



08 Sep 2011

THURSDAY



JVCYXDT

JNI

08/09/2011

3

COMPANIES HOUSE

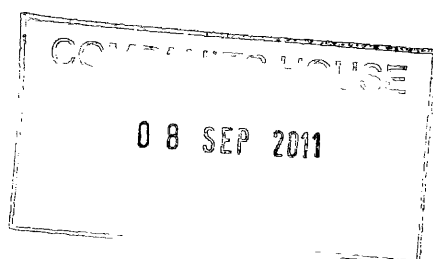
AES (NI) Limited
Annual Report
for the year ended 31 December 2010

Registered no : NI 26332

AES (NI) Limited

Annual report
for the year ended 31 December 2010

	Pages
Directors and advisors	1
Directors' report	2 - 5
Statement of directors' responsibilities	6
Independent auditors' report	7 - 8
Group profit and loss account	9
Group statement of total recognised gains and losses	10
Group and Company balance sheets	11
Group statement of cash flows	12
Notes to the financial statements	13 - 39



43

AES (NI) Limited

Directors' report for the year ended 31 December 2010

The directors present their report and the audited financial statements for the year ended 31 December 2010

Principal activity

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. The directors expect that the level of operational and financial activity after the PPA cancellation of the coal/oil fired units in November will be sustained for the foreseeable future.

