

**AES Ballylumford Limited**

**Annual Report and Financial Statements**

**Registered number NI 026040**

**31 December 2018**

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## **CORPORATE INFORMATION**

### **DIRECTORS**

Mark Green  
James Timothy McCullough  
Ian Luney (resigned 2 August 2018)  
Kristina Lund (resigned on 31 May 2018)  
Serhiy Zuyev (appointed on 2 August 2018)  
Bruno Laranjeira (appointed on 1 June 2018)  
Scott Berge (appointed on 2 August 2018)  
Roger Casement (resigned 31 May 2018)

### **SECRETARY**

Julie Leeburn  
Heather Spence

### **AUDITORS**

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

### **BANKERS**

Barclays Bank Plc  
LE87, 2BB, Leicester  
Leicestershire  
United Kingdom

### **SOLICITORS**

John McKee & Son  
32-38 Linenhall Street  
Belfast  
BT2 8BG

### **CMS Cameron McKenna Nabarro, Ostwang LLP**

Cannon Place  
78 Cannon Street  
London, EC4N 6AF

### **McCann Fitzgerald**

Riverside one  
Sir John Rogersons Quay  
Dublin 2, D02 X576

### **Carson McDowell LLP**

Murray House  
Murray Street  
Belfast, BT1 6DN

### **REGISTERED OFFICE**

AES Ballylumford Limited  
Islandmagee, Laine  
Ballylumford BT40 3RS  
United Kingdom

## Strategic report

The directors present their strategic report for the year ended 31 December 2018

## Principal activity

The principal activity of the company is that of generating electricity

## Business review

Ballylumford is a 708 MW gas-fired plant, of which 592 MW is contracted under a PPA with Power NI Power Procurement Business expiring in 2023. The 116 MW remaining capacity is bid into the I-SEM market. Ballylumford's B station Unit 5 failed to clear the I-SEM capacity auction for 2018/2019 period, while Unit 4's capacity contract was transferred to one of Kilroot's coal units in 2018. As a result, AES stopped generation at Ballylumford's B station in late 2018, and on-going work to safely shut down the station is expected to be completed in early 2019.

The C Station units operate under Power Purchase Agreements (PPAs) and are remunerated through availability payments with the energy payments based on a passthrough basis. The remaining 116MW are peaking capacity operating in the merchant market.

The I-SEM is the wholesale electricity market arrangement operating in the Republic of Ireland and Northern Ireland starting October 1, 2018, replacing the previously existing SEM. The I-SEM market arrangements are designed to integrate the Irish All-Ireland electricity market with European electricity markets enabling the free flow of energy across borders, creating increased levels of competition and increased security of supply.

The Single Electricity Market Operator (SEMO) facilitates the continuous operation and administration of the I-SEM. The organization is managed as a contractual joint venture between EirGrid, the transmission system operator for the Republic of Ireland, and the System Operator for Northern Ireland (SONI). SEMO is licensed and regulated cooperatively by the Commission for Energy Regulation (CER) in Ireland and the Northern Ireland Authority for Utility Regulation (NIAUR).

In addition, the I-SEM has a competitive capacity payment mechanism designed to ensure that there is sufficient generating capacity to meet peak demand requirements. The first competitive capacity auction for the capacity year October 2018-September 2019 was completed in January 2018. One of the B station units was not successful in bidding. AES management have taken the decision to retire that unit at the end of December 2018 and have revised the useful economic life, resulting in accelerated depreciation in 2017 and 2018. The asset ceased operations at the end of December 2018. The remaining B-station Unit transferred its capacity, awarded for year October 2018-September 2019, to one of Kilroot Power coal units and ceased operations at the end of October 2018.

In February 2019, Eirgrid and SONI announced the results of the second annual ISEM capacity auction. All Ballylumford OCGTs units were awarded a capacity contract.

Since the introduction of I-SEM in October 2018, new instruments such as day-ahead, intra-day and balancing markets were introduced to reflect integration with EU energy markets. The system support services market was also reformed in May 2018 through the introduction of DS3, a competitive services market where players need to go through a separate qualification process.

For 2018, both the level of business and year-end financial position was within the directors' expectations under prevailing market conditions.

Strategic report  
 Business review (continued)

*Key Performance Indicators*

Given the nature of its business the company's directors have established a set of key metrics, or Key Performance Indicators (KPI's) to monitor the performance or position of the company's operations in the areas of safety, environmental, operational and financial performance where applicable. The concept of 'continuous improvement' is a basis for all operations within the group. The directors utilise the following KPIs as main indicators of performance

*Key Financial Performance Indicators*

|                         | 2018<br>£'000 | 2017<br>£'000 | Change<br>% |
|-------------------------|---------------|---------------|-------------|
| Turnover                | 125,732       | 122,245       | 13          |
| Operating (Loss)/Profit | (9,230)       | 17,590        | -152.47     |

Turnover is almost at the same level as last year. Due to the significant impairment of fixed assets (note 10-12) the company has made a loss for the year ended 31 December 2018. Operating profit before impairment (£17,391) reduced by 54%. B-station closure triggered some one-off costs, such as: accelerated depreciation and subsequent impairment of B-station Units, as well as inventory impairment related to B-station (£1.2M total) and £1.8M severance cost. In addition, higher gas and fuel prices combined with increased consumption contributed to higher direct costs.

*Key Non-Financial Performance Indicators MHS report*

|   | 2018   | 2017   | Change | 2018 Target | Change |
|---|--------|--------|--------|-------------|--------|
| EAF (Equivalent Availability Factor)      | 86.47% | 95.80% | -9.33  | 95.70%      | -9.23  |
| EFOF (Equivalent Forced Outage Frequency) | 12.13% | 1.62%  | +2.78  | 1.35%       | +10.78 |
| CA (Commercial Availability)              | 90.27% | 95.81% | -5.54  | 94.44%      | -4.17  |

KPIs are generally unfavourable compared to 2017. This is due to some failures of GT21 differential protection and conditioning card, ST 20 generator air guide fastener, BFP 20 and BFP10

**Principal risks and uncertainties**

AES Ballylumford Limited operates the plant under two commercial scenarios. The first is directly into the I-SEM in respect of the GT1 and GT2 units. The SEM is a Gross Mandatory Pool and covers both Northern Ireland and the Republic of Ireland and units bid into this market and receive capacity payments (based on actual availability) and energy payments which are based on the Short Run Marginal Cost profile of the individual units. Units bid into the SEM must follow the Bidding Code of Practice which stipulates that all market participants must bid in actual costs of generation and hence fully recover variable costs and prevent abuse of market power by dominant participants.

As mentioned above in Business Review section - In 2018 regulatory authorities updated the market framework to reflect the integration of the SEM day-ahead and intra-day markets with EU energy markets, introduce a new competitive capacity auction, and revise arrangements for system services to incentivize flexibility. The market is renamed to ISEM (Integrated Single Electricity Market) to reflect these changes.

