Company Registration No. 02222066

AES ELECTRIC LIMITED

Annual Report and Financial Statements

31 December 2013

AES ELECTRIC LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

CONTENTS

AES ELECTRIC LIMITED

COMPANY INFORMATION

DIRECTORS

The following directors were in office during the financial year ended 31 December 2013 and subsequently, except where noted:

Name	Appointed	Resigned
Mark Reynolds		
Julian Jose Nebreda Marquez		
Juan Martin Alfonso		14 July 2014
Mark Miller	14 July 2014	

COMPANY SECRETARY

Juan Martin Alfonso	14 July 2014

REGISTERED OFFICE

21 St Thomas Street
Bristol
United Kingdom
BS1 6JS

AUDITORS

Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast
BT2 7TD

STRATEGIC REPORT

PRINCIPAL ACTIVITIES, TRADING REVIEW AND FUTURE DEVELOPMENTS

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 continues to be the development of new electricity generating facilities across Europe and the provision of certain financial and other services to other AES businesses. There have not been any significant changes in the company's principal activities in the year under review and it is expected to continue its existing operations into the future.

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 13 to the financial statements.

The directors are not expecting a change in the nature of the principal activity of the company in the foreseeable future; however, the Directors are aware that AES Corporation, the company's ultimate parent company and controlling entity, has decided to transfer some of the services currently provided to other AES subsidiaries, thus affecting the volume of services and development support to be requested from the company.

No key financial and other performance indicators have been identified for this company.

FINANCIAL RISK MANAGEMENT

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.

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 cash balances 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 balances 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.

By order of the Board

Mark Miller

Director

29 September 2014

DIRECTORS' REPORT

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

RESULTS AND DIVIDENDS

The company's results for the year ended 31 December 2013 showed a profit after taxation of £29,990,000 (2012: loss after taxation of £2,122,000).

The 2012 results have been restated for a prior year adjustment in relation to investments held as fixed assets (see note 19).

The directors paid an interim dividend in the year of £16,023,000 (2012: £nil). The directors do not recommend the payment of a final dividend (2012: £nil).

POST BALANCE SHEET EVENTS

By 29 September 2014, the company paid dividends totalling £16,415,000 to its immediate parent company UK Holdings Ltd.

By 29 September 2014, the company received dividends totalling £26,140,000 from subsidiary and associated undertakings.

AES Barka Holdings was dissolved on 23 July 2014 and therefore the whole investment written off in the books of AES Electric Ltd in 2013.

CHARITABLE CONTRIBUTIONS

Contributions made by the company for charitable purposes were £675 (2012: £16,000).

DIRECTORS

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

DIRECTORS' INDEMNITY

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

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.

AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed Ernst & Young LLP will therefore continue in office.

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

Mark Miller

Director

29 September 2014

Company Registration No. 02222066

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

AES ELECTRIC LIMITED

We have audited the financial statements of AES Electric Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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 Strategic report and 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

Keith Jess (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast
30 September 2014

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Turnover	2	**24,214**	14,814
Cost of sales		**(30,088)**	(19,576)
GROSS LOSS		**(5,874)**	(4,762)
Administrative expenses		**(6,234)**	(1,048)
Other operating income, net	6	**587**	336
OPERATING LOSS		**(11,521)**	(5,474)
Income from group undertakings	7	**41,054**	7,651
Interest receivable and similar income	8	**753**	2,037
Interest payable and similar charges	9	**(1,357)**	(2,401)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	**28,929**	1,813
Tax on ordinary activities	10	**1,061**	(3,935)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		**29,990**	(2,122)

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2013

	2013 £'000	2012 £'000
Profit / (loss) for the year	**29,990**	(2,122)
Prior year adjustment (note 19)	**-**	(2,160)
TOTAL PROFIT / (LOSS) RECOGNISED SINCE LAST ANNUAL REPORT	**29,990**	(4,282)

