

AES BALLYLUMFORD HOLDINGS LIMITED

**Annual Report and Financial Statements
31 December 2011**



AES BALLYLUMFORD HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2011

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AES BALLYLUMFORD HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTORS

The following directors were in office throughout the financial year ended 31 December 2011 and subsequently except where noted

Donald Lehman
Mark Miller
Mark Reynolds

SECRETARY

Donald Lehman

REGISTERED OFFICE

37- 39, Kew Foot Road
Richmond
Surrey
TW9 2SS

AUDITORS

Ernst & Young LLP
16 Bedford Street
Belfast
BT2 7DT

AES BALLYLUMFORD HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

RESULTS AND DIVIDENDS

The company's results for the year ended 31 December 2011 showed a profit after taxation of £47,361,000 (2010 loss of £4,469,000)

The directors paid an interim dividend in the year of £48,926,000 (2010 £nil) The directors do not recommend the payment of a final dividend (2010 £nil)

POST BALANCE SHEET EVENTS

Dividends of £16,832,000 were received and paid in December 2012 In March 2013 the company received and paid dividends of £16,875,000

ACTIVITIES, REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

There have not been any significant changes in the company's principal activities in the year under review The principal activity of the company is that of holding investments in associated undertakings The company continues to hold an investment in AES Ballylumford Limited, which operates an electricity generating station near Belfast and in AES Barry Operations Limited, a holding company with investments in a power plant in Martza and an investment in the Turkish operation of the AES Corporation

FINANCIAL RISK MANAGEMENT

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

DIRECTORS

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

DIRECTORS' INDEMNITY

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

AUDITORS

In the absence of a notice proposing that the appointment be terminated, Ernst & Young LLP will be deemed to be re-appointed as the company's auditor for the next year

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

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

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



Donald Lehman
Director
11 April 2013

Company Registration No. 07261857

AES BALLYLUMFORD HOLDINGS 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 company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
AES BALLYLUMFORD HOLDINGS LIMITED**

We have audited the financial statements of AES Ballylumford Holdings Limited for the year ended 31 December 2011 which comprise Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its 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.

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small entities' exemption in preparing the Directors' report.



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

AES BALLYLUMFORD HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2011

	Notes	2011 £'000	21 May to 31 December 2010 £'000
Revenue		48,878	-
Administrative expenses		<u>1,484</u>	<u>(3,679)</u>
OPERATING PROFIT / (LOSS)		50,362	(3,679)
Interest receivable and similar income	4	1,231	466
Interest payable and similar charges	5	<u>(4,894)</u>	<u>(1,574)</u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	46,699	(4,787)
Tax on ordinary activities	6	<u>662</u>	<u>318</u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>47,361</u></u>	<u><u>(4,469)</u></u>

All of the results relate to continuing operations in both the current and previous year

There are no recognised gains or losses or other movements in shareholder's funds for the current and preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses has been prepared.

AES BALLYLUMFORD HOLDINGS LIMITED

BALANCE SHEET As at 31 December 2011

	Notes	2011 £'000	2010 £'000
FIXED ASSETS			
Investments in group undertakings	7	154,745	143,173
		<u>154,745</u>	<u>143,173</u>
CURRENT ASSETS			
Debtors	8	5,327	3,847
Creditors amounts falling due within one year	9	(7,251)	(4,216)
NET CURRENT LIABILITIES			
		<u>(1,924)</u>	<u>(369)</u>
Creditors amounts falling due after one year	10	(73,960)	(73,960)
NET ASSETS			
		<u>78,861</u>	<u>68,844</u>
CAPITAL AND RESERVES			
Called up share capital	11	-	-
Share premium account	13	64,895	73,313
Profit and loss account	13	13,966	(4,469)
SHAREHOLDER'S FUNDS			
	14	<u>78,861</u>	<u>68,844</u>

These financial statements were approved by the Board of Directors on 11 April 2013

Signed on behalf of the Board of Directors



Donald Lehman

Director

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have all been applied consistently throughout the year.

Basis of preparation

The financial statements are prepared under the historical cost convention. The directors consider it appropriate to prepare the accounts on a going concern basis.