**Strategic report (continued)**

**Principal risks and uncertainties (continued)**

The second scenario relates to B10, B20, B21, B22 that continue to operate under PPAs and have obligations under the PPAs to operate and maintain the Generating Units, make available the contracted capacity, and generate electrical energy in accordance with certain specified characteristics. The company receives two main types of payment under the PPAs; availability and energy payments. Availability payments are calculated by reference to the availability of each Generating Unit to generate electricity irrespective if they are actually dispatched to generate energy. Energy payments are calculated based on the actual costs of fuel and specified operating and efficiency parameters within the PPAs. The PPA expires in September, 2023 but there is a 6 month cancellation clause which can be invoked by the Utility regulator if they decide this is in the interests of customers

The company's operations expose it to a number of operational risks including reduction in plant availability as a result of forced outages, prolonged plant breakdown, or inability to operate within specified environmental limits. In addition, operating at efficiency levels lower than contractual limits may lead to the loss of energy income. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring these risk areas

On June 23, 2016, the United Kingdom (UK) held a referendum in which voters approved an exit from the European Union ("EU"), commonly referred to as "Brexit". As a result of the referendum, the British government started negotiating the terms of the U.K.'s future relationship with the EU. The negotiations are not yet complete. Although it is unclear what the long-term global implications will be, it is possible that the European or UK economy could weaken and our businesses may experience a decline in demand. While the full impact of the Brexit is uncertain, these changes may adversely affect our operations and financial results if I-SEM functioning will become less efficient resulting in a high price volatility

**Operational risks**

*Availability Risk*

The company seeks to limit availability risk through a programme of plant monitoring and asset management to identify possible plant failure in advance. Open cycle gas turbines are inspected in accordance with prudent industry practice based on Original Equipment Manufacturers (OEM) guidelines.

The combined cycle units have a Long-Term Service Agreement (LTSA) in place detailing the inspection programme based on an equivalent operating hour's basis.

The company has in place adequate business interruption insurance to limit the financial effect of a prolonged period of plant breakdown.

*Energy Income Risk*

The company seeks to maximise plant efficiency through a process of continuous plant monitoring designed to identify areas where improvements may be made. Once a potential reduction in efficiency is identified actions are taken to improve efficiency where it is economically viable to do so. For units that operate in the I-SEM, the bid prices are adjusted to ensure recovery of costs. For units under PPAs to ensure that Energy income is in line with contract parameters adjustments to the process are carried out to minimise/remove any losses that occur as a result of any deviations from contracted characteristics.

*Emissions Risk*

The company continuously monitors its environmental performance to ensure that the plant operates within statutory limits. The company keeps up to date with environmental legislation and is committed to making modifications to the plant when required. Under the remaining PPAs the cost of modifications to plant which are required by changes in legislation pass through to the contract off taker.

**Strategic report (continued)**

**Impairment of assets**

Management's decision to decommission Ballylumford B Station generating units (B4 and B5) prior to the end of their estimated useful lives and the transfer of B4 capacity contract to Kilroot is an impairment indicator for AES Ballylumford Ltd ("Ballylumford"). As such Ballylumford Cash Generating Unit (CGU) was tested for impairment. Management has concluded that the carrying amount of the CGU exceeds its recoverable amount as at December 31, 2018. The useful life of the B Station was adjusted in line with the management decision to close B4 and B5 and the assets were fully depreciated to their residual value at December 31, 2018. The remaining Ballylumford units were tested for impairment at December 31 2018. The management has decided that the carrying amount is not recoverable and an impairment charge of £17,391 has been recorded in the profit and loss (Note 10 & 11)

**Financial risk management**

The company has established a risk and financial management framework whose primary objective is to protect the company from events that hinder the achievement of the group's performance objectives. The objectives aim to limit undue financial risks exposure, ensure sufficient working capital exists and monitor the management of the risk at a business unit level.

*Price Risk*

Price risk arises on financial instruments because of changes in, for example, commodity prices or equity prices. The company is not exposed to significant price risk as the availability payments received under the PPAs increase in line with the Retail Prices Index (RPI) each year and energy payments received are calculated based on the actual cost of fuel. Price risk under the SEM is mitigated by daily bidding of spot fuel prices and carbon.

*Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. The company is not exposed to significant credit risk due to the high credit rating of the contract counter party. SEM credit worthiness is supported by cash credit support of all market participants.

*Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company minimises liquidity risk by monitoring its cash generation and regular preparation of cash flow forecasts.

*Cash flow risk*

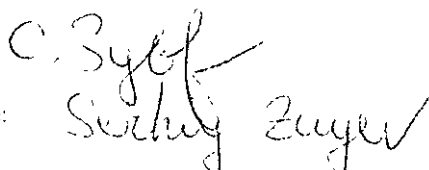
Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future interest payments on a variable rate debt. The group manages this risk, where significant, by use of derivatives as explained above.

The company minimises interest rate cash flow risk through its policy of investing in only short-term bank deposits and continually monitoring the financial markets to identify appropriate longer-term instruments including structured investment accounts and interest rate swaps.

By order of the Board

Director's name and signature:

12 June 2019

  
C. Zuger

**Directors' report**  
**Registered No NI 026040**

The directors present their report for the year ended 31 December 2018.

**Directors of the company**

The directors of the company who served throughout the year and to the date of these financial statements (except as noted) were as follows:

|                          | <u>Appointed</u> | <u>Resigned</u> |
|--------------------------|------------------|-----------------|
| Roger Casement           | 11 August 2010   | 31 May 2018     |
| Ian Luney                | 29 August 2014   | 2 August 2018   |
| James Timothy McCullough | 16 January 2017  | -               |
| Kristina Lund            | 22 December 2017 | 31 May 2018     |
| Mark Green               | 18 April 2016    | -               |
| Bruno Laranjeira         | 1 June 2018      | -               |
| Scott Berge              | 2 August 2018    | -               |
| Serhiy Zuyev             | 2 August 2018    | -               |

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

**Dividends**

The company paid an interim dividend of £18,466,752 in 2018 (2017: £2,000,000). The directors do not recommend the payment of a final dividend for 2018 (2017 £nil).

**Events since the balance sheet date**

In February 2019 the loan between AES Ballylumford Ltd and its parent undertakings was terminated and the Company will no longer be obliged to repay the parent company the outstanding balance of principal and interest.

On April 9, 2019, the parent company (AES Ballylumford Holdings Ltd) entered into an agreement to sell its entire 100% interest in the company. The sale and purchase agreement was approved by the EU Merger Regulator on 5th of June 2019.

**Financial instruments**

Details of financial instruments are provided in the accounting policies in Note 1.

**Going Concern**

The company has long-term power purchase agreements for part of its generating units. It is expected to generate sufficient cash flows till the end of its useful life, although the net assets are impaired to its recoverable amount following the aforementioned events. In addition, it has established a risk and financial management framework whose primary objective is to limit undue exposure to price, credit, liquidity and cash flow risk, ensure sufficient working capital exists and monitor the management of the risk at a business unit level.