Key performance indicators

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

Environment

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

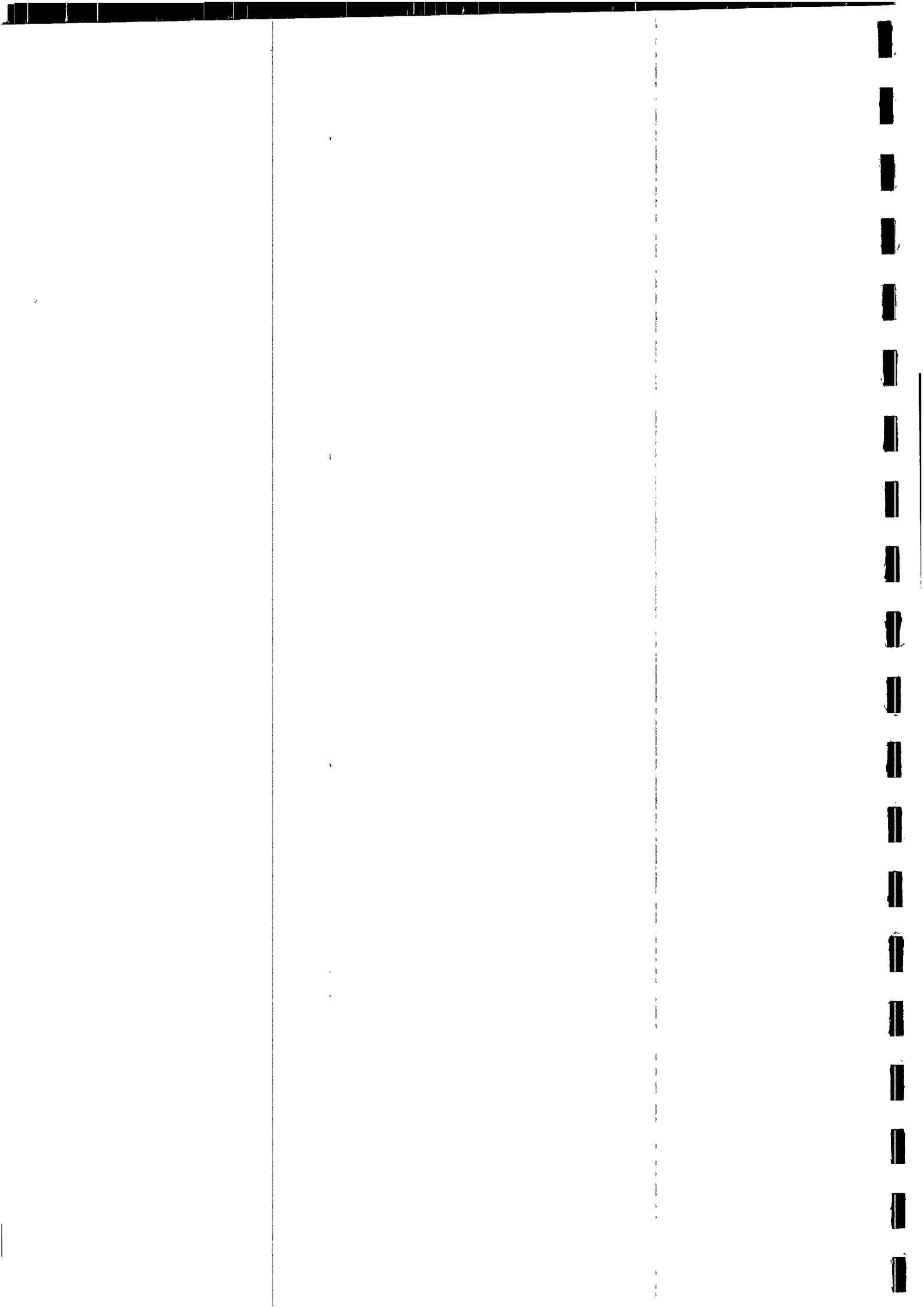
Human resources

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

Financial risk management

AES Kilroot Power Limited is the main trading subsidiary of the group. AES Kilroot Power Limited operates Kilroot Power Station under two commercial scenarios. The first is direct in the Single Electricity Market (SEM) in respect of the two main coal/oil fired units and GT3 and GT4. The SEM is a gross mandatory pool and covers Northern Ireland and the Republic of Ireland (the "All Island Market"). Units bid into the SEM receive capacity payments (based on actual unit availability) and energy payments which are based on the Short Run Marginal Cost profile of the individual units. Generating units bid into the SEM utilising principles set out in the Bidding Code of Practice which stipulates that all market players bid actual costs into the market and therefore fully recover variable costs.

The second relates to GT1 and GT2 that continue to operate under a long-term Power Purchase Agreement ("PPA") and have 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.



AES (NI) Limited

Directors and advisors

Directors

M Miller
J Marquez

Company Secretaries

L O'Neill
D Bothwell (Appointed 1 October 2010,
Resigned 21 April 2011)
J Leeburn (Appointed 21 April 2011)

Registered office

Kilroot Power Station
Laine Road
Carrickfergus
Co Antrim
BT38 7LX

Solicitors

Arthur Cox
Capital House
3 Upper Queen Street
Belfast
BT1 6PU

Bankers

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

Independent auditors

Ernst & Young LLP
Bedford House
16 Bedford Street
BELFAST
BT2 7DT

AES (NI) Limited

Directors' report for the year ended 31 December 2010 (continued)

Financial risk management (continued)

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's operations expose it to a variety of financial risks that include the availability risk, energy income risk, emissions risk, price risk, credit risk, foreign exchange risk, liquidity risk and interest rate risk. The group has in place a risk management program which seeks to limit the adverse effects of these risks on financial performance.

Availability risk

The group seeks to limit the risk to availability income through a program 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 3-4 years.

The group has in place adequate levels of Business Interruption insurance to limit the financial effect 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 Retail Price Index ("RPI") each year and energy payments received are calculated based on the costs of fuel. Price risk under the SEM is mitigated by daily bidding of spot foreign exchange rates, fuel and carbon.

Credit risk

The group is not exposed to significant credit risk due to the high credit rating of the counterparty to the PPA. SEM credit worthiness is supported by cash credit support of all market players.

AES (NI) Limited

Directors' report for the year ended 31 December 2010 (continued)

Financial risk management (continued)

Foreign exchange risk

While the greater part of the group's revenues and expenses are denominated in sterling, the group is exposed to some foreign exchange risk in the normal course of business. The group has a policy of hedging certain foreign exchange transactions over a prescribed minimum size. Cover generally takes the form of a forward purchase of foreign currencies.

Liquidity risk

The group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the group has sufficient available funds for operations and planned expansions. The group minimises liquidity risk through the weekly preparation of cash flow forecasts and a policy of investing in short term bank deposits held by banks with a minimum credit rating of P1.

Interest rate cash flow risk

The group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances, all of which earn interest at fixed rate. Interest bearing liabilities relate to debenture stock, bank loans and subordinated loan stock. The group 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.