BALANCE SHEET
As at 31 December 2013

	Notes	2013 £'000	*(Restated)* 2012 £'000
FIXED ASSETS			
Intangible assets	11	**167**	210
Tangible assets	12	**-**	192
Investments	13	**52,340**	52,029
		52,507	52,431
CURRENT ASSETS			
Debtors	14	**32,227**	48,278
Cash at bank and in hand		**2,573**	19,663
		34,800	67,941
CREDITORS: Amounts falling due within one year	15	**(29,476)**	(55,437)
NET CURRENT ASSETS		**5,324**	12,504
TOTAL ASSETS LESS CURRENT LIABILITIES		**57,831**	64,935
CREDITORS: Amounts falling due after more than one year	16	**(6,001)**	(27,525)
NET ASSETS		**51,830**	37,410
CAPITAL AND RESERVES			
Called up share capital	17	**10,309**	30,309
Other reserves	18	**4,751**	4,298
Profit and loss account	18	**36,770**	2,803
SHAREHOLDER'S FUNDS	20	**51,830**	37,410

These financial statements were approved by the Board of Directors on 29 September 2014.

Signed on behalf of the Board of Directors

Mark Miller

Director

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

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. Certain comparatives have been amended in order to present information on a consistent basis to that applied in 2013.

Basis of accounting
The financial statements are prepared under the historical cost convention.

Basis of consolidation
In accordance with Section 401 of the Companies Act 2006, consolidated financial statements have not been presented as the company is a wholly owned subsidiary of the AES Corporation, a company incorporated in the state of Delaware, USA and incorporates the financial statements of this company. These financial statements present information about the company as an individual undertaking and not about its group.

Cash flow statement
The company is exempt from preparing a cash flow statement under the terms of Financial Reporting Standard (FRS) 1 (1996) as it is a wholly-owned subsidiary, for which the ultimate parent company prepares consolidated financial statements which include the results of the company and are publicly available.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, customs duties and sales taxes.

Administrative expenses
Administrative expenses and similar charges are recognised in the Profit and Loss Account as the service is received.

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 financial statements 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.

Interest
Interest is charged against income in the year in which it is incurred.

Intangible assets
Intangible assets comprise of expenditure for computer software. The expected useful lives of the asset is reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

Tangible fixed assets
Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. The capitalised value of a finance lease is also included within tangible fixed assets. Depreciation is provided in equal annual instalments over the estimated useful lives of the assets. The estimated useful lives are:

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

1. ACCOUNTING POLICIES (CONTINUED)

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.

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 company 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

1. ACCOUNTING POLICIES (CONTINUED)

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the 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.

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

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to group companies.

	2013 £'000	2012 £'000
Service fee income – financial and other services		
- in respect of current period	**2,504**	1,819
- in respect of prior periods	**-**	541
Financial and other services	**21,710**	12,454
	24,214	14,814

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation – owned assets (including amortisation of intangibles)	**70**	91
Rentals under operating leases:		
Other operating leases	**389**	67
(Write-back) / Impairment of ESOP	**(311)**	121

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2013 £'000	2012 £'000
Directors' emoluments		
Fees and other emoluments	**1,466**	1,014
Money received under long term incentive schemes	**156**	188
Pension contributions	**8**	11
	1,630	1,213
In respect of the highest paid director:		
Fees, emoluments and money received under long term incentive schemes	**699**	574

	2013 No.	2012 No.
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.

One of the directors are members of defined contribution pension schemes (2012: none). The contributions paid in respect of the highest paid director were £13,600 (2012: £nil).