After making enquiries, the directors have a reasonable expectation that the company and the group have 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.

**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 the site a safe environment for employees, contractors and visitors alike.

**Human resources**

The company's most important resource is its people, as their knowledge and experience is crucial to meeting customer requirements. Retention of key staff is critical and the company has invested increasingly in employment, training and development and has introduced appropriate incentive and career progression arrangements.



**Director's Report (Continued)**

**Donations**

The company made charitable donations of £5,400 in 2018 to local and national charities (2017: £53,000). No donations for political purposes were made during the year (2017: £nil).

**Employees**

The company's policy is to consult and discuss with employees, through unions and at meetings, matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Applications for employment by disabled persons are fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of the company.

The company is committed to the well-being of its people and recognises its obligations under the Health and Safety at Work Order 1978. In the conduct of its business the company will assess the risk to the health and safety of employees and others who may be affected by its activities and will implement, audit and review such arrangements as appropriate for effective control of risks.

**Policy and practice of payment to creditors**

The company aims to pay all of its creditors promptly. It is the company's policy to agree the terms of the payment at the start of business with each supplier, ensure that suppliers are aware of the terms of the payment, and to pay in accordance with contractual and other legal obligations.

The company had 50 days purchases outstanding at 31 December 2018 (31 December 2017: 48 days) based on the average daily amount invoiced by suppliers during the year.

**Policy on preservation of amenity and fisheries**

The company subscribes to Schedule 9 of the Electricity (Northern Ireland) Order 1992 concerning the preservation of amenity and fisheries. Accordingly, the company recognises the desirability of preserving natural beauty, of conserving flora, fauna and geographical or physiographical features of special interest and of protecting sites, buildings and objects of architectural, historic or archaeological interest, and shall do what it reasonably can to mitigate any effect which proposals would have on the natural beauty of the countryside or on any such flora, fauna, features, sites, buildings or objects.

**Disclosure of information to the auditors**

So far as each person who was a director at the date of approving this report 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 group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

**Re-appointment of auditors**

In accordance with s485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the Company.

Director's name and signature:  
12 June 2019

*C. Syef*  
*Serhiy Syef*

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

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

**Opinion**

We have audited the financial statements of AES Ballylumford Limited for the year ended 31 December 2018 which comprise the Statement of comprehensive income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cashflows and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

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

**Conclusions relating to going concern**

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

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

**Other information**

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

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

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

We have nothing to report in this regard.

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

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

**Matters on which we are required to report by exception**

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

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

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

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

**Use of our report**

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

*Ruth Logan*

Ruth Logan (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Belfast

Date: 12th June 2019

**Statement of Comprehensive Income**

*for the year ended 31 December 2018*

|   | Notes    | 2018<br>£'000   | 2017<br>£'000  |
|---|----------|-----------------|----------------|
| Turnover  | 2        | 125,732         | 122,245        |
| Cost of Sales   |          | (142,181)       | (125,929)      |
| <b>GROSS LOSS</b>   |          | <b>(16,449)</b> | <b>(3,684)</b> |
| Administrative expenses                                     |          | (13,097)        | (12,829)       |
| Other operating income (net)                                | 3        | 38,924          | 34,103         |
| Impairment charge   | 10,11,12 | (18,608)        | -              |
| <b>OPERATING (LOSS)/ PROFIT</b>                             | 4        | <b>(9,230)</b>  | <b>17,590</b>  |
| Interest receivable and similar income                      | 7        | 321             | 18             |
| Interest payable and similar expenses                       | 8        | (1,075)         | (1,941)        |
| <b>LOSS BEFORE TAXATION</b>                                 |          | <b>(9,984)</b>  | <b>15,668</b>  |
| Tax credit/(charge) on loss/(profit) on ordinary activities | 9        | 1,785           | (3,099)        |
| <b>(LOSS)/PROFIT AFTER TAX</b>                              |          | <b>(8,199)</b>  | <b>12,569</b>  |
| <b>Other comprehensive income</b>                           |          |                 |                |
| Remeasurement of net defined benefit liability              |          | 786             | 361            |
| Cash flow hedge reserve                                     |          | 11              | 18             |
| Income tax on other comprehensive income                    |          | (134)           | (80)           |
| <b>Total Other comprehensive income for the year</b>        |          | <b>663</b>      | <b>299</b>     |
| <b>Total comprehensive (loss)/ income for the year</b>      |          | <b>(7,536)</b>  | <b>12,868</b>  |

**Statement of Financial Position**  
*as at 31 December 2018*

|   | Notes  | 2018<br>£'000   | 2017<br>£'000   |
|---|--------|-----------------|-----------------|
| <b>FIXED ASSETS</b>                                     |        |                 |                 |
| Tangible fixed assets                                   | 10     | 61,969          | 87,159          |
| Intangible fixed assets                                 | 11     | 358             | 247             |
| Deferred tax asset on pension liability                 |        | 1,016           | 1,400           |
|   |        | <u>63,343</u>   | <u>88,806</u>   |
| Stock   | 12     | 21,750          | 22,585          |
| Debtors   | 13     | 28,120          | 21,654          |
| Cash at bank and in hand                                |        | 14,408          | 23,943          |
| <b>CURRENT ASSETS</b>                                   |        | <u>64,278</u>   | <u>68,182</u>   |
| Creditors: amounts falling due within one year          | 14     | (30,398)        | (27,759)        |
| <b>NET CURRENT ASSETS</b>                               |        | <u>33,880</u>   | <u>40,423</u>   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>            |        | <u>97,223</u>   | <u>129,229</u>  |
| Creditors: amounts falling due after more than one year | 15     | (24,013)        | (24,016)        |
| Deferred Tax Liability                                  | 16     | (6,426)         | (9,707)         |
| Pension Liability                                       | 16, 17 | (5,977)         | (8,235)         |
| Other Provisions  | 16     | (1,105)         | (1,575)         |
| Total provisions  |        | <u>(13,508)</u> | <u>(19,517)</u> |
| <b>NET ASSETS</b>                                       |        | <u>59,702</u>   | <u>85,696</u>   |
| <b>CAPITAL AND RESERVES</b>                             |        |                 |                 |
| Statutory reserve                                       | 18     | 17,575          | 17,575          |
| Other reserves  | 18     | 66              | 57              |
| Profit and loss account                                 |        | 42,061          | 68,064          |
| <b>TOTAL SHAREHOLDERS FUNDS</b>                         |        | <u>59,702</u>   | <u>85,696</u>   |

These financial statements were approved by the board of directors on 12 June 2019 and were signed on its behalf by:

