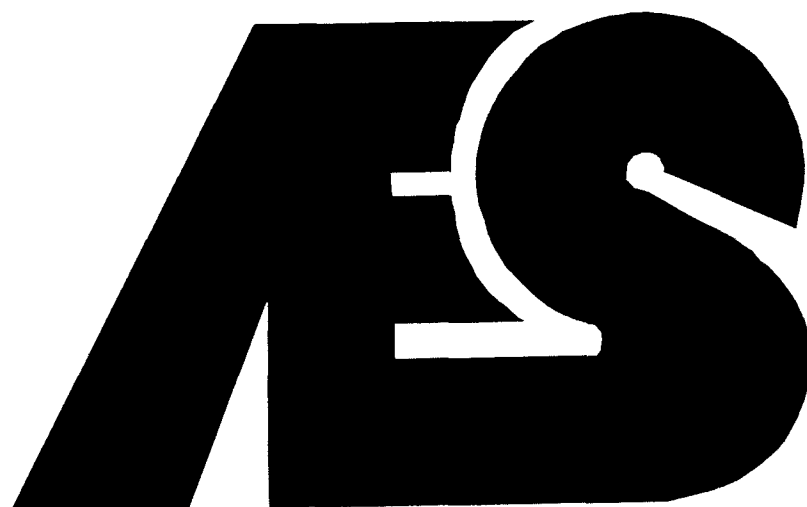




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**AES (NI) Limited**  
**Annual Report**  
**for the year ended 31 December 2005**

**Registered no : NI 26332**

# **AES (NI) Limited**

## **Annual report for the year ended 31 December 2005**

	<b>Pages</b>
<b>Directors and advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2-6</b>
<b>Independent auditors' report</b>	<b>7-8</b>
<b>Consolidated profit and loss account</b>	<b>9</b>
<b>Statement of total recognised gains and losses</b>	<b>9</b>
<b>Balance sheets</b>	<b>10</b>
<b>Consolidated cash flow statement</b>	<b>11</b>
<b>Notes to the financial statements</b>	<b>12-36</b>

**AES (NI) Limited****Directors and advisers****Directors**

J McLaren  
S Lynch

**Registered Auditors**

PricewaterhouseCoopers LLP  
Waterfront Plaza  
8 Laganbank Road  
Belfast  
BT1 3LR

**Secretary and registered office**

G McNeilly  
Kilroot Power Station  
Larne Road  
Carrickfergus  
Co Antrim  
BT38 7LX

**Solicitors**

Carson & McDowell  
Murray House  
Murray Street  
Belfast  
BT1 6HS

**Bankers**

Bank of Ireland Limited  
47 Donegall Place  
Belfast  
BT1 5BX

## **AES (NI) Limited**

### **Directors' report for the year ended 31 December 2005**

The directors present their report and the audited financial statements for the year ended 31 December 2005.

#### **Principal activities**

The principal activity of the group is that of generating electricity.

#### **Review of business and future developments**

Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

#### **Financial risk management**

AES Kilroot Power Limited is the main trading subsidiary of the group. AES Kilroot Power Limited operates Kilroot Power Station under a long-term Power Purchase Agreement which has an earliest cancellation date of 1 November 2010.

The group has obligations under the PPA to operate and maintain the Generating Units and make available contracted capacity and generate electrical energy in accordance with certain specified characteristics. The group receives two main types of payments under the PPA, availability payments and energy payments.

Availability payments are calculated by reference to the availability of each Generating Unit and are payable whether or not power is actually dispatched. Energy payments are calculated based on the costs of fuel and specified operating and efficiency characteristics. The PPA also imposes controls on the group for the management of sulphur and nitrogen oxide emissions from the Power Station.

The group's operations expose it to a number of operational risks including reduction in plant availability through forced outages, prolonged plant breakdown or inability to operate within the agreed level of environment emissions.

In addition operating at efficiency levels lower than those specified in the PPA may lead to loss of energy income.

The group has in place a risk management programme which seeks to limit the adverse effects of these risks on financial performance.

## **AES (NI) Limited**

### **Financial risk management (continued)**

#### **Availability Risk**

The group seeks to limit the risk to availability income through a programme of continuous plant monitoring designed to identify possible plant failure in advance.

A set overhaul program has been put in place for each Generating Unit which requires thorough inspection and refurbishment every 3 years.

The group has in place adequate levels of Business Interruption insurance to limit the financial affect of a prolonged period of plant breakdown.

#### **Energy Income Risk**

The group seeks to maximise plant efficiency through a process of continuous plant monitoring designed to identify areas where efficiency improvements can be obtained. Once a potential reduction in efficiency has been identified actions are taken to improve performance whenever it is economically viable to do so.

#### **Emissions Risk**

The group continuously monitors its environmental emissions to ensure that the plant operates within the agreed limits.

The group keeps up to date with Environmental Legislation and is committed to implementing modifications to the plant when required.

Under the PPA the cost of modifications to the plant which are required by changes in legislation pass through to the contract off taker.

#### **Price Risk**

The group is not exposed to significant price risk since the Availability payments received increase by RPI each year and energy payments received are calculated based on the costs of fuel.

#### **Credit Risk**

The group is not exposed to significant credit risk due to the high credit rating of the counterparty to the PPA.

## **AES (NI) Limited**

### **Financial risk management (continued)**

#### **Liquidity Risk**

The group minimises liquidity risk through the weekly preparation of cashflow forecasts and a policy of investing in short term bank deposits held by banks with a minimum credit rating of P1.

#### **Interest Rate Cashflow Risk**

The group minimises Interest Rate Cashflow 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.