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 2010 and 2009:

	2010 £'000	2009 £'000
Interim dividend paid	17,318	13,411

Directors

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

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

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.

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 £37,000 (2009: £27,000).

Other charitable contributions of £41,000 (2009: £24,000) were made during the year in support of community initiatives and relationships in the UK.

AES (NI) Limited

Directors' report for the year ended 31 December 2010 (continued)

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 group'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.

Policy on the payment of creditors

The company has a policy of paying its creditors 30 days after the end of the month of invoice unless other terms have been agreed. As at 31 December 2010 the number of creditor days in respect of trade creditors was 28 days (2009: 31 days).

Policy on preservation of amenity and fisheries

The group 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.

Statement of disclosure of information to auditors

So far as each of the directors in office at the date of approval of these financial statements is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with s 485 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.

On behalf of the Board



M. Miller

Director

31 May 2011

AES (NI) Limited

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 group and the company 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of AES (NI) Limited

We have audited the financial statements (the "financial statements") of AES (NI) Limited for the year ended 31 December 2010 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

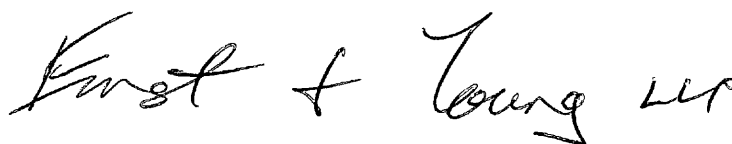
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of AES (NI) Limited (continued)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



Keith Jess (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Registered Auditors