	2013 No.	2012 No.
Average number of persons employed (including directors)		
Administration	**65**	98
Development	**5**	7
	70	105

	2013 £'000	2012 £'000
Staff costs during the year (including directors)		
Wages and salaries	**8,682**	10,649
Social security costs	**1,511**	4,704
Pension costs*	**227**	852
	10,420	16,205

**The company maintains a defined contribution pension scheme for all eligible full time employees.*

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

5. AUDITOR'S REMUNERATION

	2013 £'000	2012 £'000
Fees for the audit of the company	**36**	34
Fees for the audit of other AES companies	**-**	30
	36	64

6. OTHER OPERATING INCOME, NET

	2013 £'000	2012 £'000
Reversal of past impairments / (impairment) of ESOP (note 13)	**311**	(121)
Write back of amounts owed by group undertakings	**416**	457
Loss on disposal of tangible assets	**(140)**	-
	587	336

7. INCOME FROM GROUP UNDERTAKINGS

	2013 £'000	2012 £'000
Dividend income	**41,054**	7,651

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2013 £'000	2012 £'000
Loan guarantee fee receivable from group undertakings	**98**	441
Interest receivable from group companies	**651**	1,592
Bank interest receivable	**4**	4
	753	2,037

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2013 £'000	2012 £'000
Interest payable to group companies	**1,349**	1,960
Foreign exchange loss	**8**	441
	1,357	2,401

10. TAX ON ORDINARY ACTIVITIES

	2013 £'000	2012 £'000
UK corporation tax (credit) / charge on profits for the period	**-**	-
Foreign tax	**(248)**	-
Adjustments in respect of previous periods	**1,309**	(3,935)
	1,061	(3,935)

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:

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation	**28,929**	1,813
Tax on profit on ordinary activities at standard UK corporation tax rate of 23.25% (2012: 24.5%)	**(6,725)**	(444)
Effect of:		
Expenses not deductible for tax purposes	**(2,027)**	(1,024)
Fixed asset timing differences	**(24)**	(1)
Movement in short term timing differences	**(95)**	16
Dividends not subject to UK taxation	**9,544**	1,874
Losses surrendered for nil consideration	**(673)**	(421)
Foreign tax	**(248)**	-
Adjustment in respect of prior years	**1,309**	(3,935)
Tax (credit) / charge for the period	**1,061**	(3,935)

Deferred tax assets of £5,440,000 (2012: £6,699,000) in respect of losses, £6,877,000 (2012: £7,908,000) in respect of capital losses and £389,000 (2012: £166,000) 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.

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and 23% (effective 1 April 2013) were substantially enacted on 26 March 2012 and 3 July 2012 respectively.

Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantially enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. Any deferred tax asset at 31 December 2013 has been calculated at 20%.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

11. INTANGIBLE FIXED ASSETS

	Computer software £'000	Total £'000
Cost:		
At 1 January 2013 and at 31 December 2013	304	304
Accumulated amortisation:		
At 1 January 2013	94	94
Charge for the year	43	43
At 31 December 2013	137	137
Net book value:		
At 31 December 2013	167	167
At 31 December 2012	210	210

12. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Fixtures, fittings, tools and equipment £'000	Leased equipment £'000	Total £'000
Cost:				
At 1 January 2013	128	517	38	683
Disposals	(128)	(517)	(38)	(683)
At 31 December 2013	-	-	-	-
Accumulated depreciation:				
At 1 January 2013	25	428	38	491
Charge for the year	7	20	-	27
On disposals	(32)	(448)	(38)	(518)
At 31 December 2013	-	-	-	-
Net book value:				
At 31 December 2013	-	-	-	-
At 31 December 2012	103	89	-	192

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

13. INVESTMENTS HELD AS FIXED ASSETS

	Shares in group undertakings £'000	Shares in associated undertakings £'000	*(Restated)* Loans to undertakings in which the company has an associated interest £'000	*(Restated)* Total £'000
Cost				
At 1 January 2013	46,636	6,268	-	52,904
At 31 December 2013	46,636	6,268	-	52,904
Amounts provided				
At 1 January 2013	875	-	-	875
Reversal of past impairments	(311)	-	-	(311)
At 31 December 2013	564	-	-	564
Net book value:				
At 31 December 2013	46,072	6,268	-	52,340
At 31 December 2012	45,761	6,268	-	52,029

