


AES Ballylumford Holdings Limited

Annual Report and Financial Statements
Registered number No 07261857
31 December 2017

COMPANIES HOUSE
BELFAST
5 OCT 2018
RECEPTION DESK

COMPANIES HOUSE
BELFAST
28 SEP 2018
RECEPTION DESK

FRIDAY



JNI *J7FXYZK0* 05/10/2018 #17
COMPANIES HOUSE
JNI *J7FGHAI* 28/09/2018 #210
COMPANIES HOUSE

Contents

CORPORATE INFORMATION	i
STRATEGIC REPORT	2
DIRECTORS' REPORT	3
DIRECTORS' RESPONSIBILITIES STATEMENT	4
INDEPENDENT AUDITOR'S REPORT	5
STATEMENT OF COMPREHENSIVE INCOME	7
STATEMENT OF FINANCIAL POSITION	8
STATEMENT OF CHANGES IN EQUITY	9
NOTES TO THE FINANCIAL STATEMENTS	10

AES Ballylumford Holdings Ltd

CORPORATE INFORMATION

DIRECTORS

	Appointed on	Resigned
Ian Luney	06.10.2014	02.08.2018
Mark Reynolds	21.05.2010	29.12.2017
Carla Tully	18.02.2015	11.09.2017
Roger Casement	11.09.2017	18.04.2018
Paul Hutchinson	18.04.2018	
James Timothy Mccullough	18.04.2018	
Julie Leeburn	02.08.2018	

AUDITORS

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

BANKERS

Barclays
Donegall House
Donegall Square North
Belfast
SW1A 1QA

REGISTERED OFFICE

First Floor
Templeback
10 Temple Back
Bristol
BS1 6FL

AES Ballylumford Holdings Ltd

Strategic report

The directors present their strategic report for the year ended 31 December 2017.

Principal activity

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 Maritza, Bulgaria.

Review of the business

There have not been any significant changes in the company's principal activities in the year under review. As a direct owner of AES Ballylumford Limited, the company is interested in recent events:

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

On 26 January 2018, Eirgrid and SONI announced the results of the first annual ISEM capacity auction. One of Ballylumford B station units failed to clear the auction. As a result, AES intends to retire that unit at the end of December 2018 (on expiry of the LRSA contract) and the other B station unit at the end of September 2019. In order to retire a unit, AES must follow the SONI Generation Plant Closure Process which requires a derogation to be sought to retire units within 36 months. AES is currently within this process and SONI have not yet made a recommendation to the Utility Regulator as to whether these units can close on the dates requested. This decision to seek to retire the B station units triggered a revision of the useful life of the units and resulted in additional depreciation of £1,068,000 in 2017. The remaining non PPA generating units will continue to operate as peaking units at times of high demand.

Principal risks and uncertainties

The company's activities are exposed to a number of financial risks which the directors considered to be the company's principal 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.

Credit risk

The company's principal financial asset is other receivables. The company has no significant concentration of credit risk, with exposure spread over a large number of related parties.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets are mainly inter-group loans which earn interest at variable rates. The company's interest bearing liabilities are mainly inter-group loans which also bear interest at variable rates. Where appropriate, the company fixes the interest rate on inter-group loans to minimise the interest rate cash flow risk.

By order of the Board



Director

Date: 27 September 2018

TIM MCCULLOUGH

AES Ballylumford Holdings Ltd

Director's report

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

Results and dividends

The company's profit for the year ended 31 December 2017 after taxation is \$118,357,000 (2016: \$2,336,000 equivalent of £1,724,000).

The directors paid interim dividend in the year \$122,376,000 (2016:\$nil). The directors do not recommend the payment of a final dividend (2016:\$nil).

Effective as of 16 June 2017, the currency of the loan between the AES Ballylumford Holdings and AES Amsterdam Holdings BV balancing to £72,427,144.80 at the end of 2016 was changed to US Dollars (USD). Considering the change in the economic facts and conditions, the new functional currency of the Company has been determined to be USD affective as of 16 June 2017.

The financial statements are prepared in USD, which is the functional currency of the Company from 16 July 2017. The change was made to reflect the change in the economic facts and conditions. It has been implemented with prospective effect. The change of presentation currency is applied retrospectively for comparative figures for 2016 and 2015. Currency translation effects for the comparative figures from functional currency to presentation currency USD in 2016 and 2015 are booked as transaction differences within a currency revaluation reserve.

Directors of the company

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.

Events since the balance sheet date

On 26 January 2018, Eirgrid and SONI announced the results of the first annual ISEM capacity auction. One of Ballylumford B station units failed to clear. As a result, AES management has taken a decision to retire that unit at the end of December 2018 and the remaining B station unit at the end of September 2019, subject to the outcome of the ongoing SONI Generation Plant Closure Process assessment.