### **Results and dividends**

The consolidated profit and loss account for the year is set out on page 9.

The directors have paid the following dividends during the year ended 31 December 2005:

	<b>£'000</b>
Interim dividend paid	1,164
	<hr/> 1,164 <hr/>

### **Directors**

The directors who served during the year are shown on page 1. There were no changes in directors during the year.

In accordance with the Articles of Association, none of the directors are required to retire by rotation.

There were no contracts of significance subsisting during or at the end of the financial year in which a director of the company was materially interested.

### **Directors' interests**

None of the directors had any interest in the shares of the company at the end of the year.

No directors have been granted or exercised share options in the shares of the company or other group companies and no share options remain outstanding at 31 December 2005.

No directors were interested at any time in the year in the share capital or loan stock of the company or other group companies.

## **AES (NI) Limited**

### **Directors' interests (continued)**

There has been no change in the interests set out above between 31 December 2005 and 6 February 2006.

### **Charitable contributions**

The group participates in a give as you earn scheme where it matches the donations of employees. During the year the group made matching donations of £18,328 (2004: £14,402).

Other charitable contributions amounted to £2,165 (2004: £1,760). The following donations were more than £200;

Wildlife Trust	£965
Action MS	£1,200

### **Employees**

The group'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.

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, whenever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

The group 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 group 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.

## **AES (NI) Limited**

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

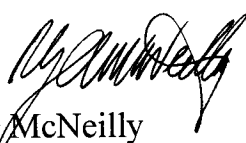
### **Policy on preservation of amenity and fisheries**

The company subscribes to Schedule 9 of the Electricity (Northern Ireland) Order 1992 concerning the preservation of amenity and fisheries. Accordingly, AES (NI) Limited 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.

### **Auditors**

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

By order of the board

  
G. McNeilly  
**Company Secretary**  
23 February 2006



## **Independent auditors' report to the shareholders of AES (NI) Limited**

We have audited the group and parent company financial statements (the 'financial statements') of AES (NI) Limited for the year ended 31 December 2005, which comprise the group profit and loss account, the group statement of total recognised gains and losses, the group and company balance sheets, the group cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable Northern Ireland law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Article 243 of the Companies (Northern Ireland) Order 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Northern Ireland) Order 1986. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

### **Basis of audit opinion**

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

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Independent auditors' report to the shareholders of AES (NI) Limited (continued)**

### **Basis of audit opinion (continued)**

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

### **Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the group's profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
Belfast  
7 March 2006

## AES (NI) Limited

### Consolidated profit and loss account for the year ended 31 December 2005

	Notes	2005 £'000	As restated 2004 £'000
<b>Turnover</b>	2	<b>114,238</b>	117,193
Operating costs	3	(70,344)	(71,676)
<b>Operating profit</b>		<b>43,894</b>	45,517
Investment income	5	5,115	3,281
Interest payable and similar charges	6	(21,974)	(22,177)
Other finance costs	19	(307)	(393)
<b>Profit on ordinary activities before taxation</b>	7	<b>26,728</b>	26,228
Taxation	8	(7,001)	(7,041)
<b>Profit for the financial year</b>	9 & 21	<b>19,727</b>	19,187

### Statement of total recognised gains and losses for the year ended 31 December 2005

	Notes	2005 £'000	As restated 2004 £'000
Profit for the financial year		19,727	19,187
Actuarial gain/(loss) on pension scheme	19	768	(1,088)
Taxation relating to actuarial (loss)/gain		(231)	326
Total recognised gains and losses relating to the year	18,425		<b>20,264</b>
Prior year adjustments	1 & 21	(12,433)	
Total gains and losses recognised since last annual report		<b>7,831</b>	

All amounts above relate to continuing operations of the group.

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

# AES (NI) Limited

## Balance sheets at 31 December 2005

	Notes	Group		Company	
		2005	As restated 2004	2005	As restated 2004
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	11	25,824	27,223	-	-
Tangible assets	12	144,905	151,343	-	-
Investments	13	-	-	234,971	234,971
		<u>170,729</u>	<u>178,566</u>	<u>234,971</u>	<u>234,971</u>
<b>Current assets</b>					
Stocks	14	9,205	8,904	-	-
Debtors: amounts falling due within one year	15	18,894	14,637	5,060	4,617
Debtors: amounts falling due after one year	15	-	-	32,000	32,000
Cash at bank and in hand		98,459	86,932	3,712	4,662
		<u>126,558</u>	<u>110,473</u>	<u>40,772</u>	<u>41,279</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(76,448)</u>	<u>(29,424)</u>	<u>(8,511)</u>	<u>(3,621)</u>
<b>Net current assets</b>		<u>50,110</u>	<u>81,049</u>	<u>32,261</u>	<u>37,658</u>
<b>Total assets less current liabilities</b>		<u>220,839</u>	<u>259,615</u>	<u>267,232</u>	<u>272,629</u>
<b>Creditors: amounts falling due after more than one year</b>					
Borrowings and other creditors	17	182,916	236,777	207,623	218,623
Convertible debt	17	6,268	6,268	6,268	6,268
<b>Provisions for liabilities</b>	18	41,602	44,105	-	-
<b>Pension liability</b>	19	10,914	12,424	-	-
<b>Capital and reserves</b>					
Called up share capital	20	6,849	6,849	6,849	6,849
Share premium account	21	3,729	3,729	3,729	3,729
Profit and loss account	21	(31,439)	(50,537)	42,763	37,160
<b>Equity shareholders' (deficit)/funds</b>	22	<u>(20,861)</u>	<u>(39,959)</u>	<u>53,341</u>	<u>47,738</u>
		<u>220,839</u>	<u>259,615</u>	<u>267,232</u>	<u>272,629</u>

