to 31 December 2013 and show a loss after tax of £Nil (2012: £4,000) and net assets amounting to £21,000 (2012: £21,000).

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

## Notes to the financial statements for the year ended 31 December 2013

### 12 Stocks

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

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Fuel stock | 13,075 | 15,096 |
| Engineering stock | 6,872 | 6,254 |
| | 19,947 | 21,350 |

### 13 Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 £'000 | 2012 £'000 | 2013 £'000 | 2012 £'000 |
| **Amounts falling due within one year:** | | | | |
| Trade debtors | 13,965 | 13,172 | - | - |
| Amounts owed by subsidiary undertakings | - | - | 4,732 | - |
| Amounts owed by parent company and fellow subsidiary undertakings | 29 | 102 | - | - |
| Other debtors | 1,193 | 323 | - | - |
| Prepayments and accrued income | 945 | 845 | - | 3 |
| | 16,132 | 14,442 | 4,732 | 3 |

### 14 Creditors: amounts falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | 2013 £'000 | 2012 £'000 | 2013 £'000 | 2012 £'000 |
| Trade creditors | 1,113 | 594 | - | - |
| Amounts owed to parent company and fellow subsidiary undertakings | 8,007 | 16,338 | 491 | 141,040 |
| Floating rate subordinated loan stock | 3,061 | 3,446 | 3,061 | 3,446 |
| Corporation tax | 4,807 | 3,077 | - | - |
| Other taxation and social security | 3,237 | 2,566 | - | - |
| Other creditors | 550 | - | 372 | - |
| Obligations under finance lease | 278 | - | - | - |
| Accruals and deferred income | 21,414 | 21,102 | 27 | 279 |
| | 42,467 | 47,123 | 3,951 | 144,765 |

# Notes to the financial statements for the year ended 31 December 2013

## 15 Loan from subsidiary undertaking (Company)

A loan of £57,623,000 (2012:£135,908,000) with the subsidiary undertaking (AES Kilroot Power Limited) is unsecured and repayable by 31 December 2019. This loan was treated under a short term loan agreement in 2012 but was extended in 2013. The interest rate levied is 7% per annum. The company was charged interest of £9,318,000 on the loan from fellow subsidiary (2012:£9,513,000).

## 16 Creditors: amounts falling due after more than one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Loan from subsidiary undertaking | - | - | **58,507** | 1,172 |
| Floating rate subordinated loan stock | - | 11,296 | - | 11,296 |
| Obligations under finance lease | **1,004** | - | - | - |
| Accruals and deferred income | **28,601** | 32,332 | - | - |
| | **29,605** | 43,628 | **58,507** | 12,468 |

## 17 Floating rate subordinated loan stock

| **Group and company** | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| **Authorised** | | |
| Floating rate subordinated loan stock | **30,000** | 30,000 |

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| **Issued** | | |
| Floating rate subordinated loan stock at 1 January | **14,742** | 28,105 |
| Transferable loan stock redeemed during the year | **(11,681)** | (13,363) |
| Floating rate subordinated loan stock at 31 December | **3,061** | 14,742 |

The floating rate subordinated loan stock is repayable as follows:

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| In one year or less | **3,061** | 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 |
| | **3,061** | 14,742 |

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%.

### 18 Deferred income

| Group | Contributions towards fixed assets £'000 | Other £'000 | Total £'000 |
|---|---|---|---|
| At 1 January 2013 | 36,951 | - | 36,951 |
| Additions in the year | - | 1,300 | 1,300 |
| Credited to the profit and loss account | (4,618) | (37) | (4,655) |
| **At 31 December 2013** | **32,333** | **1,263** | **33,596** |

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 an asset for which income will be release over the useful economic life of the asset.

### 19 Obligations under finance leases

| Group | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Within 1 year | 278 | - |
| Between 2 to 5 years | 1,004 | - |
| | 1,282 | - |
| Less: finance charges | - | - |
| | 1,282 | - |

### 20 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 2013 | 20,000 | 872 | 20,872 |
| Profit and loss account | (4,660) | 619 | (4,041) |
| Payments in the year | - | (458) | (458) |
| **At 31 December 2013** | **15,340** | **1,033** | **16,373** |

### 20 Provisions for liabilities (continued)

**Deferred taxation**

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

| | **2013** | 2012 |
|---|---|---|
| | **£'000** | £'000 |
| Tax effect of timing difference because of: | | |
| Accelerated capital allowances | **15,379** | 20,040 |
| Provisions | **(39)** | (40) |
| | **15,340** | 20,000 |
| Deferred tax on pension surplus/(deficit) (note 21) | **1,031** | (486) |
| **Total provision for deferred tax** | **16,371** | 19,514 |

**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.

### 21 Pension and similar obligations

The group's Nigen 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.