Belfast

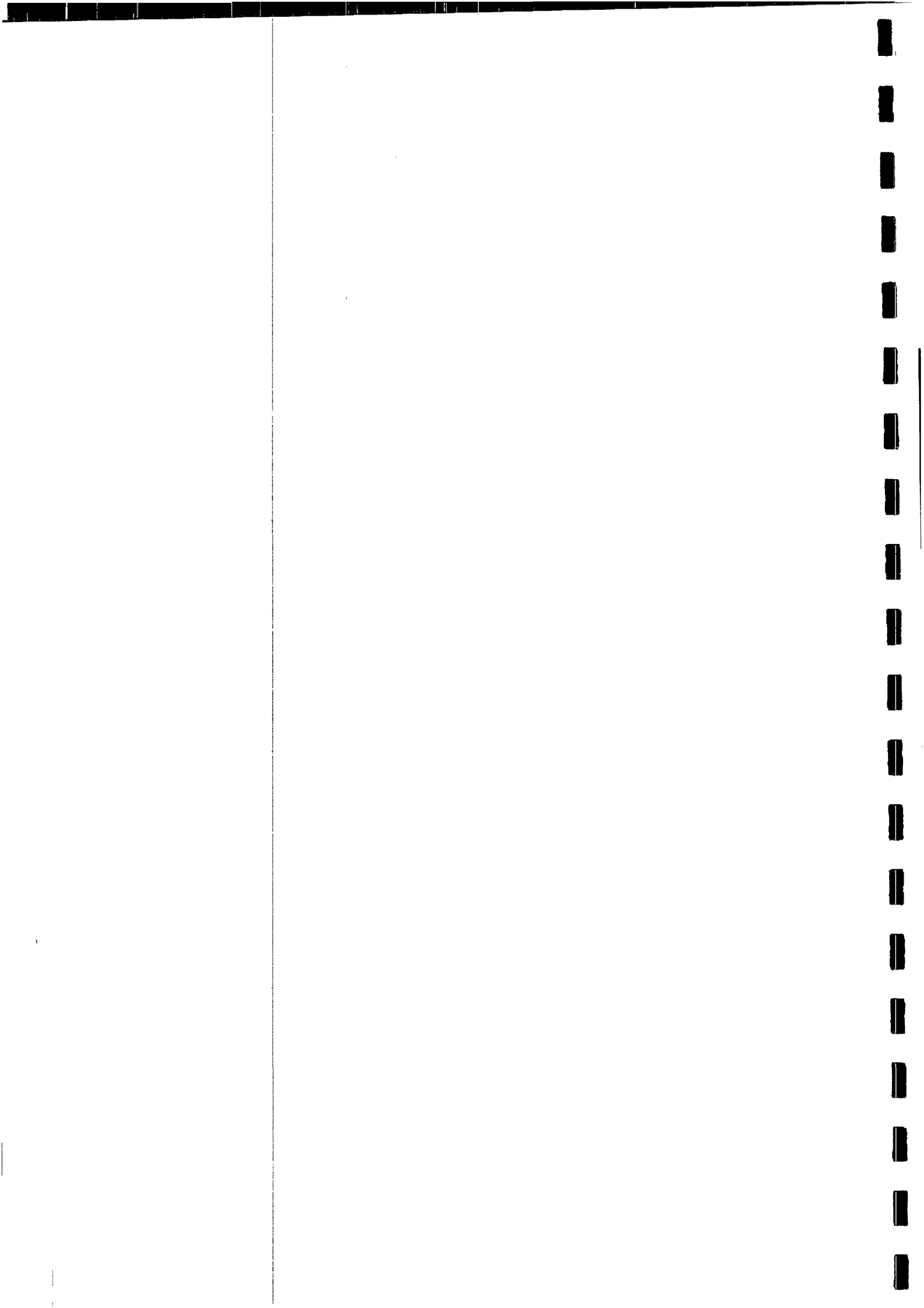
Date 31 May 2011

Group profit and loss account for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Turnover	2	156,026	130,881
Cost of sales	3	(64,798)	(45,410)
Gross profit		91,228	85,471
Administrative expenses	3	(31,616)	(29,332)
Operating profit before exceptional item		59,612	56,139
Exceptional item – goodwill impairment	4	-	(21,628)
Operating profit		59,612	34,511
Interest receivable and similar income	7	552	1,726
Interest payable and similar charges	8	(8,353)	(13,841)
Other finance costs	20	(1,189)	(1,374)
Profit on ordinary activities before taxation	9	50,622	21,022
Tax on profit on ordinary activities	10	(13,667)	(11,071)
Profit for the financial year	11 & 22	36,955	9,951

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 profit for the financial year stated above, and their historical cost equivalents



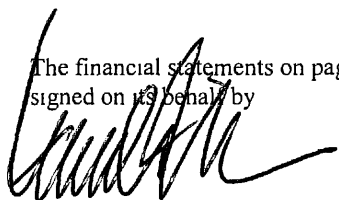
**Group statement of total recognised gains and losses for the year ended
31 December 2010**

	Notes	2010 £'000	2009 £'000
Profit for the financial year		36,955	9,951
Actuarial gain / (loss) recognised in the pension scheme	20	2,700	(3,579)
Movement on deferred tax relating to pension gain		(756)	1,002
Total recognised gains and losses since last annual report		38,899	7,374

Group and Company balance sheets at 31 December 2010

		Group		Company	
	Notes	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Fixed assets					
Tangible assets	13	176,294	191,752	—	—
Investments	14	—	—	278,556	278,556
		<u>176,294</u>	<u>191,752</u>	<u>278,556</u>	<u>278,556</u>
Current assets					
Stocks	15	15,231	15,594	—	—
Debtors amounts falling due after one year	16	—	—	27,215	59,215
Debtors amounts falling due within one year	16	15,505	18,373	36,532	4,059
Cash at bank and in hand		15,357	28,867	712	805
		<u>46,093</u>	<u>62,834</u>	<u>64,459</u>	<u>64,079</u>
Creditors amounts falling due within one year	17	(66,788)	(74,390)	(476)	(1,807)
Net current (liabilities)/assets		<u>(20,695)</u>	<u>(11,556)</u>	<u>63,983</u>	<u>62,272</u>
Total assets less current liabilities		<u>155,599</u>	<u>180,196</u>	<u>342,539</u>	<u>340,828</u>
Creditors amounts falling due after more than one year	18	(70,980)	(110,196)	(224,555)	(226,900)
Provisions for liabilities	19	(27,358)	(30,278)	—	—
Net assets excluding pension deficit		<u>57,261</u>	<u>39,722</u>	<u>117,984</u>	<u>113,928</u>
Pension deficit	20	(6,590)	(10,740)	—	—
Net assets including pension deficit		<u>50,671</u>	<u>28,982</u>	<u>117,984</u>	<u>113,928</u>
Capital and reserves					
Called up share capital	21	13,117	13,117	13,117	13,117
Share premium account	22	3,729	3,729	3,729	3,729
Profit and loss reserve	22	32,668	11,087	101,138	97,082
Other reserves	22	1,157	1,049	—	—
Shareholders' funds	24	<u>50,671</u>	<u>28,982</u>	<u>117,984</u>	<u>113,928</u>