Director's name and signature:  
Company registered number: NI026039

*C. Sykes*  
*Serhiy Zingel*

**Statement of Changes in Equity**  
*as at 31 December 2018*

|  | Note | Other<br>reserve<br>£'000 | Statutory<br>reserve<br>£'000 | Profit and<br>loss account<br>£'000 | Total equity<br>£'000 |
|--|------|---------------------------|-------------------------------|-------------------------------------|-----------------------|
| Balance at 1 January 2017                        |      | 43                        | 17,575                        | 57,195                              | 74,813                |
| Profit for the year                              |      | -                         | -                             | 12,569                              | 12,569                |
| Other comprehensive income                       |      | -                         | -                             | 299                                 | 299                   |
| <b>Total comprehensive income for the period</b> |      | <b>-</b>                  | <b>-</b>                      | <b>12,868</b>                       | <b>12,868</b>         |
| Employee share scheme                            | 19   | 14                        | -                             | -                                   | 14                    |
| Dividends paid                                   |      | -                         | -                             | (2,000)                             | (2,000)               |
| <b>Balance at 31 December 2017</b>               |      | <b>57</b>                 | <b>17,575</b>                 | <b>68,063</b>                       | <b>85,695</b>         |
| Loss for the year                                |      | -                         | -                             | (8,199)                             | (8,199)               |
| Other comprehensive income                       |      | -                         | -                             | 663                                 | 663                   |
| <b>Total comprehensive income for the period</b> |      | <b>-</b>                  | <b>-</b>                      | <b>(7,536)</b>                      | <b>(7,536)</b>        |
| Employee share scheme                            | 19   | 9                         | -                             | -                                   | 9                     |
| Dividends paid                                   |      | -                         | -                             | (18,467)                            | (18,467)              |
| <b>Balance at 31 December 2018</b>               |      | <b>66</b>                 | <b>17,575</b>                 | <b>42,061</b>                       | <b>59,702</b>         |

**Statement of Cash Flows**  
*for the year ended 31 December 2018*

|  | 2018<br>£'000   | 2017<br>£'000   |
|--|-----------------|-----------------|
| <b>Operating activities</b>                                  |                 |                 |
| Cash receipts from customers                                 | 148,325         | 162,007         |
| Cash paid to suppliers                                       | (121,935)       | (118,066)       |
| Cash paid to employees, including benefits                   | (11,948)        | (12,126)        |
| Cash paid to settle group liabilities                        | (4,624)         | (2,838)         |
| Cash flows for VAT and other taxes                           | (1,831)         | (2,346)         |
| Income tax paid/reimbursed                                   | (641)           | (2,155)         |
| Interest paid  | (2)             | (173)           |
| Other cash from operating activities                         | 2,696           | 1,037           |
| <b>Net cash from operating activities</b>                    | <u>10,040</u>   | <u>25,340</u>   |
| <b>Investing activities</b>                                  |                 |                 |
| Capital expenditure  | (1,105)         | (1,052)         |
| <b>Net cash used in investing activities</b>                 | <u>(1,105)</u>  | <u>(1,052)</u>  |
| <b>Financing activities</b>                                  |                 |                 |
| Dividends paid   | (18,469)        | (2,000)         |
| Repayment of loan principal                                  | -               | (14,638)        |
| Interest received  | 161             | 20              |
| <b>Net cash used in financing activities</b>                 | <u>(18,308)</u> | <u>(16,618)</u> |
| <b>Effect of exchange rates on cash and cash equivalents</b> | <u>(162)</u>    | <u>24</u>       |
| <b>Net (decrease)/increase in cash and cash equivalents</b>  | <u>(9,535)</u>  | <u>7,694</u>    |
| <b>Cash and cash equivalents at 1 January</b>                | <u>23,943</u>   | <u>16,249</u>   |
| <b>Cash and cash equivalents at 31 December</b>              | <u>14,408</u>   | <u>23,943</u>   |



## 1. Accounting policies

The Company is exempt by virtue of s400 (1) of Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group

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

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

- A reconciliation of the number of shares outstanding at the beginning and at the end of the period (a requirement of Section 4 Statement of Financial Position, paragraph 4.12(a) (iv);

- Related party transactions, and

Key Management Personnel compensation in total (a requirement of Section 33 Related Party Disclosures paragraph 33.7)

As the consolidated financial statements of The AES Corporation include the equivalent disclosures, the Company

- Certain disclosures required by Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23.

The disclosures required by Section 11 *Basic Financial Instruments*, paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) and Section 12 *Other Financial Instrument Issues*, paragraphs 12.26 (in relation to those cross-referenced paragraphs from which a disclosure exemption is available), 12.27, 12.29(a), 12.29(b), and 12.29A in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Company has not retrospectively changed its accounting under old UK GAAP for de-recognition of financial assets and liabilities before the date of transition, hedge accounting for any hedging relationships that no longer existed at the date of transition accounting estimates.

### 1.1 Measurement convention

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

### 1.2 Going concern

The company has long-term power purchase agreements for part of its generating units and has invested in extending the life of its free market selling units. In addition, it has established a risk and financial management framework whose primary objective is to limit undue exposure to price, credit, liquidity and cash flow risk, ensure sufficient working capital exists and monitor the management of the risk at a business unit level.

As a consequence, the directors believe that the company is well placed to manage its business risks successfully

After making enquiries, the directors have a reasonable expectation that the company and the group have 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

1. Accounting policies (continued)

*1.3 Foreign currency translation*

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

*1.4 Classification of financial instruments issued by the company*

In accordance with FRS 102 22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions.

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

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

*1.5 Basic financial instruments*

*Trade and other debtors ' creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

*Interest-bearing borrowings classified as basic financial instruments*

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

*Investments in subsidiaries*

Since these are separate financial statements of the company, investments in subsidiaries are carried at cost less impairment.

1. Accounting policies (continued)

1.6 Other financial instruments

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

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

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

*Derivative financial instruments and hedging*

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

*Fair value hedges*

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on re-measurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.

*Cash flow hedges*

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

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

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

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings. Strategic spares such as emergency and rotatable spare parts are included within generating plant and buildings and are depreciated over the life of the related plant and buildings.

**1. Accounting policies (continued)**

**1.7 Tangible fixed assets**

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.15 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. No depreciation is charged on assets under construction. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

In 2017, management reviewed and analyzed the financial records, physical assets records and operational history of Ballylumford and developed conclusions with respect to depreciable lives and net salvage values of designated components. These components and depreciable lives were used to develop a composite life that represents the weighted average remaining depreciable life for the major components of the Facility. Each individual component (asset) was allocated to one of the three power stations located in the facility - *B station*, *C station* and the two *Open Cycle gas Turbines ("OCGTs")*. The conclusions in respect of depreciable life of the three Power Stations are as follow:

- B station - until 2018;
- C station - until 2041;
- OCGTs - until 2034;

**1.8 Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and less accumulated impairment losses. Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date. After performed depreciation study in 2017, useful lives of intangible assets are aligned to the 3 defined main composite assets, as described above, in article 1.7

Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

**1.9 Government grants**

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

**1. Accounting policies (continued)**

**1.9 Government grants (continued)**

The company receives government grants by way of emission allowances. Emissions allowances granted by regulatory authorities directly to the company at zero cost are assigned a zero basis by the company. These grants are not recorded at fair value on the date of the grant. Emissions allowances that are purchased are recorded at cost. Emissions allowances are expensed into cost of sales as required after the available zero-basis allowances granted by the regulatory authority are exhausted. The expense is based on the actual quantities of physical emissions (typically measured in tons) in excess of the available zero-basis allowances. The expensing of purchased allowances is calculated on a first-in-first-out (FIFO) basis. If the company holds insufficient allowances to cover its actual emission allowance submission requirements as at the balance sheet date, a liability will be recorded based on the estimated cost of acquiring allowances to cover any shortfall. Allowances that have not yet been granted to the business cannot be considered when determining the extent of any shortfall. Likewise, allowances that have been granted but will be made available to the business after the settlement date for the current regulatory period cannot be considered when determining the extent of any shortfall. The last free emission allowances were allocated in 2012.