The financial statements on pages 9 to 35 were approved by the board of directors on 23 February 2006 and were signed on its behalf by:

*Shane Lynch*

Shane Lynch  
Director

**AES (NI) Limited****Consolidated cash flow statement  
for the year ended 31 December 2005**

	Notes	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
<b>Net cash inflow from operating activities</b>	23	<b>49,890</b>	51,188
<b>Returns on investments and servicing of finance</b>			
Interest received		<b>5,093</b>	3,312
Interest paid		<b>(12,364)</b>	(22,164)
		<b>(7,271)</b>	(18,852)
<b>Taxation paid</b>		<b>(8,445)</b>	(8,506)
<b>Capital expenditure and financial investment</b>			
Purchase of investments		<b>(2)</b>	(9)
Purchase of tangible fixed assets		<b>(3,926)</b>	(1,024)
Sale of fixed assets		<b>16</b>	30
		<b>(3,912)</b>	(1,003)
<b>Equity dividends paid</b>		<b>(1,164)</b>	(2,925)
Net cash inflow before use of liquid resources and financing		<b>29,098</b>	19,902
<b>Management of liquid resources</b>			
Increase in short term deposits with banks		<b>(10,642)</b>	(11,412)
<b>Financing</b>			
Repayment of loan capital		<b>(5,870)</b>	(12,000)
<b>Increase/(decrease) in cash in the year</b>	24&25	<b>12,586</b>	(3,510)

## **AES (NI) Limited**

### **Notes to the financial statements for the year ended 31 December 2005**

#### **1 Accounting policies**

These financial statements are prepared on the going concern basis under the historical cost convention, and in accordance with the Companies (Northern Ireland) Order 1986 and applicable accounting standards. The principal group accounting policies are set out below.

#### **Changes in accounting policies**

In November 2000 and May 2004, the Accounting Standards Board issued FRS 17, 'Retirement benefits', FRS 21, 'Events after the balance sheet date', and UITF 38 'Accounting for ESOP trust' respectively.

The company has adopted FRS 17, 'Retirement benefits' and FRS 21, 'Events after the balance sheet date', in the financial statements. The adoption of these new standards represent a change in accounting policy and the comparative figures have been restated accordingly.

The effect of the change in accounting policy to adopt FRS 17 was to decrease staff costs, increase other finance expenses and increase taxation by £1,696,000 (2004: £1,506,000), £307,000 (2004: £393,000) and £417,000 (2004: £334,000) respectively, to increase profit for the year by £972,000 (2004: £779,000) and to increase the total recognised gains and losses by £537,000 (2004: £762,000 decrease).

The effect of the change in accounting policy to adopt FRS 21 was to recognise the final proposed dividend of £1,050,000 for 2004 in the current year (2004: recognised dividend paid of £2,925,000). In addition a proposed dividend received from a subsidiary company of £4,550,000 at 31 December 2004 has now been recognised in the current year.

The effect of the change in accounting policy to adopt UITF 38 'Accounting for ESOP trust' is that shares held in the Nigen 1998 Trust previously shown as an investment on the company and group's balance sheet are reclassified as a deduction in arriving at shareholders' funds. This has led to a decrease in shareholders' fund of £9,000. At 31 December 2005, 15,812 shares of the company were held by the Nigen 1998 Trust. The Nigen 1998 Trust is a discretionary trust for the benefit of employees of the company and the group and may be used to meet obligations under the company's employee share schemes.

## **AES (NI) Limited**

### **Basis of consolidation**

The consolidated financial statements include the company and its subsidiary undertakings except where standard accounting practice requires that a subsidiary should be excluded from consolidation. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of the acquisition or up to the date of their disposal. Intra-group sales and profits are eliminated fully on consolidation.

### **Turnover**

Turnover represents the invoiced value of generating services based on customer usage net of value added tax.

### **Goodwill**

Goodwill represents the excess of the value of the consideration given over the fair value of the identifiable net assets acquired. Purchased goodwill is amortised through the profit and loss account over the estimated economic life of the generating agreement.

The directors have carried out an impairment review of goodwill in accordance with FRS 11.

The directors continue to be of the opinion that the appropriate period for writing off goodwill is over the total contract period of 32 years rather than 20 years as presumed by FRS10.

### **Strategic spares**

Emergency and rotatable spare parts are included within generating plant and buildings and are depreciated over the life of the related generating plant and buildings.

### **Tangible fixed assets**

The cost of fixed assets is their purchase cost, together with incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal periods used for this purpose are:

## **AES (NI) Limited**

<b>Asset</b>	<b>Life in years</b>
Long leasehold land	32
Long leasehold generating plant and buildings on hand in 1992 year	4.25 & 32
Additions to generating plant and buildings in year	4 – 20
Motor vehicles	4
Fixtures and fittings	4
Computer equipment	4
Maintenance assets	See policy below

The company is not depreciating project development costs until the related asset is completed and ready for use.

### **Overhaul of generating plant**

In accordance with FRS 15 the relevant component of the generating plant that will be overhauled is depreciated over the period until the expenditure is needed. That period is usually between three and nine years. When the overhaul expenditure takes place it is capitalised as part of the cost of the asset since it restores or replaces the previously depreciated component.

### **Foreign exchange**

Assets and liabilities expressed in foreign currencies are translated to sterling at rates of exchange ruling at the end of the financial year. Exchange differences are included in the profit and loss account.

### **Fuel stocks and stores**

Fuel stocks and general and engineering stores are stated at the lower of cost and net realisable value. Where necessary, provision is made for obsolete stocks.

### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profit and its results as stated in the financial statements. Deferred tax assets and liabilities recognised have not been discounted.



## AES (NI) Limited

### Pension

The principal trading subsidiaries within the group participate in a defined benefit pension scheme, which is valued every two years by an independent actuary. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method. Changes in these valuations from year to year are reflected in the profit and loss account and statement of total recognised gains and losses as appropriate.

### 2 Analysis of Turnover and Profit by class of business and by geographical area

The group operates principally in the electricity generation industry within Northern Ireland. Turnover and profit relate primarily to a single class of business and geographical area.

### 3 Operating costs

	2005	As restated 2004
	£'000	£'000
Cost of sales	52,869	54,839
Administrative expenses	17,475	16,837
	<u>70,344</u>	<u>71,676</u>

## AES (NI) Limited

### 4 Employee information

The average monthly number of persons employed by the group during the year was:

	2005 Number	2004 Number
<b>By activity</b>		
Production	87	86
Administration	7	7
	<u>94</u>	<u>93</u>

	2005 £'000	As restated 2004 £'000
<b>Staff costs (for the above persons)</b>		
Wages and salaries	3,650	3,110
Social security costs	445	306
Other pension costs (see note 19)	392	285
	<u>4,487</u>	<u>3,701</u>

### 5 Investment income

	2005 £'000	2004 £'000
Other interest receivable	5,115	3,281

## AES (NI) Limited

### 6 Interest payable and similar charges

	2005 £'000	2004 £'000
On debentures and other loans	18,857	18,857
Amounts payable to parent companies	2,052	1,967
On bank loans and overdrafts	706	1,339
Other interest payable	359	14
	<u>21,974</u>	<u>22,177</u>

### 7 Profit on ordinary activities before taxation

	2005 £'000	As restated 2004 £'000
<b>Profit on ordinary activities before taxation is stated after charging:</b>		
Staff costs (see note 4)	4,487	3,701
Goodwill amortisation	1,399	1,399
Depreciation charge for the year on tangible owned fixed assets	10,350	9,989
Profit on sale of fixed assets	(2)	(5)
Auditors' remuneration - for audit (company £2,730 (2004: £2,600))	27	28
- for other services	178	114
	<u>          </u>	<u>          </u>

## AES (NI) Limited

### 8 Taxation

	2005 £'000	As restated 2004 £'000
<b>Current tax:</b>		
UK corporation tax at 30%	9,465	9,535
Adjustment in respect of previous periods	(302)	(1,141)
Total current tax	<u>9,163</u>	<u>8,394</u>
<b>Deferred tax:</b>		
Accelerated capital allowances and other timing differences	(2,578)	(2,697)
Pension contribution relief in excess of pension cost charge	416	334
Adjustment in respect of previous periods	-	1,010
Total deferred tax	<u>(2,162)</u>	<u>(1,353)</u>
<b>Tax on profit on ordinary activities</b>	<u><u>7,001</u></u>	<u><u>7,041</u></u>

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

	2005 £'000	As restated 2004 £'000
<b>Profit on ordinary activities before tax</b>	<b>26,728</b>	<b>26,228</b>
Profit on ordinary activities multiplied by standard rate in the UK 30% (2004: 30%)	<u>8,018</u>	<u>7,868</u>
Effects of:		
Expenses not deductible for tax purposes	365	384
Accelerated capital allowances and other timing differences	2,578	2,697
Pension contribution relief in excess of pension cost charge	(416)	(334)
Group relief not paid	(1,200)	(1,200)
Adjustment in respect of previous periods	(302)	(1,141)
Other	120	120
<b>Current tax charge for the year</b>	<u><u>9,163</u></u>	<u><u>8,394</u></u>

## AES (NI) Limited

### 9 Profit for the financial year

As permitted by Article 238 of the Companies (Northern Ireland) Order 1986 the holding company's profit and loss account has not been included in these financial statements. Of the profit for the financial year, a profit of £6,768,724 (2004: £1,874,688) is dealt with in the financial statements of the company.

### 10 Dividends

	2005 £'000	2004 £'000
Ordinary dividend paid	1,164	2,925
	<u>1,164</u>	<u>2,925</u>

### 11 Intangible fixed assets

The company has no intangible fixed assets. Details of those relating to the group are as follows:

	Goodwill £'000
<b>Cost</b>	
At 1 January 2005 and 31 December 2005	44,829
<b>Amortisation</b>	
At 1 January 2005	17,606
Charge for year	1,399
<b>At 31 December 2005</b>	<u>19,005</u>
<b>Net book value</b>	
At 31 December 2005	<u>25,824</u>
Net book value	
At 31 December 2004	<u>27,223</u>

# AES (NI) Limited

## 12 Tangible fixed assets

The company has no tangible fixed assets. Details of those relating to the group are as follows:

	Long leasehold land £'000	Long leasehold generating plant and buildings £'000	Maintenance asset £'000	Motor vehicles £'000	Fixtures and fittings £'000	Computer equipment £'000	Project development costs £'000	Total £'000
<b>Cost or valuation</b>								
At 1 January 2005	929	256,010	5,853	460	43	170	752	264,217
Additions	-	428	2,319	11	-	10	1,158	3,926
Disposals	-	(16)	-	(13)	-	-	-	(29)
<b>At 31 December 2005</b>	<b>929</b>	<b>256,422</b>	<b>8,172</b>	<b>458</b>	<b>43</b>	<b>180</b>	<b>1,910</b>	<b>268,114</b>
<b>Depreciation</b>								
At 1 January 2005	370	107,367	4,492	440	43	162	-	112,874
Charge for year	29	8,359	1,941	12	-	9	-	10,350
Eliminated in respect of disposals	-	(3)	-	(12)	-	-	-	(15)
<b>At 31 December 2005</b>	<b>399</b>	<b>115,723</b>	<b>6,433</b>	<b>440</b>	<b>43</b>	<b>171</b>	<b>-</b>	<b>123,209</b>
<b>Net book value</b>								
<b>At 31 December 2005</b>	<b>530</b>	<b>140,699</b>	<b>1,739</b>	<b>18</b>	<b>-</b>	<b>9</b>	<b>1,910</b>	<b>144,905</b>
<b>Net book value</b>								
At 31 December 2004	559	148,643	1,361	20	-	8	752	151,343

