

AES ELECTRIC LIMITED

Report and Financial Statements

31 December 2009



AES ELECTRIC LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

AES ELECTRIC LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

The following directors were in office during the financial year ended 31 December 2009 and subsequently, except where noted

Name	Appointed	Resigned
Mark Reynolds		
Benny Seto	30 April 2009	
Julian Jose Nebreda Marquez	1 September 2009	
Sean Neely	3 November 2009	23 March 2010
Timothy Clarke		18 March 2010
Neil Hopkins		30 April 2009
John McLaren		1 September 2009

COMPANY SECRETARY

Benny Seto	30 April 2009	
Neil Hopkins		30 April 2009

REGISTERED OFFICE

37- 39 Kew Foot Road
Richmond
Surrey
TW9 2SS

BANKERS

Citibank
Canada Wharf
London
E14 5LB

AUDITORS

Ernst & Young LLP
1, More London Place
London
SE1 2AF

AES ELECTRIC LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 December 2009

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The company is a wholly owned subsidiary of the AES Corporation and operates within the group's European, Commonwealth of Independent States, and Asia region

The company's principal activity is the development of new electricity generating facilities across Europe. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any major changes in the company's activity subsequent to 31 December 2009. In addition, the company continues to indirectly hold an investment in AES Kilroot Power Limited, which operates the Kilroot Power Station in Belfast. The subsidiary undertakings are listed in note 10 to the accounts.

The profit for the year ended 31 December 2009 after taxation amounted to £6,908,000 (2008 £5,734,000)

The balance sheet on page 7 of the financial statements shows the company's financial position at the year end, with net assets decreasing to £53,592,000 (2008 £100,583,000) following the conversion of share premium to distributable reserves as allowed under Companies Act 2006 and a dividend payment of £54,402,000 (2008 £73,521,000)

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.

Currency risk

The company's activities expose it to the financial risks of changes in foreign currency exchange rates. The company manages this risk by regular monitoring of the foreign currency exchange rates.

Credit risk

The company's principal financial assets are bank balances, cash and other receivables. The company's credit risk is primarily attributable to its receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The company has no significant concentration of credit risk, with exposure spread over large number of related parties.

Liquidity risk

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

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include bank accounts and 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.

AES ELECTRIC LIMITED

DIRECTORS' REPORT

DIVIDENDS

The directors paid a dividend of £54,402,000 in 2009 (2008 £73,521,000)

CHARITABLE CONTRIBUTIONS

Contributions made by the company for charitable purposes were £18,190 (2008 £19,667)

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

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



Benny Seto
Director
30 September 2010

AES ELECTRIC 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 accounts.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AES ELECTRIC LIMITED

We have audited the financial statements of AES Electric Limited for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, 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 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 (APB'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.

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 2009 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.

Ernst & Young LLP

David Coulon (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
30 September 2010

AES ELECTRIC LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Cost of sales		(2,854)	(9,174)
GROSS LOSS		(2,854)	(9,174)
Administrative expenses		(8,594)	(10,049)
Other operating income, net	5	1,097	5,517
OPERATING LOSS		(10,351)	(13,706)
Loss on sale of investment		-	(4,411)
Income from group undertakings		14,770	4,839
Interest receivable and similar income	6	2,138	26,282
Interest payable and similar charges	7	(3,787)	(6,701)
Other income		1,338	819
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	4,108	7,122
Tax credit / (charge) on profit on ordinary activities	8	2,800	(1,388)
PROFIT FOR THE FINANCIAL YEAR		<u>6,908</u>	<u>5,734</u>

All amounts are derived from continuing operations in both the current and preceding year

There are no recognised gains or losses for the current or 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 ELECTRIC LIMITED