Group financial statements

In accordance with Section 400 (1) of the Companies Act 2006, consolidated financial statements have not been presented as the company is a wholly owned subsidiary of the AES Corporation, a company incorporated in the state of Delaware, USA and incorporates the financial statements of this company. These financial statements present information about the company as an individual undertaking and not about its group.

Cash flow statement

The company has taken advantage of the exemption granted by Financial Reporting Standard 1 (Revised), whereby it is not required to publish its own cash flow statement as it is a wholly-owned subsidiary, for which the ultimate parent company prepares consolidated financial statements that include a consolidated cash flow statement.

Foreign currency translation

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities are denominated in foreign currencies at balance sheet date are reported at the rate of exchange prevailing at the date.

Dividend income

Dividend income from investments is recognised when the shareholder's right to receive the payment is established. As the company is a holding company, dividends received are recognised as Revenue in the financial statements.

Dividends payable

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

Investment

Investments held as fixed assets are stated at cost less provision for any impairment in value.

At each balance sheet date, the company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the investment is estimated in order to determine the extent of the impairment loss (if any).

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 taxation is provided on 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 profit and its results as stated in the financial statements that arise from the inclusion of gains and losses in the 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 differences can be deducted.

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

AES BALLYLUMFORD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

1. ACCOUNTING POLICIES (CONTINUED)

Use of estimates

The preparation of accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

2. INFORMATION REGARDING DIRECTORS, EMPLOYEES AND AUDITORS

The directors received total remuneration for the year of £1,006,000 (2010 £2,543,000), all of which was paid by various subsidiaries of the AES Corporation. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as employees of other companies within AES Corporation.

The company has no employees (2010 nil).

Auditor's remuneration for the audit of the company's annual financial statements for the current year was £6,000 (2010 £6,000).

3. PROFIT BEFORE TAXATION

	2011	21 May to 31
	£'000	December 2010
		£'000
Profit before taxation is stated after (crediting) / charging:		
Success fee refund / (charge)	1,425	(2,160)
	<u>1,425</u>	<u>(2,160)</u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2011	21 May to 31
	£'000	December 2010
		£'000
Interest income from group undertakings	1,231	466
	<u>1,231</u>	<u>466</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2011	21 May to 31
	£'000	December 2010
		£'000
Interest payable to group undertakings	4,894	1,574
	<u>4,894</u>	<u>1,574</u>

AES BALLYLUMFORD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

6. TAXATION

	2011	21 May to 31
	£'000	December 2010
		£'000
Current tax		
UK corporation tax recoverable on loss for the period	(684)	(318)
Adjustments in respect of prior period	22	-
	<u>(662)</u>	<u>(318)</u>

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

	2011	21 May to 31
	£'000	December 2010
		£'000
Profit / (loss) on ordinary activities before tax	<u>46,699</u>	<u>(4,787)</u>
Tax charge on ordinary activities at standard UK corporation tax rate of 26.5% (2010: 28%) Effect of	12,375	(1,340)
Expenses not deductible for tax purposes	292	1,022
Non-taxable income	(13,351)	-
Adjustments in respect of prior year	<u>22</u>	<u>-</u>
Current tax credit for the period	<u>(662)</u>	<u>(318)</u>

A reduction to the main rate of UK corporation tax to 25% was substantively enacted on 19 July 2011. The Chancellor of the Exchequer announced in the 2012 Budget that the corporation tax rate effective from 1 April 2012 would be 24%, which was 1% lower than initially planned and further phased reductions of 1% per annum will subsequently be enacted. In addition, effective from 1 April 2014 the main rate of UK corporation tax will be 22%.

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.