## AES (NI) Limited

### 13 Fixed asset investments

#### Company

**Interests in  
group  
undertakings  
£'000**

#### Cost

At 1 January 2005	234,971
Additions	-
<b>At 31 December 2005</b>	<b>234,971</b>

#### Amounts Written Off

At 1 January 2005 and 31 December 2005	-
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#### Net Book Value

<b>At 31 December 2005</b>	<b>234,971</b>
At 1 January 2005	234,971

#### Interests in principal group undertakings:

Name of undertaking	Country of incorporation or registration	Description of shares held	Proportion of nominal value of issued shares held by	
			Group %	Company %
AES Kilroot Power Limited	N. Ireland	Ordinary £1 shares	-	100
AES Belfast West Power Limited	N. Ireland	Ordinary £1 shares	-	100
Eden Village Produce Limited	N. Ireland	Ordinary £1 shares	-	100
Kilroot Electric Limited	Cayman Islands	Ordinary US \$1 shares	100	-
AES Kilroot Generating Limited	N. Ireland	Ordinary £1 shares	-	100
Nigen Supply Limited	N. Ireland	Ordinary £1 shares	-	100

The above companies operated principally in their country of incorporation with the exception of Kilroot Electric Limited which operated in Northern Ireland.

The principal business activities of these subsidiary undertakings are:

- (I) AES Kilroot Power Limited - generation of electricity.
- (II) Kilroot Electric Limited - investment company.

Eden Village Produce Limited, AES Kilroot Generating Limited, AES Belfast West Limited and Nigen Supply Limited did not trade during the year.

## AES (NI) Limited

### 14 Stocks

	Group	
	2005 £'000	2004 £'000
Engineering stock	2,924	2,950
Fuel stock	6,281	5,954
	<u>9,205</u>	<u>8,904</u>
Replacement cost	<u>10,804</u>	<u>8,999</u>

### 15 Debtors

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
<b>Amounts falling due within one year</b>				
Trade debtors	18,001	13,375	-	-
Group relief receivable	-	-	3,659	2,620
Amounts owed by subsidiary undertakings	-	-	992	1,246
Amounts owed by parent company and fellow subsidiary undertakings	2	12	2	1
Other debtors	258	258	258	306
Prepayments and accrued income	633	992	149	444
	<u>18,894</u>	<u>14,637</u>	<u>5,060</u>	<u>4,617</u>
<b>Amounts falling due after more than one year</b>				
Amounts owed by subsidiary undertakings	-	-	32,000	32,000



## AES (NI) Limited

### 16 Creditors: amounts falling due within one year

	Group		Company	
	As restated		As	
restated	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
9.5% secured debenture stock	39,700	-	-	-
Bank overdraft	24	11,725	-	-
Secured term loan	6,130	1,000	6,130	1,000
Trade creditors	3,905	3,302	-	-
Amounts owed to subsidiary undertakings	-	-	1,727	1,833
Amounts owed to parent company and fellow subsidiary undertakings	1,426	1,279	367	394
Corporation tax	6,697	5,979	-	-
Other taxation and social security	708	1,290	-	-
Other creditors	3,958	572	258	258
Accruals and deferred income	4,471	4,277	29	136
Interest payable on debenture stock	9,429	-	-	-
	<u>76,448</u>	<u>29,424</u>	<u>8,511</u>	<u>3,621</u>

Bank overdrafts relating to AES Kilroot Power Limited are secured by fixed and floating charges over the assets of the company, and over the assets of Kilroot Electric Limited and AES Kilroot Power Limited.

### 17 Creditors: amounts falling due after more than one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
9.5% secured debenture stock (2006 - 2010)	157,925	197,450	-	-
Secured term loan	-	11,000	-	11,000
Loan from subsidiary undertaking	-	-	195,123	195,123
Transferable loan stock	12,500	12,500	12,500	12,500
Accruals and deferred income	12,491	15,827	-	-
	<u>182,916</u>	<u>236,777</u>	<u>207,623</u>	<u>218,623</u>
Non transferable loan stock	<u>6,268</u>	<u>6,268</u>	<u>6,268</u>	<u>6,268</u>

## AES (NI) Limited

### 17 Creditors: amounts falling due after more than one year (continued)

#### Debenture Stock

##### Group

On 26 July 1994, Kilroot Electric Limited, a wholly owned subsidiary of AES Kilroot Power Limited issued £198,500,000 9.5% secured debenture stock (2006 - 2010) at £99.896 per cent in order to meet long term financing requirements of the AES (NI) Group. The debenture is unconditionally and irrevocably guaranteed by AES Kilroot Power Limited.

The carrying value of the debenture stock included above and in note 16 amounted to £197,624,742 after adjustment for original issue costs of £2,873,757, which are amortised over the life of the bond.

The entire loan is repayable in less than five years.