The financial statements on pages 9 to 39 were approved by the board of directors on 31 May 2011 and signed on its behalf by



M Miller
Director
31 May 2011

AES (NI) Limited

Group statement of cash flows for the year ended 31 December 2010

	Notes	2010 £'000	2009 £'000
Net cash inflow from operating activities	25	80,049	83,360
Returns on investments and servicing of finance			
Interest received		486	1,966
Interest paid		(9,509)	(22,272)
		<u>(9,023)</u>	<u>(20,306)</u>
Taxation			
Corporation tax paid including group relief payable		(11,750)	(7,919)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(3,656)	(20,747)
Sale of tangible fixed assets		824	12
		<u>(2,832)</u>	<u>(20,735)</u>
Dividends paid to shareholders		<u>(17,318)</u>	<u>(13,411)</u>
Net cash inflow before use of liquid resources and financing		<u>39,126</u>	<u>20,989</u>
Management of liquid resources			
Increase in short-term deposits with banks		13,900	15,000
Financing			
Repayment of loan capital		(50,441)	(51,334)
New loan capital		—	—
Issue costs		—	(315)
Transferable loan stock issued during year		—	—
Transferable loan stock repaid during year		(2,195)	—
		<u>(52,636)</u>	<u>(51,649)</u>
Increase / (decrease) in cash in the year	26 & 27	<u>390</u>	<u>(15,660)</u>

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards. The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements include the company and its subsidiary undertakings drawn up to 31 December 2010. 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. No profit and loss account is presented by AES (NI) Limited as permitted by section 408 of the Companies Act 2006.

Tangible fixed assets

The cost of tangible 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:

Asset	Life in years
Long leasehold land	12
Long leasehold generating plant and buildings on hand in 1992	12
Additions to generating plant and buildings in year	12
Motor vehicles	4
Fixtures and fittings	4
Computer equipment	4
Maintenance assets	See policy below

The group is not depreciating construction work in progress costs until the related asset is completed and ready for use.

Contributions received towards the cost of tangible fixed assets are included as deferred income and credited on a straight-line basis to the profit and loss account over the useful economic life of the related asset.

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.

Maintenance assets

In accordance with FRS 15, 'Tangible fixed assets' 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.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies (continued)

Turnover

Turnover represents the invoiced value of generating services based on customer usage net of value added tax. Revenue is recognised when, and to the extent that, the group obtains the right to consideration in exchange for its performance.

Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired.

Goodwill is subject to an annual impairment review in accordance with FRS 11, 'Impairment of fixed assets'.

Investments

Fixed asset investments are stated at their purchase cost less any provision for diminution in value. Investment income is included in the profit and loss account on an accruals basis.

Stock

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. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax assets are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities recognised have not been discounted.

Foreign exchange

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

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies (continued)

Pension

The principal trading subsidiaries within the group participate in a defined benefit pension scheme

The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. The assets of the scheme are held separately from those of the group.

Pension scheme assets are measured using bid-market value. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term to the liability. The increase in the present value of the liabilities of the group's defined benefit pension scheme arising from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The group operates a defined contribution scheme for those employees not covered by the above scheme. The cost of funding the defined contribution scheme is charged to the profit and loss account as incurred.

Employee share schemes

The ultimate parent company issues equity-settled share-based payments to certain employees of the group which must be measured at fair value and recognised as an expense in the profit and loss account with a corresponding increase in equity. The fair values of these payments are measured at the dates of grant using option-pricing models, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards, subject to the company's estimate of the number of awards which will lapse, either due to employees leaving the company prior to vesting or due to non-market based performance conditions not being met. Where an award has market-based performance conditions, the fair value of the award is adjusted at the date of grant for the probability of achieving these via the option pricing model. The total amount recognised in the profit and loss as an expense is adjusted to reflect the actual number of awards that vest, except where forfeiture is due to the failure to meet market-based performance measures.