BALANCE SHEET

As at 31 December 2009

		2009	RESTATED 2008
	Notes	£'000	£'000
FIXED ASSETS			
Tangible assets	9	283	222
Investments	10	58,501	58,081
		<u>58,784</u>	<u>58,303</u>
CURRENT ASSETS			
Work in progress		-	720
Debtors			
- due within one year	11	20,908	102,383
- due after more than one year	11	48,132	31,665
Cash at bank and in hand		2,532	593
		<u>71,572</u>	<u>135,361</u>
CREDITORS: Amounts falling due within one year	12	<u>(33,191)</u>	<u>(28,032)</u>
NET CURRENT ASSETS		<u>38,381</u>	<u>107,329</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>97,165</u>	<u>165,632</u>
CREDITORS: Amounts falling due after more than one year	13	<u>(42,763)</u>	<u>(64,010)</u>
PROVISION FOR ONEROUS LEASE	14	<u>(810)</u>	<u>(1,039)</u>
NET ASSETS		<u><u>53,592</u></u>	<u><u>100,583</u></u>
CAPITAL AND RESERVES			
Called up share capital	15	30,309	30,309
Share premium	17	-	54,917
Other reserves	17	3,075	2,572
Profit and loss account	17	20,208	12,785
SHAREHOLDER'S FUNDS	16	<u><u>53,592</u></u>	<u><u>100,583</u></u>

These financial statements were approved by the Board of Directors on 30 September 2010

Signed on behalf of the Board of Directors



Benny Seto
Director

AES ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2009**

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 both the current and preceding year.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Group accounts

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.

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report on page 2. The financial position of the company is described in the balance sheet on page 7. The company's borrowings and available facility are described in notes 12 and 13. In addition the Directors' report on page 2 includes the company's financial risk management objectives and its exposures to credit risk and liquidity risk.

The company has considerable financial resources together with available credit facility. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided in equal annual instalments over the estimated useful lives of the assets. The estimated useful lives are:

Leasehold improvements	- the term of the lease
Fixtures, fittings, tools and equipment	- between 3 and 10 years

Investments

Fixed asset investments in subsidiaries and other group companies are held at cost. The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Dividend income

Dividend income from investments is recognised when the shareholders' right to receive the payment is established.

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.

AES ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2009**

1. ACCOUNTING POLICIES (CONTINUED)

Development projects

Work in progress

Work in progress represents projects in development. These costs represent directly attributable amounts incurred for professional services, salaries, permits, options and other related costs when it is virtually certain that a contract will be obtained and the contract is expected to result in future net cash inflows with a present value no less than all amounts recognised as an asset. Upon completion of the projects, they are sold or transferred to other group companies. Work in progress is stated at the lower of cost or net realisable value.

Assets under construction

If the intention at the outset is to retain the assets, the projects are capitalised as assets under construction and on completion are transferred to developed projects and are depreciated on a straight-line basis over the life of the project. Provision for impairment is made if the directors determine that a particular project will no longer be developed.

Debtors

Debtors are carried at the original invoice amount, less allowances made for doubtful receivables. Provision is made when there is objective evidence that the group will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Trade and other creditors

Trade and other creditors are carried at payment or settlement amounts. If the effect of the time value of money is material, trade and other creditors are determined by discounting the expected future cash flows at a pre-tax rate.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

Foreign currency translation

Transactions expressed in foreign currencies are translated into sterling at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the year end. Any resulting gains or losses are taken to the profit and loss account.

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

AES ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

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 these awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards, subject to the company's estimate of the number of awards which will lapse, either due to employees leaving the company prior to vesting or due to non-market based performance conditions not being met. Where an award has market based performance conditions, the fair value of the award is adjusted at the date of grant for the probability of achieving these via the option pricing model. The total amount recognised in the profit and loss account 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.

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 company'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 by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2009 £'000	2008 £'000
Directors' emoluments		
Fees and other emoluments	1,540	1,072
Money received under long term incentive schemes	333	218
Pension contributions	101	105
	<u>1,974</u>	<u>1,395</u>
 In respect of the highest paid director:		
Fees, emoluments and money received under long term incentive schemes	<u>527</u>	<u>656</u>

AES ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

	2009	2008
Number of directors who received shares in the ultimate parent company in respect of qualifying services	3	3
Number of directors who exercised share options for shares in the ultimate parent company	-	-
The highest paid director received shares in the ultimate parent company under the company's long term incentive scheme during the year		
Four directors are members of defined contribution pension schemes (2008 four) The contributions paid in respect of the highest paid director were £21,491 (2008 £50,999)		