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

It is expected that the group will make regular contributions to the pension scheme of £4,100,000 during 2014 (2013 projection: £4,100,000).

**Defined benefit scheme**

An actuarial valuation of the scheme using the projected unit basis was carried out at 31 December 2013.

*The financial assumptions used in the last actuarial valuation are set out in the table below:*

| | **31 December 2013** | **31 December 2012** |
|---|---|---|
| Inflation assumption | 3.40% | 2.75% |
| Rate of increase in salaries | 3.90% | 3.25% |
| Rate of increase in pension payments | 2.60% | 2.00% |
| Discount rate | 4.50% | 4.25% |
| *Mortality assumptions:* | | |
| Average expected future life (in years) at age 65 for: | | |
| Member currently aged 65 | 22.51 | 24.08 |
| Member currently aged 40 | 24.81 | 25.93 |

# Notes to the financial statements for the year ended 31 December 2013

## 21 Pension and similar obligations (continued)

*The assets in the scheme and the expected rates of return were:*

| | 2013 Long-term rate of return expected % | 2013 Value £'000 | 2012 Long-term rate of return expected % | 2012 Value £'000 |
|---|---|---|---|---|
| Equities | 6.40 | 33,960 | 5.75 | 34,146 |
| Government Bonds | 3.60 | 101,878 | 3.00 | 85,666 |
| *Total market value of assets* | | 135,838 | | 119,812 |

*The following amounts at 31 December were measured in accordance with the requirements of FRS 17 "Retirement Benefits":*

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Total market value of scheme assets | 135,838 | 119,812 |
| Present value of scheme liabilities | (130,676) | (121,921) |
| *Surplus/ (deficit) in the scheme* | 5,162 | (2,109) |
| Related deferred tax (liability) / asset | (1,031) | 486 |
| **Net pension asset / (liability)** | 4,131 | (1,623) |

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| *Reconciliation of fair value of scheme assets:* | | |
| At 1 January | 119,812 | 112,508 |
| Expected return | 4,601 | 4,952 |
| Actuarial gain recognised in the pension scheme | 6,185 | 928 |
| Employer contributions | 9,863 | 9,019 |
| Member contributions | 157 | 170 |
| Benefits paid | (4,775) | (7,760) |
| Premiums paid | (5) | (5) |
| At 31 December | 135,838 | 119,812 |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the 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 a gain £10,786,000 (2012: £5,880,000).

### 21 Pension and similar obligations (continued)

| | 2013 | 2012 |
|---|---|---|
| *Reconciliation of present value of scheme liabilities:* | £'000 | £'000 |
| At 1 January | 121,921 | 109,087 |
| Current service cost | 659 | 546 |
| Interest on scheme liabilities | 5,043 | 5,062 |
| Scheme participants contributions | 157 | 170 |
| Actuarial loss on scheme assets | 7,676 | 14,821 |
| Benefits paid from scheme | (4,775) | (7,760) |
| Premiums paid | (5) | (5) |
| At 31 December | 130,676 | 121,921 |

| | 2013 | 2012 |
|---|---|---|
| | £'000 | £'000 |
| *Analysis of amounts charged to the profit or loss account:* | | |
| Current service cost | 659 | 546 |
| Interest on pension scheme liabilities | 5,043 | 5,062 |
| Expected gain on assets in the pension scheme | (4,601) | (4,952) |
| | 1,101 | 656 |

Of the total current service cost £659,000 (2012: £546,000) is included within cost of sales.

| | 2013 | 2012 |
|---|---|---|
| | £'000 | £'000 |
| *Other finance costs:* | | |
| Interest on pension scheme liabilities | 5,043 | 5,062 |
| Expected gain on assets in the pension scheme | (4,601) | (4,952) |
| | 442 | 110 |

| | 2013 | 2012 |
|---|---|---|
| | £'000 | £'000 |
| *Analysis of actuarial gains and losses taken to the statement of total recognised gains and losses of AES (NI) Limited are:* | | |
| Actual return on scheme assets | 10,786 | 5,880 |
| Less Expected gain on assets in the pension scheme | (4,601) | (4,952) |
| Actuarial loss | (7,676) | (14,821) |
| | (1,491) | (13,893) |