Included in the shares in group undertakings is an ESOP (Employee Stock Ownership Plan) trust sponsored by the company, effective since July 1998 which comprises of 165,335 (2012: 165,335) shares in the AES Corporation. At the balance sheet date the share price was $14.51 (2012: $10.70) with a total market value of £1,449,000 (2012: £1,138,000) and therefore an increase in the value of £311,000 (2012: decrease of £121,000) 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 £nil (2012: £nil) 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 2013 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 Barka Holdings	England & Wales	Ordinary	100%	Holdings company
AES Horizons Investments Limited	England & Wales	Ordinary	100%	Holdings company
AES Mendips Limited	England & Wales	Ordinary	100%	Holdings company
Associated undertakings:				
AES (NI) Limited	Northern Ireland	Ordinary	47.787%	Electricity generation
Cloghan Limited	Northern Ireland	Ordinary	50%	Holding company

AES Barka Holdings was dissolved on 23rd July 2014 and therefore the whole investment of £ 201 was written off in the books of AES Electric Ltd.

AES Mendips Limited is a dormant company in 2013.

14. DEBTORS

	2013 £'000	*(Restated)* 2012 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	**10,948**	15,393
VAT recoverable	**13**	360
Other debtors	**721**	305
Prepayments and accrued income	**150**	139
Corporation tax	**-**	-
	11,832	16,197
Amounts falling due after more than one year:		
Amounts owed by group undertakings (note 19)	**20,395**	32,081
	32,227	48,278

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 £11,454,000 (2012: £11,457,000) receivable from AES UK Datacenter Services Limited, £8,941,000 (2012: £8,941,000) receivable from AES Horizons Investments Limited and £nil (2012: £11,683,000) from AES (NI) Limited. These amounts do not bear interest.

15. CREDITORS: Amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	**858**	824
Amounts owed to parent company (note 16) *	**5,502**	33,315
Amounts owed to group undertakings	**18,437**	17,882
Accruals	**4,679**	3,416
	29,476	55,437

* *Included in the Amounts owed to parent company is £nil (2012: £27,233,000) relating to loans (see note 16).*

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

16. CREDITORS: Amounts falling due after more than one year

	2013 £'000	2012 £'000
Loans provided by parent company	**1,864**	27,315
Long term portion of provision for performance units	**260**	210
Long term provision for onerous lease	**3,877**	-
	6,001	27,525
Loans repayable, included within creditors, are analysed as follows:		
Wholly repayable within five years	-	13,677
Not wholly repayable within five years	**1,864**	40,862
	1,864	54,539

The company has an assigned loan payable with AES UK Holdings Limited on 26 October 2011 for the amount of £14,028,000 which bears interest at LIBOR plus 6% and is repayable in 2014. The loan agreement was extended with maturity date 2020.

On 26 October 2011, AES Global Power Holdings BV assigned its Intercompany Credit Facility Agreement to UK Holdings Limited. Under this agreement UK Holdings Limited will extend a credit facility of £50,000,000. The carrying value of the loan is a reasonable approximation of the fair value.

17. CALLED UP SHARE CAPITAL

	2013 £'000	2012 £'000
Called up, allotted and fully paid:		
10,309,352 (2012: 30,309,352) Ordinary shares of £1 each	**10,309**	30,309

18. CAPITAL AND RESERVES

	Called up share capital £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2013	30,309	4,298	2,803	37,410
Profit for the year	-	-	29,990	29,990
Share capital reduction	(20,000)	-	20,000	-
Employee share scheme	-	453	-	453
Dividends declared and paid	-	-	(16,023)	(16,023)
Balance at 31 December 2013	10,309	4,751	36,770	51,830

Distributable reserves have increased by £20,000,000 as a result of a reduction of the company's share capital in accordance with section 641 of the Companies Act 2006.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

19. PRIOR YEAR ADJUSTMENT

The 2011 results have been restated for a prior year adjustment in relation to success fees of £2,160,000 made to the company's group undertaking.

The directors have identified that the 2012 investments held as fixed asset incorrectly included an amount with £3,738,000 to undertakings in which the company has an associated interest.