2 Turnover

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 Cost of sales and administrative expenses

	2010 £'000	2009 £'000
Cost of sales	64,798	45,410
Administrative expenses	31,616	29,332
	<u>96,414</u>	<u>74,742</u>

The expenses above of £96,414,000 (2009: £74,742,000) relate to continuing operations.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

4 Exceptional item – goodwill impairment

	2010 £'000	2009 £'000
Goodwill impairment	–	21,628

Goodwill was fully impaired in 2009. Consequently no further impairment tests are required.

The balance of goodwill was allocated to cash-generating units ('CGUs'). These are independent sources of income streams, and represent the lowest level at which the associated goodwill is monitored for management purposes. The recoverable amounts of the CGUs are determined from value in use calculations. These calculations use cash flow projections approved by management. The key assumptions for these forecasts are those regarding revenue, variable costs and the level of working capital required to support trading, which management estimates based on past experience and expectations of future changes in the market. To prepare value in use calculations, the cash flow forecasts are extrapolated at an estimated average long-term nominal growth rate and discounted back to present value. The discount rate assumptions use an estimate of AES Corporation's weighted average cost of capital. The weighted average cost of capital used was 7.56%.

Impairment tests were performed during the year ended 31 December 2009. These impairment reviews resulted in the recording of an impairment charge of £21,628,000 in 2009. Goodwill was fully impaired in 2009; consequently no further impairment tests are necessary.

The tax charge arising on the goodwill impairment in 2009 is £Nil.

5 Employee information

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

	2010 Number	2009 Number
By activity		
Production	126	124
Administration	12	10
	<u>138</u>	<u>134</u>

The company had no employees during 2010 and 2009.

	2010 £'000	2009 £'000
Staff costs (for the above persons)		
Wages and salaries	5,977	5,346
Social security costs	596	530
Other pension costs current service cost	548	352
Defined contribution pension cost	172	135
Cost of employee share schemes (see note 23)	108	29
	<u>7,401</u>	<u>6,392</u>

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

6 Directors' emoluments

	2010 £'000	2009 £'000
Aggregate emoluments	–	179

No group director (2009: one) has retirement benefits accruing under the group's defined benefit pension scheme. No remuneration was paid to the directors of the Group (2009: 179,000). Directors' remuneration was paid to the Group's directors by other undertakings of the AES Electric Limited group. The directors do not believe it is practical to apportion the emoluments between their services as directors of the Group and their services as directors of other undertakings within the AES Electric Limited group.