# Notes to the financial statements for the year ended 31 December 2013

## 21 Pension and similar obligations (continued)

| | 2013 £'000 | 2012 £'000 | 2011 £'000 | 2010 £'000 | 2009 £'000 |
|---|---|---|---|---|---|
| Defined benefit obligation | (130,676) | (121,921) | (109,087) | (106,525) | (105,150) |
| Scheme assets | 135,838 | 119,812 | 112,508 | 97,372 | 90,234 |
| Surplus / (Deficit) | 5,162 | (2,109) | 3,421 | (9,153) | (14,916) |
| Experience adjustments on scheme assets | 6,185 | 928 | 9,689 | 1,306 | 6,745 |
| Experience adjustments on scheme liabilities | 14 | (2,339) | (22) | 583 | 342 |
| Total amount recognised in the statement of total recognised gains and losses | (1,491) | (13,893) | 11,228 | 2,700 | (7,124) |

**Defined Contribution Scheme – AES Group Pension Plan**
With effect from 2 April 2007 new UK employees have been offered membership of a defined contribution stakeholder pension plan, the AES Group Pension Plan. Life assurance and income protection benefits are also provided under separate plans; these benefits are fully insured. Members may choose the rate at which they contribute to the Plan and the employer's contribution is determined by the rate that the member selects. A wide range of funds is available from which members may choose how the contributions will be invested

The cost of contributions to the defined contribution pension scheme during the year was £191,000 (2012: £205,000).

## 22 Called up share capital

| | 2013 £'000 | 2012 £'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 |

### 23 Reserves

**Group**

| | Share premium account £'000 | Other reserves £'000 | Profit and loss reserve £'000 | Total £'000 |
|---|---|---|---|---|
| At 1 January 2013 | 3,729 | 1,283 | 63,851 | 68,863 |
| Profit for the financial year | - | - | 46,648 | 46,648 |
| Dividends paid | | | (40,973) | (40,973) |
| Actuarial loss recognised in the pension scheme | - | - | (1,491) | (1,491) |
| Movement on deferred tax relating to pension deficit | - | - | 347 | 347 |
| Share based payments | - | 72 | - | 72 |
| **At 31 December 2013** | **3,729** | **1,355** | **68,382** | **73,466** |

**Company**

| | Share premium account £'000 | Profit and loss reserve £'000 |
|---|---|---|
| At 1 January 2013 | 3,729 | 113,895 |
| Profit for the financial year | - | 131,441 |
| Dividends paid | - | (40,973) |
| **At 31 December 2013** | **3,729** | **204,363** |

### 24 Other reserves

Other reserves are for share based compensation options which relate to Long Term Compensation paid to employees through Non-Qualified Stock Options and Restricted Stock Units (RSUs) in the ultimate parent company. The total liability at the balance sheet date amounted to £1,355,000, (2012: £1,283,000).

**Non-Qualified Stock Options**

Awards of Stock Options give the employees the right to purchase shares of AES stock at a fixed price at the time the option vests. Options are awarded based on the Black-Scholes value at the time of grant using a rolling twelve month Black-Scholes value. 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 is £nil, (2012: £nil).

# AES (NI) Limited

## Notes to the financial statements for the year ended 31 December 2013

### 24 Other reserves (continued)

The weighted average fair value of each option grant has been estimated, as of the grant date, using the Black-Scholes option-pricing model with the following weighted average assumptions:

| | 2013 | 2012 |
|---|---|---|
| Expected volatility | * | * |
| Expected annual dividend yield | * | * |
| Expected option term (years) | * | * |
| Risk-free interest rate | * | * |

*As no employee from the group received stock options in the grant year, then data for award is not applicable and therefore not reported

The group 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 group 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 AES 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.

The group 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. The assumptions that the group has made in determining the grant date fair value of its stock options and the estimated forfeiture rates represent its best estimate.
Using the above assumptions, the weighted average fair value of each stock option granted as not been applied for the years ended 31 December 2013 and 2012 respectively as no stock options were granted in the respective years.