#### Loan from subsidiary undertaking

##### Company

The loan of £195,123,000 from the subsidiary undertaking is unsecured.

The interest rate levied is 7% per annum.

#### Transferable loan stock

##### Group and company

##### Authorised

	£'000
Floating rate subordinated loan stock 2007	12,500

##### Issued

	£'000
Floating rate subordinated loan stock 2007	12,500

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

- (I) the applicable margin; 6%
- (II) LIBOR on quotation date

## AES (NI) Limited

### 17 Creditors: amounts falling due after more than one year (continued)

#### Convertible debt

##### Group and company

##### Authorised

	£'000
Floating rate subordinated convertible deferred loan stock 2007	17,500

##### Issued

Floating rate subordinated convertible deferred loan stock 2007	6,268
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Interest levied on the loan stock is calculated as the sum of:

- (I) the applicable margin; 6%
- (II) LIBOR on quotation date

The loan is secured on the assets of the group and by inter-company guarantees.

The convertible loan stock is owned 50% by AES Electric Limited and 50% by AES Horizons Investments Limited. Each holder of the convertible loan stock has the right to convert such loan stock into ordinary shares of the company, credited as fully paid, at any time to the close of business on 31 March 2007.

The number of ordinary shares to be issued on exercise of a conversion right shall be determined by dividing the principal amount of the relevant Loan Stock being converted by the conversion price in effect on the conversion date. The conversion price is 25p per ordinary share subject to any alteration to the nominal value of the ordinary share as a result of consolidation or subdivision.

#### Loan

##### Group and company

On 23 May 2002, AES (NI) Limited obtained a secured term loan of £32,000,000 in order to meet long term financing requirements of the AES (NI) Group.

The interest rate levied is the sum of:

- (I) the applicable margin; 4%
- (II) LIBOR on quotation date;
- (III) the lenders' mandatory cost rate.

## AES (NI) Limited

### 17 Creditors: amounts falling due after more than one year (continued)

The loan is repayable as follows:

	2005 £'000	2004 £'000
30 April 2006	6,130	2,000
30 April 2007	-	4,500
30 April 2008	-	3,000
30 April 2009	-	1,500
30 April 2010	-	-
	<u>6,130</u>	<u>11,000</u>

The loan is secured by a second charge over the share capital of AES Kilroot Power Ltd.

### Accruals and deferred income

#### Group

Deferred income is being released over a period of 9 years from 2001 to 2010.

### 18 Provisions for liabilities

The company has no provision for liabilities.

Group	Deferred tax (see below) £'000	Other (see below) £'000	Total £'000
At 1 January 2005	43,271	834	44,105
Profit and loss account	(2,578)	294	(2,284)
Payments in the year	-	(219)	(219)
At 31 December 2005	<u>40,693</u>	<u>909</u>	<u>41,602</u>

## AES (NI) Limited

### 18 Provisions for liabilities and charges (continued)

#### Deferred taxation

An analysis of the full potential liability, all of which has been provided, is as follows:

	<b>Group</b>	
		As
restated	2005 £'000	2004 £'000
Tax effect of timing difference because of:		
Excess of capital allowances over depreciation	40,610	43,183
Provisions	(119)	(165)
Other timing differences	202	253
<b>Deferred tax excluding that relating to pension liability</b>	<b>40,693</b>	<b>43,271</b>
Deferred tax on pension liability (note 19)	(4,677)	(5,324)
Total provision for deferred tax	36,016	37,947
At 1 January 2005 as previously reported	43,271	
Prior year adjustment – FRS 17 (note 19)	(5,324)	
At 1 January 2005 as restated	37,947	
Deferred tax charge in profit and loss account (note 8)	(2,162)	
Deferred tax charged to the statement of total recognised gains and losses	231	
At 31 December 2005	36,016	

#### Other provisions

Other provisions relate to industrial disease liabilities which the company recognises when claims are received. Loss adjusters estimate the total liability against each claim. These estimates are adjusted as and when cases are settled. Due to the nature of these claims some liabilities will take many years to be fully resolved.

## AES (NI) Limited

### 19 Pension and similar obligations

The group pension scheme provides pension benefit and death in retirement benefits for eligible employees on a defined benefit basis, the benefits being funded by assets held in a separate fund administered by Trustees. Contributions are based on independent biennial valuations by professionally qualified actuaries.

Under the terms of the Electricity (Protected Persons) Pensions Regulations (Northern Ireland) 1992, assets were sufficient to cover 65.8% of the liabilities. A full valuation of the scheme was carried out at 31 March 2005 by a qualified independent actuary. The company intends to fund the scheme on a basis consistent with the Regulations.

During the accounting period, the company paid regular contributions at the rate of £2,089,000 per annum. With effect from April 2006, the company's ordinary contribution rate increases to £2,224,000 per annum.

An actuarial valuation of the scheme using the projected unit basis was carried out at 31 December 2005. The main financial assumptions used by the actuary for the purpose of calculating pension cost were:

	<b>31 December 2005</b>	31 December 2004	31 December 2003
Valuation method	<b>Projected unit</b>	Projected unit	Projected unit
Scheme asset valuation	<b>Market value</b>	Market value	Market value
Rate of increase in salaries	<b>3.40%</b>	3.40%	3.20%
Rate of increase in pensions in payment and deferred benefits during deferment	<b>2.90%</b>	2.90%	2.70%
Discount rate	<b>4.70%</b>	5.20%	5.40%
Inflation assumption	<b>2.90%</b>	2.90%	2.70%