**1.10 Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method for fuel and the average cost method for spare parts. Provision is made for slow moving and obsolete stocks.

**1.11 Impairment excluding stocks and deferred tax assets**

**Financial assets (including trade and other debtors)**

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

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

**Non-financial assets**

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

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

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

1. Accounting policies (continued)

1.12 Employee benefits

*Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

*Defined benefit plans*

The company operates two defined benefit schemes for specific employees. A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company's net obligation in respect of each defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods which is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

*Termination benefits*

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

*Share-based payment transactions*

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the company.

Where the company is part of a group share-based payment plan, it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured based on an observable market price, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

1. Accounting policies (continued)  
1.12 Employee benefits (continued)  
Termination benefits (continued)

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

1.13 Provisions

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

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies

1.14 Turnover

Turnover represents the invoiced value of services supplied, net of value added tax, together with accrued revenues and is recognised when supplies of electricity and related services are made.

Revenue received from the sale of emissions allowances is recorded in other operating revenue in the month of sale, as determined by the transfer date. The cost of the allowances sold is recorded in cost of sales and is determined on a specific identification basis.

1.15 Expenses

*Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

*Finance lease*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

*Interest receivable and Interest payable*

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

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

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

1. Accounting policies (continued)

1.16 Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

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



**2 Turnover**

|                     | 2018           | 2017           |
|---------------------|----------------|----------------|
|                     | £'000          | £'000          |
| Sale of Electricity | 125,732        | 122,245        |
|                     | <u>125,732</u> | <u>122,245</u> |

**3 Other operating income**

|                                      | 2018          | 2017          |
|--------------------------------------|---------------|---------------|
|                                      | £'000         | £'000         |
| Recharge of gas transportation costs | 14,783        | 17,052        |
| Sale of heavy fuel oil               | 11,755        | 6,183         |
| General ancillary services           | 12,385        | 10,856        |
| Other                                | 1             | 12            |
|                                      | <u>38,924</u> | <u>34,103</u> |

**4 Operating (loss) / profit**

|   | 2018          | 2017          |
|---|---------------|---------------|
|   | £'000         | £'000         |
| <b>This is stated after charging:</b>             |               |               |
| Depreciation of tangible assets – owned (note 10) | 8,760         | 6,460         |
| Amortization of intangible assets (note 11)       | 34            | 15            |
| Staff costs (note 5)                              | 12,318        | 12,907        |
|   | <u>21,112</u> | <u>19,382</u> |

**5 Staff costs**

|                        | 2018          | 2017          |
|------------------------|---------------|---------------|
|                        | £'000         | £'000         |
| <b>(a) Staff costs</b> |               |               |
| Wages and salaries     | 8,290         | 8,772         |
| Social security costs  | 991           | 993           |
| Other pension costs    | 3,037         | 3,142         |
|                        | <u>12,318</u> | <u>12,907</u> |

The average number of people employed by the company (including directors) during the year, analysed by category, was as follows.

|                | 2018       | 2017       |
|----------------|------------|------------|
|                | Number     | Number     |
| Production     | 101        | 115        |
| Administration | 17         | 23         |
|                | <u>118</u> | <u>138</u> |

5 Staff costs (continued)

(b) Directors' remuneration

Directors' emoluments

No remuneration was paid out to Directors of the company as they provided negligible qualifying services to the company. Directors are paid out of related or parent entities and an apportionment of salary was not deemed practical.

|  | 2018 | 2017 |
|--|------|------|
| Number of directors who received shares in the ultimate parent company in respect of qualifying services                                 | -    | -    |
| 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. |      |      |
| No directors are members of defined contribution pension schemes (2017: nil).  |      |      |

6 Auditor's remuneration

|   | 2018      | 2017      |
|---|-----------|-----------|
|   | £'000     | £'000     |
| Fee for the audit of these financial statements | 78        | 76        |
|   | <u>78</u> | <u>76</u> |

7 Interest receivable and similar income

|   | 2018       | 2017      |
|---|------------|-----------|
|   | £'000      | £'000     |
| Bank and other interest                 | 163        | 18        |
| Foreign exchange gain/loss              | 79         | -         |
| Amortization of cash flow hedge reserve | 79         | -         |
|   | <u>321</u> | <u>18</u> |

8 Interest payable and similar expenses

|   | 2018         | 2017         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Bank interest                           | -            | 41           |
| Foreign exchange loss                   | -            | 741          |
| Interest payable to group companies     | 1,075        | 1,010        |
| Amortization of cash flow hedge reserve | -            | 149          |
|   | <u>1,075</u> | <u>1,941</u> |

**8 Interest payable and similar income (continued)**

The company receives monthly EURO-based capacity payments in respect of the operation of its non-contracted generating units. In order to hedge the foreign currency risk associated with these receipts, the company has entered into a foreign currency contract with Barclays Bank PLC. The company has chosen to apply cash flow hedge accounting to the above transaction, the monthly capacity payments being the hedged item and the foreign currency contract being the hedging instrument. As at the end of 2018 the fair value of the hedging instrument was nil (2017: nil). In 2017 Hedge Unwinding led to £149,000 booked in Profit and Loss as foreign exchange loss.