It has since been confirmed that this was a loan and not a capital contribution. The balance has also been repaid and therefore accordingly, the comparative figures for year ended December 31, 2012 have been restated to include:

i) an increase in amounts owed by group undertakings of £3,738,000, and;

ii) a decrease in investments held as fixed assets £3,738,000.

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2013 £'000	2012 £'000
Profit / (loss) for the financial year	**29,990**	(2,122)
Employee share scheme	**453**	354
Dividends paid	**(16,023)**	-
Net increase / (decrease) in shareholder's interest	**14,420**	(1,768)
Shareholder's interest at 1 January	**37,410**	39,178
Shareholder's interest at 31 December	**51,830**	37,410

21. 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 £4,751,000 (2012: £4,298,000).

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 £45,000 (2012: £44,000).

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:

	2013	2012
Expected volatility	**23%**	26%
Expected annual dividend yield	**1%**	1%
Expected option term (years)	**6**	6
Risk-free interest rate	**1.13%**	1.16%

21. OTHER RESERVES (CONTINUED)

Non Qualified Stock Options (continued)

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 £1.33 and £2.01 for the years ended 31 December 2013 and 2012 respectively.

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

	Options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
Outstanding at 31 December 2012	124	8.38		
Exercised year to date	(2)	3.83		
Forfeited year to date	(7)	4.89		
Granted year to date	33	6.75		
Transferred year to date	4	11.02		
Outstanding at 31 December 2013	152	8.17	6.0	221
Vested and expected to vest at 31 December 2013	147	8.21	5.9	211
Eligible for exercise at 31 December 2013	100	8.64	4.6	142

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 account evenly over the three year vesting period. The expense recognised for 2013 was £356,000 (2012: £303,000).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

21. OTHER RESERVES (CONTINUED)

Restricted Stock Units (continued)

Restricted Stock Units without market conditions
For the years ended 31 December 2013 and 2012, RSUs issued without a market condition had a grant date fair value equal to the closing price of AES stock on the grant date. The 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 2013 and 2012 had grant date fair values per RSU of £6.75 and £8.49 respectively.

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

	Restricted stock units	Weighted average grant date fair values	Weighted average remaining vesting term
Non-vested at 31 December 2012	50	8.15	
Vested year to date	(24)	7.89	
Forfeited year to date	(9)	7.03	
Net transferred shares year to date	(3)	5.99	
Granted year to date	53	6.75	
Non-vested at 31 December 2013	67	7.28	1.8
Vested at 31 December 2013	50	5.44	
Vested and expected to vest at 31 December 2013	110	6.46	

Restricted Stock Units with market conditions (also known as Performance Stock units)
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 2013. A performance achievement of 119% of the target 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 2013. RSUs that included a market condition granted during the year ended 31 December 2013 and 2012 had a grant date fair value per Restricted Stock Unit of £12.23 and £10.29 respectively.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2013

21. OTHER RESERVES (CONTINUED)

	Restricted stock units	Weighted average grant date fair values	Weighted average remaining vesting term
Non-vested at 31 December 2012	30	9.30	
Vested year to date	-	-	
Forfeited and transferred year to date	(6)	6.99	
Granted year to date	15	7.39	
Non-vested at 31 December 2013	39	8.79	1.2
Vested at 31 December 2013	6	4.03	
Vested and expected to vest at 31 December 2013	40	8.22	

22. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2013 in respect of guarantees and indemnities entered into as part of the ordinary course of the company's business.

23. POST BALANCE SHEET EVENTS

By 29 September 2014, the company paid dividends totalling £16,415,000 to its immediate parent company UK Holdings Ltd.

By 29 September 2014, the company received dividends totalling £26,140,000 from subsidiary and associated undertakings.

AES Barka Holdings was dissolved on 23rd July 2014 and therefore the whole investment written off in the books of AES Electric Ltd in 2013.

24. ULTIMATE PARENT COMPANY

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.

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. There are no other related party transactions during the current and preceding year.