Financial instruments

The company does not have any derivatives at the year end and does not apply hedge accounting. Trade debtors and creditors are all on normal commercial terms.

Directors' indemnity

During the year the Company maintained liability insurance for its Directors and officers. The Company indemnifies the directors in its Articles of Association to the extent allowed under the Companies Act 2006. The indemnity provision, which is a qualifying third-party indemnity provision as defined by section 236 of the Companies Act 2006, has been in force throughout the year.

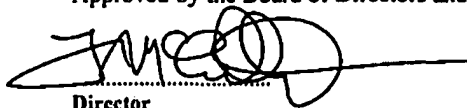
Disclosure of information to auditor

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

Auditors

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.

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



Director

Date: 27 September 2018

TIM MCCULLOUGH

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

The directors are responsible for preparing the Strategic Report and 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 the profit or loss 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect 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. The company has received letter of support from its parent company – AES UK Holdings Ltd.

Independent Auditor's Report to the members of AES Ballylumford Holdings Limited

Opinion

We have audited the financial statements of AES Ballylumford Holdings Limited for the year ended 31 December 2017 which comprise the Statement of comprehensive income, the Statement of Financial Position, the Statement of changes in equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its 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.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

Independent Auditor's Report to the members of AES Ballylumford Holdings Limited (Continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Ruth Logan (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast

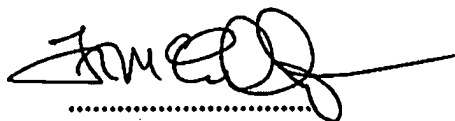
Date: 27.9.18

AES Ballylumford Holdings Ltd

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 USD'000	2016 USD'000
Revenue	2	122 376	6 195
Administrative expenses		(82)	(60)
OPERATING PROFIT		<u>122 294</u>	<u>6 135</u>
Interest receivable and similar income	3	1 304	1 269
Interest payable and similar expenses	4	(5 337)	(5 622)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>118 261</u>	<u>1 782</u>
Tax credit on profit on ordinary activities	7	96	554
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>118 357</u>	<u>2 336</u>
Other comprehensive income			
Other comprehensive income / (loss) for the year, net of income tax		4 739	(25 366)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>123 096</u>	<u>(23 030)</u>



.....
Director

Company registered number: No 07261857

TIM MCCULLOUGH

AES Ballylumford Holdings Ltd

STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2017

	Notes	2017 USD'000	2016 USD'000
FIXED ASSETS			
Investments in group undertakings	8	246 772	227 903
		<u>246 772</u>	<u>227 903</u>
CURRENT ASSETS			
Debtors			
- due within one year		8 269	6 274
- due after more than one year		3 398	3 102
Debtors	9	<u>11 667</u>	<u>9 376</u>
CREDITORS: Amounts falling due within one year	10	<u>(22 736)</u>	<u>(16 196)</u>
NET CURRENT LIABILITIES		<u>(11 069)</u>	<u>(6 820)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>235 703</u>	<u>221 083</u>
CREDITORS: Amounts falling due after more than one year	11	<u>(92 584)</u>	<u>(89 374)</u>
NET ASSETS		<u>143 119</u>	<u>131 709</u>
CAPITAL AND RESERVES			
Called up share capital	6	-	-
Share premium	6	131 918	117 029
Profit and loss account		9 882	14 890
Currency translation reserve	14	<u>1 319</u>	<u>(210)</u>
TOTAL SHAREHOLDERS FUNDS		<u>143 119</u>	<u>131 709</u>

These financial statements were approved by the board of directors on 27 September 2018 and were signed on its behalf by:



.....
Director

Company registered number: No 07261857

TIM MCCULLOUGH.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Called up share capital USD'000	Share premium account USD'000	Profit and loss account USD'000	Currency Revaluation reserve USD'000	Total equity USD'000
Balance at 1 January 2016	-	139 724	15 105	(113)	154 716
Profit or loss	-	-	2 336	-	2 336
Other comprehensive income (Foreign Currency Translation)	-	(22 718)	(2 551)	(97)	(25 366)
Equity-settled share based payment transactions	-	23	-	-	23
Balance at 31 December 2016	-	117 029	14 890	(210)	131 709
Balance at 1 January 2017	-	117 029	14 890	(210)	131 709
Capital contribution	-	10 690	-	-	10 690
Profit or loss	-	-	118 357	-	118 357
Other comprehensive income (Foreign Currency Translation)	-	4 199	(989)	1 529	4 739
Dividends	-	-	(122 376)	-	(122 376)
Balance at 31 December 2017	-	131 918	9 882	1 319	143 119

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

1. Accounting policies

AES Ballylumford Holdings Ltd (the "Company") is a company limited by shares and incorporated and domiciled in the United Kingdom. The Company is exempt by virtue of s400 (1) of Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102") as issued in August 2014. The presentation currency of these financial statements is USD. All amounts in the financial statements have been rounded to the nearest \$1,000.