**9 Taxation**

|  | 2018                  | 2017                  |
|--|-----------------------|-----------------------|
|  | £'000                 | £'000                 |
| <b>Current tax:</b>                            |                       |                       |
| Current tax on income for the period           | 134                   | 2,944                 |
| Group relief payable                           | 1,411                 | 530                   |
| Adjustment in respect of previous periods      | (300)                 | (1)                   |
| <b>Total current tax charge</b>                | <u><u>1,245</u></u>   | <u><u>3,472</u></u>   |
|  |                       |                       |
|  | 2018                  | 2017                  |
|  | £'000                 | £'000                 |
| <b>Deferred tax:</b>                           |                       |                       |
| Origination and reversal of timing differences | (2,996)               | (373)                 |
| Adjustment in respect of previous periods      | (34)                  | -                     |
| <b>Total deferred tax credit (note 16)</b>     | <u><u>(3,030)</u></u> | <u><u>(373)</u></u>   |
|  |                       |                       |
| <b>Current tax</b>                             | (1,245)               | (3,472)               |
| <b>Deferred tax</b>                            | <u>3,030</u>          | <u>373</u>            |
| <b>Tax on (loss)/profit</b>                    | <u><u>1,785</u></u>   | <u><u>(3,099)</u></u> |

9 Taxation (Continued)

|  | 2018         |                |                | 2017         |              |              |
|--|--------------|----------------|----------------|--------------|--------------|--------------|
|  | Current tax  | Deferred Tax   | Total Tax      | Current tax  | Deferred Tax | Total Tax    |
| Recognised in Profit and loss account    | 1,245        | (3,030)        | (1,785)        | 3,472        | (373)        | 3,099        |
| Recognised in Other comprehensive income | -            | 134            | 134            | -            | 80           | 80           |
| <b>Total tax</b>                         | <b>1,245</b> | <b>(2,896)</b> | <b>(1,651)</b> | <b>3,472</b> | <b>(293)</b> | <b>3,179</b> |

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

|   | 2018           | 2017         |
|---|----------------|--------------|
|   | (9,984)        | 15,668       |
| (Loss) / Profit before tax  |                |              |
|   | 2018           | 2017         |
|   | £'000          | £'000        |
| (Loss) / Profit at the standard UK corporation tax rate of 19% (2017: 19.25%) | (1,897)        | 3,016        |
| Effect of:  |                |              |
| Income not taxable/ expenses not deductible for tax purposes                  | 110            | (31)         |
| Impact of changes in tax rates  | 335            | 115          |
| Adjustments in respect of previous periods                                    | (333)          | (1)          |
| <b>Total tax (credit)/charge for the year</b>                                 | <b>(1,785)</b> | <b>3,099</b> |

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) were substantively enacted on 26 October 2015 and 16 September 2016 respectively. Any deferred tax balance at 31 December 2018 has been calculated based on these rates.

10 Tangible assets

|  | Long leasehold land and buildings | Tools and equipment | Plant and machinery | Motor Vehicles | Fixtures and fittings | Work in progress | Total          |
|--|-----------------------------------|---------------------|---------------------|----------------|-----------------------|------------------|----------------|
|  | £'000                             | £'000               | £'000               | £'000          | £'000                 | £'000            | £'000          |
| At 1 January 2018                          | 16,392                            | 1,641               | 373,573             | 267            | 1,510                 | 194              | 393,577        |
| Additions                                  | -                                 | -                   | 153                 | -              | -                     | 952              | 1,105          |
| Disposals                                  | -                                 | -                   | (10,223)            | -              | -                     | -                | (10,223)       |
| Transfers from work in progress            | -                                 | -                   | 716                 | -              | 144                   | (1,105)          | (245)          |
| <b>At 31 December 2018</b>                 | <b>16,392</b>                     | <b>1,641</b>        | <b>364,219</b>      | <b>267</b>     | <b>1,654</b>          | <b>41</b>        | <b>384,215</b> |
| <b>Depreciation and impairment</b>         |                                   |                     |                     |                |                       |                  |                |
| At 1 January 2018                          | 16,265                            | 1,641               | 287,013             | 233            | 1,267                 | -                | 306,419        |
| Disposals                                  | -                                 | -                   | (9,499)             | -              | -                     | -                | (9,499)        |
| Depreciation charge for the year           | 6                                 | -                   | 8,007               | 2              | 19                    | -                | 8,034          |
| Impairment                                 | 26                                | -                   | 17,161              | 7              | 85                    | 13               | 17,292         |
| <b>At 31 December 2018</b>                 | <b>16,297</b>                     | <b>1,641</b>        | <b>302,682</b>      | <b>242</b>     | <b>1,371</b>          | <b>13</b>        | <b>322,246</b> |
| <b>Carrying amount at 31 December 2018</b> | <b>95</b>                         | <b>-</b>            | <b>61,537</b>       | <b>25</b>      | <b>283</b>            | <b>29</b>        | <b>61,969</b>  |
| <b>Carrying amount at 1 January 2018</b>   | <b>127</b>                        | <b>-</b>            | <b>86,560</b>       | <b>34</b>      | <b>243</b>            | <b>194</b>       | <b>87,159</b>  |

**10 Tangible assets (continued)**

The I-SLM capacity auction outcome was released in January 2018 and one of the B station units was not successful in bidding. In November 2018, management announced that it has received derogation approval from the Utility Regulator, and it has decommissioned units B4 and B5 at Ballylumford before the end of their estimated useful life and has transferred the B4 capacity contract to Kilroot. These events constitute an impairment indicator for Ballylumford Cash Generation Unit (CGU). As such, the Ballylumford CGU was tested for impairment at December 31, 2018. It was found that the carrying value of the Ballylumford Cash Generating Unit was higher than its recoverable amount and a total fixed assets impairment amount of £7.4M was charged to the profit and loss account. The portion allocated to the tangible fixed assets is £17,293.

|   | 2018         |
|---|--------------|
|   | £'000        |
| <b>11 Intangible assets - Computer Software</b> |              |
| <i>Cost</i>                                     |              |
| Balance at 1 January                            | 830          |
| Transfers                                       | 244          |
| <b>Balance at 31 December</b>                   | <b>1,074</b> |
| <i>Amortization and impairment</i>              |              |
| Balance at 1 January                            | 583          |
| Amortisation for the year                       | 34           |
| Impairment                                      | 99           |
| <b>Balance at 31 December</b>                   | <b>716</b>   |
| <i>Net book value</i>                           |              |
| <b>At 31 December</b>                           | <b>358</b>   |
| <b>At 1 January</b>                             | <b>247</b>   |

As disclosed in Note 10, the Ballylumford Cash Generating Unit was tested for impairment at 31 December 2018. The proportion of total impairment allocated to intangible fixed assets is £99,000.

**12 Stocks**

|             | 2018          | 2017          |
|-------------|---------------|---------------|
|             | £'000         | £'000         |
| Fuel        | 12,153        | 12,006        |
| Engineering | 9,597         | 10,579        |
|             | <b>21,750</b> | <b>22,585</b> |

Fuel stocks recognised in 2018 as cost of sales in the year amounted to £112,000 (2017: £97,000). Following the decision for closure of B station units, the engineering inventory spares was reviewed for impairment. As a result, an impairment loss of £1,217,000 was recognised in the profit and loss account. In addition, a loss for obsolete inventory of £101,000 was recognised in the profit and loss account.