AES BALLYLUMFORD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

7. INVESTMENTS

	Fixed asset investments £'000
At cost	
At 1 January 2011	143,173
Additions	11,572
	<hr/>
At 31 December 2011	154,745
	<hr/> <hr/>
Amounts provided	
At 1 January 2011	-
and at 31 December 2011	<hr/>
	<hr/> <hr/>
Net book value:	
At 31 December 2011	154,745
	<hr/> <hr/>
At 31 December 2010	143,173
	<hr/> <hr/>

During the year the company made further investment in AES Barry Operations Limited of £11,572,000 AES Barry Operations Limited holds the investments in the Bulgarian Operations of the AES Corporation and through its investment in AES Mont Blanc BV holds the investment in the Turkish operation of the AES Corporation

Name of company	Country of incorporation	Type of shares	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings:				
<i>Directly owned</i>				
AES Ballylumford Limited	England & Wales	Ordinary	100%	Electricity generation
AES Barry Operations Limited	England & Wales	Ordinary	100%	Holding company

8. DEBTORS: amounts falling due within one year

	2011 £'000	2010 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	1,833	896
Other debtors	-	119
Corporation tax recoverable	980	318
	<hr/>	<hr/>
	2,813	1,333
	<hr/> <hr/>	<hr/> <hr/>
Amounts falling due after one year		
Amounts owed by group undertakings	2,514	2,514
	<hr/>	<hr/>
	5,327	3,847
	<hr/> <hr/>	<hr/> <hr/>

Amounts falling due after more than one year represent loans made to subsidiary undertakings. The loans are unsecured, interest bearing and are due for repayment in 2020

AES BALLYLUMFORD HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

9. CREDITORS: amounts falling due within one year

	2011 £'000	2010 £'000
Amounts owed to group undertakings	7,242	3,787
Accruals and deferred income	9	429
	<u>7,251</u>	<u>4,216</u>

10. CREDITORS: amounts falling due after one year

	2011 £'000	2010 £'000
Loans owed to group undertakings	<u>73,960</u>	<u>73,960</u>

Loans owed to group undertakings represent a loan made from the immediate parent undertaking. The loan is unsecured, interest bearing and is due for repayment in 2020.

11 CALLED UP SHARE CAPITAL

	2011 £	2010 £
Called up, allotted and fully paid		
103 ordinary shares of £1	-	103
107 ordinary shares of £1	<u>107</u>	<u>-</u>

During the year shares have been allotted to parent companies as below

Date	Ordinary shares issued No	Premium paid £'000
25 February 2011	1	10,162
28 February 2011	1	443
7 March 2011	1	10
12 May 2011	1	967
	<u>4</u>	<u>11,582</u>

12. DIVIDENDS

	2011 £'000	2010 £'000
Declared and paid during the year		
Interim paid – March 2011 £22,887 73 per share	2,426	-
Interim paid – May 2011 £116,822 43 per share	12,500	-
Interim paid – November 2011 £186,915 89 per share	20,000	-
Interim paid – December 2011 £130,841 12 per share	14,000	-
	<u>48,926</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2011

13. CAPITAL AND RESERVES

	Called up Share Capital £'000	Share Premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2011	-	73,313	(4,469)	68,844
Transfer*	-	(20,000)	20,000	-
		53,313	15,531	68,844
Profit for the year	-	-	47,361	47,361
Issue of shares	-	11,582	-	11,582
Dividends declared and paid	-	-	(48,926)	(48,926)
At 31 December 2011	-	64,895	13,966	78,861

* In accordance with s644 (2) of Companies Act 2006, the company passed a special resolution to transfer from the Share Premium account £20 000,000 to the company's Profit and Loss account in order to increase distributable reserves.

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2011 £'000	21 May to 31 December 2010 £'000
Profit / (loss) for the year / period	47,361	(4,469)
Issue of ordinary share capital	11,582	73,313
Dividends paid	(48,926)	-
Net increase in shareholder's interest	10,017	68,844
Shareholder's interest at 1 January / 21 May	68,844	-
Shareholder's interest at 31 December	78,861	68,844

15. POST BALANCE SHEET EVENTS

Dividends of £16,832,000 were received and paid in December 2012. In March 2013 the company received and paid dividends of £16,875,000.

16. ULTIMATE PARENT COMPANY

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

The ultimate parent company and controlling entity, and parent of the smallest and largest group for which consolidated financial statements are prepared of which this company is a part, is the AES Corporation, a company incorporated in the State of Delaware, USA. Copies of the parent company's financial statements can be obtained from the Securities and Exchange Commission, 450 5th Street NW, Washington DC 20549, USA.

The company has taken advantage of the exemption granted by FRS 8 "Related Party Disclosures" not to disclose transactions with other undertakings within, and related parties of, The AES Corporation Group.