	2009 No	2008 No.
Average number of persons employed (including directors)		
Administration	38	27
Development	10	18
	<u>48</u>	<u>45</u>

	2009 £'000	2008 £'000
Staff costs during the year (including directors)		
Wages and salaries	5,266	5,815
Social security costs	1,324	932
Pension costs	440	553
	<u>7,030</u>	<u>7,300</u>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2009 £'000	2008 £'000
Profit on ordinary activities before taxation is stated after (crediting) / charging:		
Depreciation – owned assets	72	40
Rentals under operating leases		
Other operating leases	477	733
Revaluation / (impairment) of ESOP	420	(856)
	<u></u>	<u></u>

AES ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

4. AUDITORS' REMUNERATION

	2009 £'000	2008 £'000
Fees for the audit of the company	30	20
Fees for the audit of other AES companies	27	90
	<u>57</u>	<u>110</u>

5. OTHER OPERATING INCOME, NET

	2009 £'000	2008 £'000
Write back / (off) of impairment of ESOP (note 10)	420	(856)
Write (off) / back of amounts owed by group undertakings	(1,115)	6,373
Administrative fee	1,792	-
	<u>1,097</u>	<u>5,517</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 £'000	2008 £'000
Interest receivable from group companies	2,112	11,317
Bank interest receivable	26	129
Foreign exchange gain	-	14,836
	<u>2,138</u>	<u>26,282</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £'000	2008 £'000
Interest payable to group companies	2,189	6,701
Bank interest payable	1	-
Foreign exchange loss	1,597	-
	<u>3,787</u>	<u>6,701</u>

AES ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009 £'000	2008 £'000
UK corporation tax on profits for the period	2,800	-
Adjustments in respect of previous periods	-	(1,388)

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 can be reconciled as follows

	2009 £'000	2008 £'000
Profit on ordinary activities before taxation	4,108	7,122
Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2008 – 28.5%)	(1,150)	(2,030)
Effect of		
Income / (expenses) not taxable / (deductible) for tax purposes	(109)	790
Fixed asset timing differences	7	18
Movement in short term timing differences	190	(142)
UK dividends not subject to UK taxation	4,136	1,379
Tax losses carried forward	-	(15)
Receipt for group relief surrender for prior years	(274)	-
Adjustment in respect of prior years	-	(1,388)
Tax credit / (charge) for the period	2,800	(1,388)

Deferred tax assets of £8,156,000 (2008 £8,319,000) in respect of revenue losses, £9,628,000 (2008 £9,628,000) in respect of capital losses and £428,000 (2008 £594,000) in respect of other timing differences have not been recognised as there is insufficient evidence that the assets will be recovered. The assets would be recovered if the company made suitable taxable profits in the future.

In his budget of 22 June 2010, the Chancellor of the Exchequer proposed a decrease in the rate of UK corporation tax from 28% to 24% by 1% each year, from April 2011, which will be enacted annually. If the unrecognised deferred tax assets were realised at the 27% tax rate, which has been enacted, its value would be £7,864,000 in respect of revenue, £9,284,000 in respect of capital losses and £413,000 in respect of other timing differences.

AES ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

9. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Fixtures, fittings, tools and equipment £'000	Leased equipment £'000	Total £'000
Cost:				
At 1 January 2009	19	403	38	460
Additions	69	64	-	133
	<u>88</u>	<u>467</u>	<u>38</u>	<u>593</u>
At 31 December 2009				
Accumulated depreciation:				
At 1 January 2009	1	217	20	238
Charge for the year	4	55	13	72
	<u>5</u>	<u>272</u>	<u>33</u>	<u>310</u>
At 31 December 2009				
Net book value:				
At 31 December 2009	<u>83</u>	<u>195</u>	<u>5</u>	<u>283</u>
At 31 December 2008	<u>18</u>	<u>186</u>	<u>18</u>	<u>222</u>