## AES (NI) Limited

### 19 Pension and similar obligations (continued)

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

	Long-term rate of return expected at 31.12.05	Value at 31.12.05 £'000	Long-term rate of return expected at 31.12.04	Value at 31.12.04 £'000	Long-term rate of return expected at 31.12.03	Value at 31.12.03 £'000
Equities	6.70%	42,429	7.20%	37,219	6.80%	36,439
Bonds	4.10%	34,129	4.60%	29,326	4.80%	24,552
Cash	4.50%	(31)	4.75%	37	3.75%	51
Total market value of assets	5.50%	76,527	6.10%	66,582	6.00%	61,042
			2005 £'000	2004 £'000		2003 £'000
Total market value of assets			76,527	66,582		61,042
Present value of scheme liabilities			(92,118)	(84,330)		(78,815)
Deficit in the scheme			(15,591)	(17,748)		(17,773)
Net pension liability			(15,591)	(17,748)		(17,773)
Related deferred tax asset			4,677	5,324		5,332
Net pension liability			(10,914)	(12,424)		(12,441)

The following amounts have been recognised in the performance statements in the year to 31 December 2005 under the requirements of FRS 17.

	2005 £'000	2004 £'000
<b>Analysis of the amount charged to operating profit</b>		
Current service cost	392	280
Curtailment cost	-	5
Total operating charge	392	285
<b>Analysis of the amount credited to financing of provisions</b>		
Expected return on pension scheme assets	4,001	3,638
Interest on pension scheme liabilities	(4,308)	(4,031)
Net return	(307)	(393)

## AES (NI) Limited

### 19 Pension and similar obligations (continued)

	2005 £'000	2004 £'000
<b>Amount recognised in the statement of total recognised gains and losses</b>		
Actual return less expected return on pension scheme assets	7,215	3,009
Experience gains and losses arising on the scheme liabilities	267	167
Changes in assumptions underlying the present value of the scheme liabilities	(6,714)	(4,264)
Actuarial gain or loss	<u>768</u>	<u>(1,088)</u>
<b>Movement in deficit during the year</b>		
Deficit in scheme at beginning of the year	(17,748)	(17,773)
Movement in year:		
Current service cost	(392)	(285)
Contributions	2,088	1,791
Other finance costs	(307)	(393)
Actuarial gain/(loss)	768	(1,088)
<b>Deficit on scheme at end of the year</b>	<u>(15,591)</u>	<u>(17,748)</u>

	2005 £'000	2004 £'000	2003 £'000	2002 £'000
<b>Details of experience gains and loss for the year to 31 December 2005</b>				
Difference between the expected and actual return on scheme assets:				
Amount (£'000)	7,215	3,009	5,077	(17,545)
Percentage of scheme assets	9%	5%	8%	(32%)
Experience gains and losses on scheme liabilities:				
Amount (£'000)	267	167	(237)	(149)
Percentage of the present value of the scheme liabilities	0%	0%	0%	0%
Total recognised in statement of total recognised gains and losses:				
Amount (£'000)	768	(1,088)	968	(17,376)
Percentage of the present value of the scheme liabilities	1%	(1%)	(1%)	34%



**AES (NI) Limited****20 Called up share capital**

	<b>2005</b> <b>£'000</b>	<b>2004</b> <b>£'000</b>
<b>Authorised</b>		
160,000,000 ordinary shares of 25p each	<b>40,000</b>	40,000
	<hr/>	<hr/>
<b>Allotted and fully paid</b>		
27,393,999 ordinary shares of 25p each	<b>6,849</b>	6,849
	<hr/>	<hr/>

**21 Share premium account and reserves**

<b>Group</b>	<b>Share premium account £'000</b>	<b>Profit and loss account £'000</b>
At 1 January 2005 as previously reported	3,729	(39,154)
Prior year adjustment – FRS 17	-	(12,424)
Prior year adjustment – FRS 21	-	1,050
Prior year adjustment – UITF 38	-	(9)
	<hr/>	<hr/>
At 1 January 2005 as restated	3,729	(50,537)
Retained profit for the year	-	19,727
Actuarial gain on pension scheme	-	768
Taxation relating to actuarial gain	-	(231)
Interim dividend paid	-	(1,164)
Additions to shares held by ESOP Trust	-	(2)
	<hr/>	<hr/>
<b>At 31 December 2005</b>	<b>3,729</b>	<b>(31,439)</b>
	<hr/>	<hr/>

## AES (NI) Limited

### 21 Share premium account and reserves (continued)

Company	Share premium account £'000	Profit and loss account £'000
At 1 January 2005 as previously reported	3,729	40,669
Prior year adjustment – FRS 21	-	(3,500)
Prior year adjustment – UITF 38	-	(9)
At 1 January 2005 as restated	<u>3,729</u>	<u>37,160</u>
Retained profit for the year	-	6,769
Interim dividend paid	-	(1,164)
Additions to shares held by ESOP Trust	-	(2)
At 31 December 2005	<u><u>3,729</u></u>	<u><u>42,763</u></u>

### Prior year adjustment and impact of new standards

The prior year adjustment relates to the implementation of FRS 17 and FRS 21, as disclosed in note 1 to the financial statements

### Analysis of group prior year adjustments

	UITF 38 £'000	FRS 17 £'000	FRS 21 £'000	Total £'000
Adjustment to opening shareholders' funds at 1 January 2004	(9)	(12,441)	2,925	(9,525)
Adjustment to profit and loss for the year ended 31 December 2004	-	779	(1,875)	(1,096)
Adjustment to statement of total recognised gains and losses for the year ended 31 December 2004	-	(762)	-	(762)
Adjustment to opening shareholders' funds at 1 January 2005	<u>(9)</u>	<u>(12,424)</u>	<u>1,050</u>	<u>(11,383)</u>

