

AES Horizons Investments Limited

Annual report

for the year ended

31 December 2008

Registered number: 2676624

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AES Horizons Investments Limited

Annual report for the year ended 31 December 2008

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Directors and advisers

Directors

John McLaren
Neil Hopkins

Company Secretary

Neil Hopkins

Registered office

37 Kew Foot Road
Richmond
Surrey
TW9 2SS

Solicitors

Carson McDowell
Murray House
Murray Street
Belfast
BT1 6DN

Bankers

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

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Directors' report for the year ended 31 December 2008

The directors present their report and the audited financial statements of the company for the year ended 31 December 2008.

Principal activity

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

Review of business and future developments

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

Key performance indicators ('KPIs')

The directors manage the company's operations on a divisional basis. For this reason, the company's directors believe that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business of the company.

Environment

The company recognises its corporate responsibility to carry out its operations whilst minimising environmental impacts. The directors' continued aim is to comply with all applicable environmental legislation, prevent pollution and reduce waste wherever possible.

Health and safety

The company is committed to achieving the highest practicable standards in health and safety management and strives to make all sites and offices safe environments for employees and customers alike.

Financial risk management

The company's operations expose it to a variety of financial risks. The group to which the company belongs has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring the levels of debt finance and the related finance costs.

Price risk

The company has no price risk as its income is derived from its investment in an associate company.

Credit risk

The company is not exposed to a significant credit risk as its investment income is derived from a company that is wholly owned within the AES Corporation.

Foreign exchange risk

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

Liquidity risk

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

Directors' report (continued)

Financial risk management (continued)

Interest rate cash flow risk

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

Results and dividends

The profit for the financial year was £1,046,155 (2007: £2,828,893). The directors do not recommend the payment of a dividend (2007: £Nil) for the year ended 31 December 2008.

Directors

The directors who served during the year are shown on page 1.

In accordance with the articles of association, none of the directors are required to retire by rotation.

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of these financial statements are aware:

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

Directors' report (continued)

Auditors

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

By order of the Board

A handwritten signature in black ink, appearing to read 'Neil Hopkins', with a long horizontal flourish extending to the right.

Neil Hopkins
Company Secretary
13 March 2009

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

We have audited the financial statements of AES Horizons Investments Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Belfast
19 March 2009

**Profit and loss account
for the year ended 31 December 2008**

	Notes	2008 £'000	2007 £'000
Turnover		271	-
Other operating income		51	(1)
Operating profit/ (loss)		322	(1)
Interest receivable and similar income	4	760	1,888
Profit on ordinary activities before taxation	5	1,082	1,887
Tax on profit on ordinary activities	6	(36)	942
Profit for financial year	13	1,046	2,829

All amounts above relate to continuing operations of the company.

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

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

Balance sheet at 31 December 2008

	Notes	2008 £'000	2007 £'000
Investments			
Investments in associates	7	16,040	16,040
Current assets			
Debtors	8	6,806	5,721
Cash at bank and in hand		1	1
		6,807	5,722
Creditors: amounts falling due within one year	9	(564)	(525)
Net current assets		6,243	5,197
Total assets less current liabilities		22,283	21,237
Creditors: amounts falling due after more than one year	10	(12,388)	(12,388)
Net assets		9,895	8,849
Capital and reserves			
Called up share capital	12	3,125	3,125
Profit and loss reserve	13	6,770	5,724
Shareholders' funds	14	9,895	8,849

The financial statements on pages 6 to 12 were approved by the board on 13 March 2009 and were signed on its behalf by:



N Hopkins
Director

Notes to the financial statements for the year ended 31 December 2008

1 Accounting policies

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

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 accounts on an accruals basis.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets are regarded as recoverable to the extent that, 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 assets and liabilities recognised have not been discounted.

Foreign currencies

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

Consolidated financial statements

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

Cash flow

The company is a wholly owned subsidiary of AES Corporation and cash flows of the company are included in the consolidated cash flow statement of AES Corporation. Consequently the company is exempt under the terms of FRS 1 from publishing a cash flow statement.

2 Directors' emoluments

There were no emoluments paid to the directors during 2008 and 2007.

3 Employee information

There were no persons (excluding executive directors) employed by the company during 2008 and 2007.

Notes to the financial statements for the year ended 31 December 2008

4 Interest receivable and similar income

	2008	2007
	£'000	£'000
Interest receivable from related undertaking	760	821
Dividends received from related undertaking	-	1,067
	760	1,888

5 Profit on ordinary activities before taxation

	2008	2007
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration - audit services	1	1

6 Tax on profit on ordinary activities

	2008	2007
	£'000	£'000
Current tax:		
UK corporation tax at 28.5% (2007:30%)	309	246
Adjustment in respect of previous years	(273)	(1,188)
Tax on profit on ordinary activities	36	(942)

The current tax assessed for the year differs from the standard rate of corporation tax in the UK (28.5%) (2007:30%).The differences are explained below:

	2008	2007
	£'000	£'000
Profit on ordinary activities before tax	1,082	1,887
Profit on ordinary activities multiplied by standard rate in the UK 28.5% (2007:30%)	309	566
Effects of:		
Income not taxable	-	(320)
Adjustment in respect of previous years	(273)	(1,188)
Current tax charge/(credit) for the year	36	(942)

Notes to the financial statements for the year ended 31 December 2008

7 Fixed asset investments

	Related undertaking £'000	Loan stock held in related undertakings £'000	Total £'000
Cost			
At 1 January 2008 and at 31 December 2008	9,790	6,250	16,040
Net book amount			
At 31 December 2007 and at 31 December 2008	9,790	6,250	16,040

Interest in group undertakings

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

The principal business activities of these related undertakings are:

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

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

Loan stock

As at 31 December 2008 the company holds £6,250,000 floating rate subordinated deferred loan stock.

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

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

Notes to the financial statements for the year ended 31 December 2008

8 Debtors

	2008	2007
	£'000	£'000
Amounts owed by related undertaking	6,806	5,721

9 Creditors: amounts falling due within one year

	2008	2007
	£'000	£'000
Amounts owed to related undertaking	6	5
Corporation tax	555	518
Accruals and deferred income	3	2
	564	525

10 Creditors: amounts falling due after more than one year

	2008	2007
	£'000	£'000
Amounts owed to related undertaking	12,388	12,388

11 Deferred taxation

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

12 Called up share capital

	2008	2007
	£'000	£'000
Authorised		
3,125,000 ordinary shares of £1 each	3,125	3,125
Allotted and fully paid		
3,125,000 ordinary shares of £1 each	3,125	3,125

13 Profit and loss reserve

	£'000
At 1 January 2008	5,724
Profit for the financial year	1,046
At 31 December 2008	6,770

Notes to the financial statements for the year ended 31 December 2008**14 Reconciliation of movements in shareholders' funds**

	2008	2007
	£'000	£'000
Profit for the financial year	1,046	2,829
Opening shareholders' funds	8,849	6,020
Closing shareholders' funds	9,895	8,849

15 Contingent Liabilities

The company has no contingent liabilities at the year end. (2007:£Nil)

16 Related party transactions

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

17 Ultimate parent company

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

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