• **Fair value as deemed cost:** The previous GAAP revaluation at transition date has been used as deemed cost for specific tangible fixed assets, specific investment property and specific intangible assets.

• **Borrowing costs:** The company has elected to capitalise borrowing costs only from the date of transition.

The Company's ultimate parent undertaking, The AES Corporation includes the Company in its consolidated financial statements. The consolidated financial statements of The AES Corporation are prepared in accordance with generally accepted accounting principles adopted by the U.S. Securities and Exchange Commission and are available to the public and may be obtained from the Securities and Exchange Commission, 450 5th Street NW, Washington DC 20549, USA. In these financial statements, the company is considered to be a qualifying entity for the purposes of FRS 102 and has applied the exemptions available under FRS 102 in respect of the following disclosures:

• A reconciliation of the number of shares outstanding at the beginning and at the end of the period, required by FRS 102.4.12

• Cash Flow Statement and related notes, required by FRS 102.7

• Related party transactions, required by FRS 102.33.1A

• Key Management Personnel compensation in total, a requirement of FRS 102.33.7

As the consolidated financial statements of AES Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

• The disclosures required by FRS 102.11 Basic Financial Instruments in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The financial statements are prepared under the historical cost convention.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through the profit or loss.

Change in functional currency and presentation currency

The financial statements are prepared in USD, which is the functional currency of the Company from 16 July 2017. The change was made to reflect the change in the economic facts and conditions.

The change has been implemented with prospective effect. The change of presentation currency is applied retrospectively for comparative figures for 2016 and 2015.

Currency translation effects for the comparative figures from functional currency to presentation currency USD in 2016 and 2015 are booked as translation differences towards equity.

Following the change in functional currency the directors have opted to change the presentational currency to USD and have treated this as a change in accounting policy applied retrospectively. For the comparative period, all assets, liabilities and reserves were translated at the opening rate on 1/1/2016, and closing rate of 31/12/2016 respectively. Non USD income and expenses were translated into USD at an exchange rate that approximates the exchange rate ruling at the date of the transactions. All resulting exchange differences have been recognised in other comprehensive income, within the currency translation reserve.

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

1. Accounting policies (continued)

1.2 Going concern

On the basis of their assessment of the company's financial position and review of budgets, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Foreign currency translation

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income, which are recognised in other comprehensive income.

1.4 Classification of financial instruments issued by the company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Notes to the financial statements
for year ended 31 December 2017

1. Accounting policies (continued)

1.6 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on re-measurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves). If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

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

1. Accounting policies (continued)

1.7 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.8 Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.9 Turnover

Turnover represents the dividends income from subsidiary company.

1.10 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

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

1. Accounting policies (continued)

1.10 Expenses (continued)

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

AES Ballylumford Holdings Ltd

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

2 Revenue

	2017	2016
	USD'000	USD'000
Dividend income	122 376	6 195
	<u>122 376</u>	<u>6 195</u>

3 Interest receivable and similar income

	2017	2016
	USD'000	USD'000
Interest income from group undertakings	1 304	1 269
	<u>1 304</u>	<u>1 269</u>

4 Interest payable and similar expenses

	2017	2016
	USD'000	USD'000
Interest payable to group undertakings	5 337	5 622
	<u>5 337</u>	<u>5 622</u>

5 Staff costs

- The company had no employees in the years ended 31 December 2017 and 31 December 2016.
- No remuneration was paid out to Directors of the company as they provided negligible qualifying services to the company. Directors are paid out of from related entity and an apportionment of salary was not deemed practical.

6 Called up share capital and Share premium:

	2017	2016
	USD	USD
Allotted and fully paid: 114 ordinary shares (113 at 2016 year end) of £1 each	<u>136</u>	<u>131</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Share premium amount at 2017 year end is \$131,918,000 (at 2016 year end is \$117,029, equivalent of £94,836,000).