A summary of the option activity for the year ended 31 December 2013 follows (number of options in thousands, pounds in millions except per option amounts, term in years):

| | Options | Weighted average exercise price | Weighted average remaining contractual term | Aggregate intrinsic value |
|---|---|---|---|---|
| Outstanding at 1 January 2013 | 90 | 7.52 | | |
| Exercised year to date | (33) | 2.01 | | |
| Forfeited year to date | (5) | 6.39 | | |
| Granted year to date | - | - | | |
| Outstanding at 31 December 2013 | 52 | 10.82 | 2.6 | 22 |
| Vested and expected to vest at 31 December 2013 | 52 | 10.82 | 2.6 | 22 |
| Eligible for exercise at 31 December 2013 | 52 | 10.82 | 2.6 | 22 |

### 24 Other reserves (continued)

**Restricted Stock Units**

Restricted Stock Units (RSUs) are issued under the ultimate parent's long term compensation plan. The RSUs are generally granted based upon a percentage of the participant's base salary. The RSUs have a three year vesting period and vest in one-third increments over the three year period. RSUs granted prior to 2011 are required to be held for an additional two years before they can be converted into shares, and thus become transferable. There is no such requirement for RSUs granted in 2011 and afterwards; these are converted into shares on each anniversary of the grant date and are granted at the market value of AES stock at the date of grant. The cost of providing RSUs is recognised in the profit and loss account evenly over the three year vesting period. The expense recognised for 2013 was £72,000 (2012: £63,000).

*Restricted Stock Units without market conditions*

For the years ended 31 December 2013 and 2012, RSUs issued without a market condition had a grant date fair value equal to the closing price of AES stock on the grant date. The group does not discount the grant date fair values to reflect any post-vesting restrictions. RSUs without a market condition, granted to non-executive employees during the year ended 31 December 2013 and 2012 had grant date fair values per RSU of £6.75 and £8.49 respectively.

A summary of the RSU activity for the year ended 31 December 2013 follows (number of RSUs in thousands, pounds in millions except per unit amounts, term in years):

| | Restricted stock units | Weighted average grant date fair values | Weighted average remaining vesting term |
|---|---|---|---|
| Non-vested at 1 January 2013 | 17 | 8.14 | |
| Vested year to date | (8) | 7.85 | |
| Forfeited year to date | - | - | |
| Net transferred shares year to date | - | - | |
| Granted year to date | 10 | 6.75 | |
| Non-vested at 31 December 2013 | 19 | 7.39 | 1.6 |
| Vested at 31 December 2013 | 15 | 5.54 | |
| Vested and expected to vest at 31 December 2013 | 32 | 6.52 | |

## Notes to the financial statements for the year ended 31 December 2013

### 25 Reconciliation of movements in group shareholders' funds

| Group | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Profit for the financial year | 46,648 | 28,437 |
| Dividends paid | (40,973) | (6,500) |
| Share based payments | 72 | 63 |
| | 5,747 | 22,000 |
| Actuarial (loss)/gain recognised in the pension scheme | (1,491) | (13,893) |
| Movement on deferred tax relating to pension scheme | 347 | 3,404 |
| Net movement during year | 4,603 | 11,511 |
| Opening shareholders' funds | 81,980 | 70,469 |
| **Closing shareholders' funds** | 86,583 | 81,980 |

| Company | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Profit for the financial year | 131,441 | 17,238 |
| Dividends paid | (40,973) | (6,500) |
| Net movement during year | 90,468 | 10,738 |
| Opening shareholders' funds | 130,741 | 120,003 |
| **Closing shareholders' funds** | 221,209 | 130,741 |

### 26 Contingent liabilities

The group is aware of claims and potential claims which involve or may involve legal proceedings against the group in respect of current and former employees, including former employees of NIE, and contractors in respect of industrial illness and injury.

The directors are of the opinion, having regard to the legal advice received and insurance arrangements and provisions made that it is unlikely that the matters referred to above will, in aggregate, have a material effect on the group's financial position.

### 27 Capital commitments

| | 2013 £'000 | 2012 £'000 |
|---|---|---|
| Capital expenditure that has been contracted for but has not been provided for in the financial statements | 55 | 64 |

### 28 Post balance sheet events

Since 31 December 2013 the group proposed and paid interim dividends totalling £25,353,000.

## Notes to the financial statements for the year ended 31 December 2013

### 29 Comparative figures

Certain prior year figures have been reclassified to conform to the 2013 presentation. This had no impact on the profit and loss for the year or net assets / liabilities.

### 30 Related party transactions

The group and company have taken advantage of the exemption granted by FRS 8 "Related Party Disclosures" not to disclose transactions with other undertakings that are wholly owned of the AES Corporation Group. There are no other related party transactions during the current and preceding year.

### 31 Ultimate parent companies

The share capital of AES (NI) Limited is owned 47.79% (2012: 47.79%) by AES Electric Limited, a company registered in England and Wales, and 50.86% (2012: 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 parent company's financial statements can be obtained from the Securities and Exchange Commission, 450 5th Street NW, Washington DC 20549, USA.