10. INVESTMENTS HELD AS FIXED ASSETS

	Shares in group undertakings £'000	Participating interests £'000	Loans to undertakings in which the company has a participating interest £'000	Total £'000
Cost				
At 1 January 2009 and at 31 December 2009	<u>46,636</u>	<u>6,268</u>	<u>6,250</u>	<u>59,154</u>
Provision for impairment				
At 1 January 2009	1,073	-	-	1,073
Write back provision relating to write off	(420)	-	-	(420)
	<u>653</u>	<u>-</u>	<u>-</u>	<u>653</u>
At 31 December 2009				
Net book value:				
At 31 December 2009	<u>45,983</u>	<u>6,268</u>	<u>6,250</u>	<u>58,501</u>
At 31 December 2008	<u>45,563</u>	<u>6,268</u>	<u>6,250</u>	<u>58,081</u>

AES ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

10. INVESTMENTS HELD AS FIXED ASSETS (CONTINUED)

Included in the shares in group undertakings is an ESOP trust sponsored by the company, effective since July 1998 which comprises of 165,335 (2008 165,335) shares in the AES Corporation. At the balance sheet date the share price was \$13.31 (2008 \$8.24) with a total market value of £1,361,000 (2008 £941,000) and therefore an increase in the value of £420,000 (2008 £852,000) has been recorded during the year. The terms of the ESOP are that pre-existing employees (prior to 2001) can purchase shares at a value not less than the cost of the shares to the company. Accordingly, no liability is recorded in the company in respect of the shares to be purchased by employees.

Included in loans to undertakings in which the company has a participating interest above is floating rate subordinated loan stock of £6,250,000 in AES (NI) Limited, on which interest levied is calculated as the sum of the applicable margin (6%) and LIBOR on quotation date.

Details of the investments in which the company held more than 20% of the nominal value of any class of share capital either directly or indirectly as at 31 December 2009 were as follows:

Name of company	Country of incorporation	Type of shares	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings:				
AES Medway Electric Limited	England & Wales	Ordinary	100%	Non-trading
AES East Usk Limited	England & Wales	Ordinary	100%	Non-trading
AES Horizons Investments Limited	England & Wales	Ordinary	100%	Holdings company
AES Energy Limited	England & Wales	Ordinary	100%	Non-trading
Associated undertakings:				
AES (NI) Limited	Northern Ireland	Ordinary	47.787%	Electricity generation
Cloghan Limited	Northern Ireland	Ordinary	50%	Holding company

11. DEBTORS

	RESTATED	
	2009	2008
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by group undertakings	16,442	101,087
VAT recoverable	188	286
Other debtors	4,021	783
Prepayments and accrued income	253	224
Corporation tax	4	3
	<u>20,908</u>	<u>102,383</u>
	RESTATED	
	2009	2008
	£'000	£'000
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>48,132</u>	<u>31,665</u>

* Reclassification of the Global Energy Holdings balance to Debtors amounts falling due after more than one year

The amounts owed by group undertakings due after more than one year are repayable on the agreement of both parties, after a period of at least one year. This includes £9,866,000 receivable from AES UK Datacenter Services Limited, £8,940,000 receivable from AES Horizons Investments Limited, £17,800,000 AES (NI) Limited and £11,526,000 from Global Energy Holdings C V. These amounts do not bear interest.

AES ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

12. CREDITORS: amounts falling due within one year

	2009	RESTATED 2008
	£'000	£'000
Trade creditors	413	1,413
Amounts owed to group undertakings	28,463	22,889
Amounts owed under finance lease	5	10
Other creditors	-	33
Accruals and deferred income*	3,930	3,323
Current portion of provision for onerous lease	379	364
	<u>33,191</u>	<u>28,032</u>

* The long term portion for performance units has been reclassified to Creditors amounts falling due after more than one year

13. CREDITORS: amounts falling due after more than one year

	2009	RESTATED 2008
	£'000	£'000
Amounts owed to group undertakings	42,196	62,830
Amounts owed under finance lease	2	10
Long term portion of provision for performance units**	565	1,170
	<u>42,763</u>	<u>64,010</u>
The maturity profile of amounts owed to group undertakings as at 31 December is as follows		
Between one year and two years	13,024	-
Between two year and five years	29,172	13,560
After five years	-	49,270
	<u>42,196</u>	<u>62,830</u>