AES Ballylumford Holdings Ltd

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

7 Tax on ordinary activities

	2017	2016
	USD'000	USD'000
Current tax:		
UK corporation tax recoverable on loss for the period	63	554
Adjustment in respect of previous periods	33	-
Total current tax credit	<u>96</u>	<u>554</u>

The difference between the total tax recognised in the profit and loss and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2017	2016
	USD'000	USD'000
Profit on ordinary activities before tax	118 261	1 782
Tax on ordinary activities at the standard rate in the UK 19.25% (2016: 20.25%)	22 761	361
Effect of:		
Income not taxable/ expenses not deductible for tax purposes	363	584
Non-taxable income	(23 187)	(1 491)
Adjustments in respect of previous periods	(33)	(8)
Current tax credit for the period	<u>96</u>	<u>554</u>

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

8 Investments in group undertakings

	Fixed asset investments	
	2017	2016
	USD'000	USD'000
Cost and net book value		
At 1 January	227 903	272 154
Additions	10 690	-
Currency translation adjustment on change of functional currency	8 179	(44 251)
At 31 December	<u>246 772</u>	<u>227 903</u>

Name of company	Aggregate of capital and reserve	Profit or loss account	Country of incorporation	Class of shares held	Owner- ship	Nature of business
<i>Directly owned</i>						
AES Ballylumford Limited £'000	17 632	68 064	Northern Ireland	Ordinary	100%	Electricity generation
AES Barry Operations \$ '000	42 771	102 738	England & Wales	Ordinary	100%	Holding company

AES Ballylumford Holdings Ltd

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

9 Debtors

	2017 USD'000	2016 USD'000
Amounts falling due within one year:		
Amounts owed by group undertakings	8 269	6 274
Amounts falling due after more than one year:		
Amounts owed by group undertakings	3 398	3 102
	<u>11 667</u>	<u>9 376</u>

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. Fair value is not considered to be materially different from the carrying amount.

Debtor	Curr.	Nominal interest rate	Year of maturity	Repayment schedule	2017 USD'000	2016 USD'000
AES Ballylumford Ltd	GBP	GBP 12m LIBOR + 3.5%	2020	Repayable at maturity	3 226	2 946
AES Ballylumford Ltd	GBP	GBP 12m LIBOR + 3.5%	2020	Repayable at maturity	172	156

10 CREDITORS: amounts falling due within one year

	2017 USD'000	2016 USD'000
Amounts owed to group undertakings	22 683	16 196
Corporation tax	27	-
Accruals and deferred income	26	-
	<u>22 736</u>	<u>16 196</u>

11 CREDITORS: Amounts falling due after more than one year

	2017 USD'000	2016 USD'000
Loans owed to group undertakings	92 584	89 374
	<u>92 584</u>	<u>89 374</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. Fair value is not considered to be materially different from the carrying amount. As of 16 June 2017, currency of loan was changed to USD. Interest rate applied is monthly 130% AFR (Index of Applicable Federal Rates) + 2.750%.

Creditor	Curr.	Nominal interest rate	Year of maturity	Repayment schedule	2017 USD'000	2016 USD'000
AES Amsterdam Holdings BV	USD	130 % AFR plus 2.750 %	2020	No schedule	92 584	89 374

AES Ballylumford Holdings Ltd

Notes to the financial statements for year ended 31 December 2017

12 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	2017	2016
	USD'000	USD'000
Assets measured at amortised cost	11 667	9 376
Liabilities measured at amortised cost	<u>115 320</u>	<u>105 570</u>

Details of the assets amounts owed by group undertakings are disclosed in note 9. Details of the liabilities amounts falling due within one year and loans owed by group undertakings are disclosed in notes 10 and 11.

13 Dividends

	2017	2016
	USD'000	USD'000
Declared and paid during the year:	122 376	-
Total	<u>122 376</u>	<u>-</u>
Interim paid – May 2017: \$ 735 137.19 per share		
Interim paid – June 2017: \$ 324,124.80 per share		
Interim paid – September 2017: \$ 23,713.27 per share		
The amount of USD 119,697,000 represents dividend paid in kind.		

14 Currency translation reserve

The currency translation reserve represents the cumulative gains and losses arising on the revaluation of all assets and liabilities from GBP to USD as from 1st January 2016.

15 Ultimate parent company and parent company of larger group

The company is controlled by its immediate parent undertaking, AES UK Holdings Limited, a company incorporated in England and Wales.

The ultimate controlling party is AES Corporation, a company incorporated in the State of Delaware, USA.

The company is a subsidiary undertaking of AES Corporation which is the ultimate parent undertaking.

The largest and smallest group in which the results of the company are controlled is that headed by AES Corporation.

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

16 Events subsequent to balance sheet date

On 26 January 2018, Eirgrid and SONI announced the results of the first annual ISEM capacity auction. One of Ballylumford B station units failed to clear. As a result, AES management has taken a decision to retire that unit at the end of December 2018 and the remaining B station unit at the end of September 2019, subject to the outcome of the ongoing SONI Generation Plant Closure Process assessment.