**13 Debtors**

|                                 | 2018          | 2017          |
|---------------------------------|---------------|---------------|
|                                 | £'000         | £'000         |
| Trade debtors                   | 1,516         | 1,380         |
| Amounts owed by group companies | 4,232         | 5,604         |
| Prepayments and accrued income  | 18,703        | 14,589        |
| Tax debtors - VAT               | 73            | 37            |
| Other debtors                   | 3,596         | 44            |
|                                 | <u>28,120</u> | <u>21,654</u> |

**14 Creditors: amounts falling due within one year**

|   | 2018          | 2017          |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Trade creditors                                   | 15,999        | 13,161        |
| Amounts owed to group undertakings                | 9,556         | 10,187        |
| Other creditors including tax and social security | 300           | 236           |
| Accruals  | 2,701         | 2,782         |
| Corporation tax                                   | (12)          | 1,393         |
| Severance provision                               | 1,854         | -             |
|   | <u>30,398</u> | <u>27,759</u> |

**15 Creditors: amounts falling due after more than one year**

|  | 2018          | 2017          |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Loans owed to parent company             | 24,003        | 24,003        |
| Long term provision of performance units | 10            | 13            |
|  | <u>24,013</u> | <u>24,016</u> |

16 Provisions for liabilities

|   | 2018          | 2017          |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Deferred tax                                | 6,426         | 9,707         |
| Pension liability (note 17)                 | 5,977         | 8,235         |
| Other provisions                            | 990           | 916           |
| Provision for voluntary redundancy payments | 115           | 659           |
|   | <u>13,508</u> | <u>19,517</u> |

|                                  | Deferred tax | Net pension liability | Other      | Voluntary redundancy payments & Severance provision | Total         |
|----------------------------------|--------------|-----------------------|------------|---|---------------|
|                                  | £'000        | £'000                 | £'000      | £'000   | £'000         |
| At 1 January 2018                | 9,707        | 8,235                 | 916        | 659   | 19,517        |
| Increase (Decrease) in provision | (3,281)      | (2,258)               | 74         | (544)   | (6,009)       |
| At 31 December 2018              | <u>6,426</u> | <u>5,977</u>          | <u>990</u> | <u>115</u>  | <u>13,508</u> |

**Voluntary redundancy pension and severance payments**

The move to Combined Cycle Gas turbine technology necessitated a significant reduction in staffing levels and a provision was made in 2000 to cover the costs of severance.

**Deferred tax**

|   | 2018         | 2017         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Deferred tax comprises:                               |              |              |
| Accelerated capital allowances                        | 6,480        | 9,824        |
| Provisions  | (49)         | (112)        |
| Other timing differences                              | (5)          | (5)          |
| <b>Total deferred tax liability</b>                   | <u>6,426</u> | <u>9,707</u> |
| Total deferred tax asset related to pension liability | (1,015)      | (1,400)      |
| <b>Deferred tax balance</b>                           | <u>5,411</u> | <u>8,307</u> |

|   | 2018         | 2017         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| <b>Movement in the year:</b>                        |              |              |
| At 1 January  | 8,307        | 8,600        |
| Deferred tax credited in profit and loss account    | (3,030)      | (373)        |
| Deferred tax credited in other comprehensive income | 134          | 80           |
| <b>At 31 December</b>                               | <u>5,411</u> | <u>8,307</u> |

17 Pensions and other employee benefits

**Ballylumford Power Pension Scheme and AES Ballylumford Pension Scheme**

The company operates two defined benefit pension schemes, the Ballylumford Power Pension Scheme (BPPS) and the AES Ballylumford Pension Scheme (AESBPS), with assets held in separate trustee administered funds. A small number of employees are members of the BPPS. The majority of the company's employees are members of the AESBPS. This occupational pension scheme is a defined benefit scheme, which came into existence on 1 December 2010.

An actuarial valuation of the schemes, using the projected unit basis, was carried out at 31 December 2018 by Mercer Limited, independent consulting actuaries.

The valuations for both current financial year and comparative 2017 have been performed in compliance with FRS 102. FRS 102 requires companies to apply a single discount rate – a high quality (AA) corporate bond rate – to their net plan assets or net plan liabilities to calculate the net interest charge in the profit and loss account.

It is expected that the Company will make regular contributions to the pension schemes of £2,022,000 during 2018 (2017: £2,232,000)

**Net pension liability as of 31 December measured under the requirements of FRS 102:**

|   | 2018           | 2017           |
|---|----------------|----------------|
|   | £'000          | £'000          |
| Total market value of plan assets               | 28,735         | 27,796         |
| Defined benefit obligation                      | (34,465)       | (36,159)       |
| Effect of asset ceiling                         | (247)          | (23)           |
| <b>Net pension liability</b>                    | <b>(5,977)</b> | <b>(8,386)</b> |
| Related deferred tax asset                      | 1,016          | 1,400          |
|   | <hr/>          | <hr/>          |
| <b>Net pension liability after deferred tax</b> | <b>(4,961)</b> | <b>(6,986)</b> |
|   | <hr/>          | <hr/>          |

**Movements in present value of defined benefit obligation:**

|                                       | 2018          | 2017          |
|---------------------------------------|---------------|---------------|
|                                       | £'000         | £'000         |
| <b>At 1 January</b>                   | <b>36,159</b> | <b>33,752</b> |
| Interest expense                      | 915           | 965           |
| Contributions by members              | 28            | 25            |
| Re-measurement: actuarial (gain)/loss | (2,660)       | 1,357         |
| Current service cost                  | 2,232         | 2,254         |
| Benefits paid from scheme             | (2,209)       | (2,194)       |
| <b>At 31 December</b>                 | <b>34,465</b> | <b>36,159</b> |



17 Pensions and other employee benefits (continued)

**Movements in fair value of plan assets**

|  | 2018          | 2017          |
|--|---------------|---------------|
|  | £'000         | £'000         |
| At 1 January                           | 27,797        | 25,416        |
| Benefits paid from scheme              | (2,210)       | (2,194)       |
| Scheme participants contributions      | 28            | 25            |
| Actuarial (loss)/gain on scheme assets | (1,640)       | 1,640         |
| Expected return on scheme assets       | 736           | 761           |
| Contributions paid by the employer     | 4,024         | 2,149         |
| <b>At 31 December</b>                  | <b>28,735</b> | <b>27,797</b> |

Scheme assets do not include any of AES Ballylumford Limited's own financial instruments, or any property occupied by AES Ballylumford Limited.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

The actual return on plan assets in the year was: Loss of £905,000 (2017: gain of £2,401,000)

**Expense recognised in the profit and loss account:**

|  | 2018         | 2017         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Expense recognised in the profit and loss account: |              |              |
| Current service cost                               | 2,232        | 2,254        |
| Interest on pension scheme liabilities             | 915          | 965          |
| Expected gain on plan assets                       | (735)        | (761)        |
| Interest expense on effect of asset ceiling        | 1            | 6            |
| <b>Total expense recognised in profit and loss</b> | <b>2,413</b> | <b>2,464</b> |

Total current service cost 2,232,000 (2017: 2,254,000) is included within cost of sales.