## AES (NI) Limited

### 22 Reconciliation of movements in shareholders' funds

Group	2005 £'000	As restated 2004 £'000
Profit for the financial year	19,727	19,187
Dividends	(1,164)	(2,925)
Additions to shares held by ESOP Trust	(2)	-
	<u>18,561</u>	<u>16,262</u>
Actuarial gain/(loss) on pension scheme	768	(1,088)
Taxation relating to actuarial gain/(loss)	(231)	326
	<u>19,098</u>	<u>15,500</u>
Net movement during year		
Opening shareholders' funds as previously reported	(28,576)	(45,934)
Prior year adjustment – FRS 17	(12,424)	(12,441)
Prior year adjustment – FRS 21	1,050	2,925
Prior year adjustment – UITF 38	(9)	(9)
Opening shareholders' funds as restated	<u>(39,959)</u>	<u>(55,459)</u>
Closing shareholders' funds	<u>(20,861)</u>	<u>(39,959)</u>

## AES (NI) Limited

### 23 Reconciliation of operating profit to net cash inflow from operating activities

	2005	As restated 2004
	£'000	£'000
Operating profit	43,894	45,517
Profit on sale of fixed assets	(2)	(5)
Amortisation of intangible fixed assets	1,399	1,399
Depreciation on tangible fixed assets	10,350	9,989
Amortisation of issue costs	175	175
Increase in stocks	(301)	(128)
Increase in trade debtors	(4,626)	(812)
Decrease/(Increase) in prepayments and accrued income	381	(152)
Decrease/(Increase) in amounts owed by parent company and fellow subsidiaries	10	(2)
Increase in other debtors	-	(1)
Increase/(Decrease) in trade creditors	603	(484)
Increase in amounts owed to parent company and fellow subsidiaries	147	44
(Decrease)/Increase in other taxation and social security	(582)	567
Decrease in accruals and deferred income	(3,323)	(3,576)
Increase/(Decrease) in other creditors	3,386	(45)
Increase in provisions	75	208
Difference between pension charge and cash contributions	(1,696)	(1,506)
	<hr/>	<hr/>
<b>Net cash inflow from continuing operating activities</b>	<b>49,890</b>	<b>51,188</b>
	<hr/>	<hr/>

### 24 Reconciliation of net cash flow to movement in net debt

	2005	2004
	£'000	£'000
Increase/(decrease) in cash in the year	12,586	(3,510)
Movement in deposits	10,642	11,412
Repayment of loan capital	5,870	12,000
	<hr/>	<hr/>
Change in net debt resulting from cash flows	29,098	19,902
Amortisation of debt issue costs	(175)	(175)
	<hr/>	<hr/>
Movement in net debt in the year	28,923	19,727
Net debt at 1 January 2005	(153,011)	(172,738)
	<hr/>	<hr/>
Net debt at 31 December 2005	(124,088)	(153,011)
	<hr/>	<hr/>

## AES (NI) Limited

### 25 Analysis of net debt

	1 January 2005 £'000	Cash flow £'000	Non cash changes £'000	31 December 2005 £'000
Cash at bank or in hand	1,963	885	-	2,848
Overdrafts	(11,725)	11,701	-	(24)
	<u>(9,762)</u>	<u>12,586</u>	<u>-</u>	<u>2,825</u>
Liquid resources	84,969	10,642	-	95,611
	<u>75,207</u>	<u>23,228</u>	<u>-</u>	<u>98,435</u>
Debt due after 1 year	(227,218)	4,870	45,655	(176,693)
Debt due within 1 year	(1,000)	1,000	(45,830)	(45,830)
	<u>(228,218)</u>	<u>5,870</u>	<u>(175)</u>	<u>(222,523)</u>
Net debt	<u>(153,011)</u>	<u>29,098</u>	<u>(175)</u>	<u>(124,088)</u>

### 26 Capital commitments

	2005 £'000	2004 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	20	Nil

### 27 Contingent liabilities

In June 2004 the company did not exercise its option to opt out of the large combustion plant directive. As a result it must fit Flue Gas Desulphurisation equipment in order to operate post January 2008. Under the conditions included in the power purchase agreement the company believes that this expenditure, estimated to be a minimum of £40 million by the directors, is recoverable from NIE. This matter is currently subject of an expert determination, the mechanism set out under the power purchase agreement to resolve contract disputes.

## AES (NI) Limited

### 28 Ultimate parent company

The directors regard AES Corporation, a company registered in the United States of America as the ultimate parent company. This company has a 97.41% (2004: 97.41%) interest in the equity capital of AES (NI) Limited at 31 December 2005. Copies of AES Corporation consolidated financial statements can be obtained from the Company Secretary at 4300 Wilson Boulevard, Arlington, Virginia 22203.

### 29 Directors' emoluments

	2005 £'000	2004 £'000
Aggregate emoluments	205	232
<b>Highest paid director</b>		
Aggregate emoluments	129	126
Accrued pension at year end	25	23

Two directors (2004 – two) have retirement benefits accruing under the company's defined benefit pension scheme.

Performance bonuses for 2004 have been disclosed in 2005 numbers above. The bonuses payable for 2005 performance have not yet been determined and will be disclosed in the 2006 financial statements.

### 30 Related party transactions

The share capital of AES (NI) Limited, a company registered in Northern Ireland, is owned 45.76% (2004: 45.76%) by AES Electric Limited, a company registered in England and Wales, and 51.65% (2004: 51.65%) by AES Horizons Investments Limited, a company registered in England and Wales. The directors regard AES Corporation, a company registered in the United States of America, as the ultimate parent company.