** The long term portion for performance units has been reclassified from Creditors amounts falling due within one year

The company has a loan with AES Global Power Holdings BV of £13,024,000 (2008 £13,024,000) which bears interest at LIBOR plus 6% and is repayable in 2011

On 15 March 2005, AES Global Power Holdings BV and the company entered into an Intercompany Credit Facility Agreement whereby the former will extend the latter a credit facility of £50,000,000. At 31 December 2009, the company has drawn down £28,692,000 (2008 £49,270,000) which accrues interest at LIBOR plus 1% and is repayable in 2014

The company has a loan from AES Summit Generation Limited of £480,000 (2008 £536,000) which does not bear interest

AES ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

14. PROVISION FOR ONEROUS LEASE

The company recorded a provision for an onerous lease for the property located at 18 Parkshot, Richmond as the company moved office location in December 2006 and it is unlikely to sub-lease the property for the remainder of the lease term. Provision has been calculated based on the discounted cash flows expected to arise under the lease.

	2009 £'000	2008 £'000
At 1 January	1,039	-
Additions during the year	150	1,403
At 31 December	1,189	1,403
Less current portion (note 12)	(379)	(364)
Non-current portion of provision for onerous lease	810	1,039

15. CALLED UP SHARE CAPITAL

	2009 £'000	2008 £'000
Authorised		
50,000,000 (2008 50,000,000) ordinary shares of £1 each	50,000	50,000
Called up, allotted and fully paid		
30,309,352 (2008 30,309,352) ordinary shares of £1 each	30,309	30,309

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2009 £'000	2008 £'000
Opening shareholder's funds	100,583	167,092
Profit for the financial year	6,908	5,734
Dividend paid	(54,402)	(73,521)
Employee share scheme payments	503	1,278
Closing shareholder's funds	53,592	100,583

17. MOVEMENTS ON RESERVE

	Called Up Share Capital £'000	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2009	30,309	54,917	2,572	12,785	100,583
Transfer to distributable reserves	-	(54,917)	-	54,917	-
	30,309	-	2,572	67,702	100,583
Profit for the year	-	-	-	6,908	6,908
Employee share scheme payments	-	-	503	-	503
Dividend paid	-	-	-	(54,402)	(54,402)
Balance at 31 December 2009	30,309	-	3,075	20,208	53,592

AES ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

18. 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 £3,075,000, (2008 £2,572,000)

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 £204,000 (2008 £ 644,000)

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

	2009	2008
Expected volatility	66%	37%
Expected annual dividend yield	0%	0%
Expected option term (years)	6	6
Risk-free interest rate	2.01%	3.04%

The company 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 company 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 company 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 company 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 was £2.52 and £5.28 for the years ended 31 December 2009 and 2008 respectively.

AES ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

18. OTHER RESERVES (CONTINUED)

A summary of the option activity for the year ended 31 December 2009 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
Outstanding at 31 December 2008	608	12.26		
Exercised year to date	(69)	6.17		
Forfeited and expired year to date	(235)	10.32		
Granted year to date	84	4.15		
Transferred year to date	(194)	9.69		
Outstanding at 31 December 2009	194	11.13	2.6	
Vested and expected to vest at 31 December 2009	189	11.11	2.5	95
Eligible for exercise at 31 December 2009	174	11.00	2.0	95

Restricted Stock Units

Awards of Restricted Stock Units (RSUs) are denominated in units of AES stock, each representing the right to receive one share of AES common stock for each vested unit on the fifth anniversary of the grant date. RSUs are granted at the market value of AES stock at the date of grant and vest one third each year. The cost of providing RSUs is recognised in the profit and loss account evenly over the three year vesting period. The expense recognised for 2009 was £299,000 (2008 £ 634,000).

Restricted Stock Units without market conditions

For the years ended 31 December 2009 and 2008, 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 company 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 2009 and 2008 had grant date fair values per RSU of £4.15 and £13.03 respectively.