|   | 2018       | 2017       |
|---|------------|------------|
|   | £'000      | £'000      |
| <b>Other finance costs:</b>                 |            |            |
| Expected gain on plan assets                | (735)      | (761)      |
| Interest on pension scheme liabilities      | 915        | 965        |
| Interest expense on effect of asset ceiling | 1          | 6          |
| <b>Other finance costs</b>                  | <b>181</b> | <b>210</b> |

The 'Other finance costs' are included in "Cost of Sales"

17 Pensions and other employee benefits (continued)

|  | 2018       | 2017       |
|--|------------|------------|
| Re-measurements recognised in other comprehensive income were: | £'000      | £'000      |
| (Loss)/Return on plan assets (excluding interest income)       | (1,640)    | 1,640      |
| Re-measurement: actuarial loss                                 | 2,660      | (1,357)    |
| Changes in asset ceiling                                       | (224)      | 189        |
| Pension liability adjustment                                   | (10)       | (111)      |
| Total re-measurements recognised in other comprehensive income | <u>786</u> | <u>361</u> |

Principal actuarial assumptions (expressed as weighted averages) at the yearend were as follows:

Actuarial assumptions

The principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows.

|                                      | 31 Dec 2018 | 31 Dec 2017 |
|--------------------------------------|-------------|-------------|
|                                      | % per       | % per       |
| Inflation assumption                 | 2.1         | 3.1         |
| Rate of increase in salaries         | 3.6         | 3.6         |
| Rate of increase in pension payments | 3.1         | 3.1         |
| Discount rate                        | 2.9         | 2.6         |

The assets in the scheme and the expected rates of return were:

|                              | 2018                                      | 2018           | 2017                                      | 2017          |
|------------------------------|---|----------------|---|---------------|
|                              | Long-term<br>rate of return<br>expected % | Value<br>£'000 | Long-term<br>rate of return<br>expected % | Value £'000   |
| Equities                     | N/A                                       | -              | 4.50                                      | 3,849         |
| Government Bonds             | 1.80                                      | -              | 1.70                                      | -             |
| Corporate Bonds              | 2.90                                      | 28,735         | 2.60                                      | 23,947        |
| Total market value of assets |   | <u>28,735</u>  |   | <u>27,796</u> |

AES Group Pension Plan

With effect from 2 April 2007 new UK employees have been offered membership of a defined contribution stakeholder pension plan, the AES Group Pension Plan. Life assurance and income protection benefits are also provided under separate plans, these benefits are fully insured. Members may choose the rate at which they contribute to the Plan and the employer's contribution is determined by the rate that the member selects. A wide range of funds is available from which members may choose how the contributions will be invested.

The cost of contributions to the defined contribution pension scheme during the year was £624,146 (2017: £678,000)

## 18 Capital and reserves

| Called up Share capital         | 2018     | 2017     |
|---------------------------------|----------|----------|
| <b>Allotted and fully paid:</b> |          |          |
| 2 ordinary shares of £1 each    | <u>2</u> | <u>2</u> |

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

### Statutory reserve

The statutory reserve consists of a capital reserve of £8,158,000 and a revenue reserve of £9,417,000 which were transferred from Northern Ireland Electricity (NIE) in accordance with the Transfer Scheme of Northern Ireland Electricity pursuant of Article 69 of the Electricity (Northern Ireland) Order 1992.

### Other reserve

The company issues restricted stock units (RSUs) under its long-term compensation plan. The RSUs are generally granted based upon a percentage of the participant's base salary and have a three-year vesting schedule. The cost of providing RSUs is recognized in Profit and loss with a corresponding increase in equity.

### Dividends

|   | 2018          | 2017         |
|---|---------------|--------------|
|   | £'000         | £'000        |
| Dividends declared and paid during the year |               |              |
| Interim for 2018 (£ 9,233,376 per share)    | 18,467        | -            |
| Interim for 2017 (£ 1,000,000 per share)    | -             | 2,000        |
|   | <u>18,467</u> | <u>2,000</u> |

## 19 Share based payments

### Restricted Stock Units

The company issues restricted stock units (RSUs) under its long-term compensation plan. The RSUs are generally granted based upon a percentage of the participant's base salary. The units have a three-year vesting schedule and vest in one-third increments over the three-year period. Units granted prior to 2011 are required to be held for an additional two years before they can be converted into shares, and thus become transferable. There is no such requirement for units granted in 2011 and afterwards. In all circumstances, restricted stock units 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 cost of providing RSUs 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 to 31 December 2018 is £9,000 (2017: £14,000).

*A summary of the RSUs activity for the year ended 31 December 2018 is as follows:*

|   | Restricted<br>stock units<br>('000) | Weighted<br>average<br>grant date<br>fair values<br>£ | Weighted<br>average<br>remaining<br>vesting term<br>(years) |
|---|-------------------------------------|---|---|
| Non vested at 1 January 2018                    | 3                                   | 8.5   |   |
| Vested during the year                          | (2)                                 | 8.5   |   |
| Forfeited and expired                           | -                                   | -   |   |
| Granted   | -                                   | -   |   |
| Net shares transferred during the year          | -                                   | -   |   |
| Non vested at 31 December 2018                  | <u>1</u>                            | <u>8.5</u>  | <u>1</u>  |
| Vested at 31 December 2018                      | <u>-</u>                            | <u>-</u>  | <u>-</u>  |
| Vested and expected to vest at 31 December 2018 | <u>2</u>                            | <u>8.5</u>  |   |

## 20 Capital commitments

|   | 2018          | 2017          |
|---|---------------|---------------|
|   | £'000         | £'000         |
| Contracts placed for future capital expenditure | <u>27,255</u> | <u>22,730</u> |

In 2010 the company entered into a Long Term Service Agreement with a major supplier to cover part of the capital costs associated with major overhauls of the CCGT plant.

## 21 Contingent asset

On 17 November 2010 the Company received a gift of shares from its parent company with a value of £21,489,000. This gift of shares was due to be recognised in year 2020 when the agreement matures. In February 2019 the respective agreement between AES Bary Operations Ltd and AES Ballylumford Holdings Ltd was terminated. Contingent asset ceased to exist as of 18 February 2019.

## 22 Contingent liabilities

The company is aware of claims and potential claims which involve or may involve legal proceedings against the company in respect of current and former employees, including former employees of NIF, and contractors in respect of industrial illness and injury.

The directors are of the opinion, having regard to the legal advice received and insurance arrangements and provisions made that it is unlikely that the matters referred to above will, in aggregate, have a material effect on the Company's financial position.

## 23 Ultimate parent company and parent company of larger group

The company's immediate parent undertaking is AES Ballylumford Holdings Limited, a company incorporated in England.

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

## 24 Events since the balance sheet date

In February 2019 the loan between AES Ballylumford Ltd and its parent undertakings was terminated and the Company will no longer be obliged to repay the parent company the outstanding balance of principal and interest.

On April 9, 2019, the parent company (AES Ballylumford Holdings Ltd) has entered into an agreement to sell its entire 100% interest in the company. The agreement was approved by the EU Merger Regulator on 5th of June 2019.