A summary of the RSU activity for the year ended 31 December 2009 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
Nonvested at 31 December 2008	53	13.68	
Vested year to date	(13)	12.07	
Forfeited year to date	(27)	9.42	
Net transferred shares year to date	(13)	12.17	
Granted year to date	59	4.15	
Nonvested at 31 December 2009	59	5.47	2.0
Vested at 31 December 2009	51	11.53	-
Vested and expected to vest at 31 December 2009	98	8.61	-

AES ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2009

18. OTHER RESERVES (CONTINUED)

Restricted Stock Units with market conditions

Restricted Stock Units (RSUs) issued to officers of the company have a three year vesting schedule and include a market condition to vest. Vesting will occur if the applicable continued employment conditions are satisfied and the Total Stockholder Return ("TSR") on AES common stock exceeds the TSR of the Standard and Poor's 500 ("S&P 500") over the three year measurement period beginning 1 January in the year of grant and ending after three years on 31 December. In certain situations where the TSR of both AES common stock and the S&P 500 exhibit a gain over the measurement period, the grant may vest without the TSR of AES common stock exceeding the TSR of the S&P 500, if the Compensation Committee exercises its discretion to permit such vesting. The units are then required to be held for an additional two years subsequent to vesting before they can be redeemed for shares, and thus become transferable. In all circumstances, RSUs granted by AES do not entitle the holder the right, or obligate AES, to settle the Restricted Stock Unit in cash or other assets of AES.

The effect of market condition on RSUs issued to officers of the company is reflected in the award's fair value on the grant date for the year ended 31 December 2009. A discount of 0.5% was applied to the closing price of AES's stock on the date of grant to estimate the fair value to reflect the market conditions for RSUs with market conditions granted during the year ended 31 December 2009. RSUs that included a market condition granted during the year ended 31 December 2009 and 2008 had a grant date fair value per Restricted Stock Unit of £4.13 and £11.21 respectively.

A summary of the RSU activity for the year ended 31 December 2009 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
Nonvested at 31 December 2008	27	13.60	
Vested year to date	-	-	
Forfeited and transferred year to date	(64)	7.48	
Granted year to date	37	4.15	
	<hr/>	<hr/>	<hr/>
Nonvested at 31 December 2009	-	-	-
	<hr/>	<hr/>	<hr/>
Vested at 31 December 2009	-	-	-
Vested and expected to vest at 31 December 2009	-	-	-

19. FINANCIAL COMMITMENTS

On 4 December 1997, the company signed a 15-year lease for office premises at an annual rent of £275,000 per annum (2008: £275,000). The company is also committed to making payments totalling £123,470 within the next year under an operating lease on its old premises (2008: £123,470). However, these premises were sublet for £123,470 per annum (2008: £123,470) as from 14 April 1998. This sublease runs until the end of the original 15 year lease, which is due to expire in December 2010.

AES ELECTRIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2009**

20. OPERATING LEASE COMMITMENTS

	Buildings 2009 £'000	Buildings 2008 £'000
Annual commitment under operating leases expiring within two to five years	<u>398</u>	<u>398</u>

21. PENSION SCHEME

The company maintains a defined contribution pension scheme for all eligible full time employees. The total charge for the period was £440,000 (2008 £553,000)

22. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2009 in respect of guarantees and indemnities entered into as part of the ordinary course of the company's business

23. SUBSEQUENT EVENTS

The company proposed and paid an interim dividend for the year ending 31 December 2010 of £17,971,705 on 28 April 2010

24. ULTIMATE PARENT COMPANY

The immediate parent company 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 accounts 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

25. RELATED PARTIES AND CASH FLOW STATEMENT

The company has taken advantage of the exemption granted by Financial Reporting Standard 8 "Related Party Disclosures" not to disclose transactions with other undertakings within, and related parties of, The AES Corporation Group. The company is also exempt from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996) as it is a wholly-owned subsidiary, for which the ultimate parent company prepares consolidated accounts which include the results of the company and are publicly available