7 Interest receivable and similar income

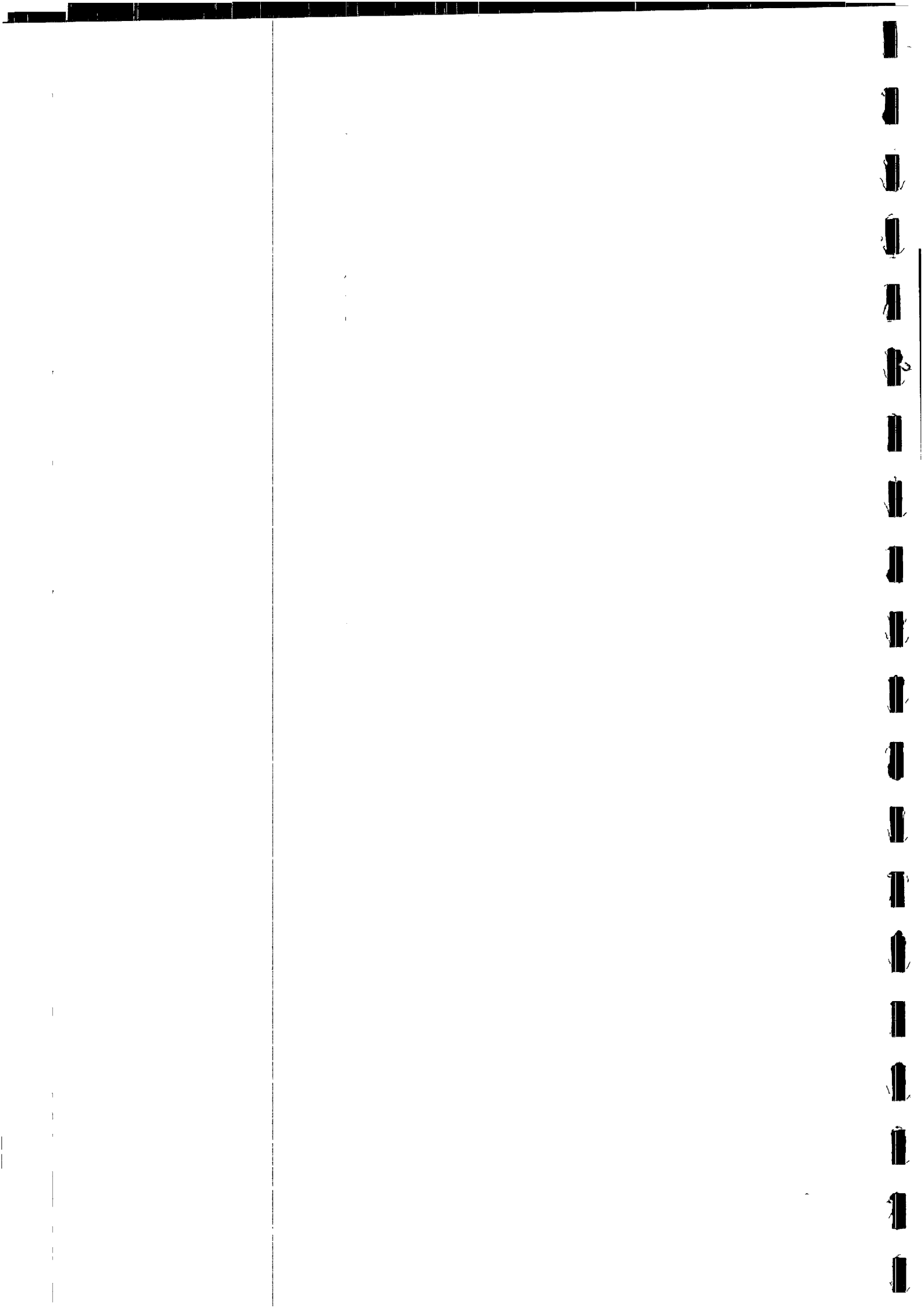
	2010 £'000	2009 £'000
Interest receivable on bank balances	551	1,651
Interest receivable on corporation tax repayments	–	75
Interest receivable from parent company	1	–
	<u>552</u>	<u>1,726</u>

8 Interest payable and similar charges

	2010 £'000	2009 £'000
Interest payable on debentures and other loans	5,164	9,863
Interest payable to parent company	2,071	2,652
Interest payable on bank loans and overdrafts	8	–
Other interest payable	1,110	1,326
	<u>8,353</u>	<u>13,841</u>

9 Profit on ordinary activities before taxation

	2010 £'000	2009 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Staff costs (see note 5)	7,401	6,392
Goodwill impairment (see note 4)	–	21,628
Depreciation of tangible fixed assets	18,141	15,755
Gain on sale of fixed assets	(553)	(6)
Hire of plant and machinery	84	106
Auditors' remuneration - for audit services (company £5,000 (2009: £4,000))	40	53
- for other services (company £Nil (2009: £Nil))	–	48



AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

10 Tax on profit on ordinary activities

	2010 £'000	2009 £'000
Current tax		
UK corporation tax at 28% (2009 28%)	9,790	9,523
Group relief payable at 28% (2009 28%)	5,297	2,966
Adjustment in respect of previous years	466	(2,075)
Total current tax	<u>15,553</u>	<u>10,414</u>
Deferred tax		
Accelerated capital allowances and other timing differences	(1,719)	(428)
Pension contribution relief in excess of pension cost charge	859	1,085
Effect of decreased rate on opening deferred tax liability	(1,026)	—
Adjustment in respect of previous years	—	—
Total deferred tax	<u>(1,886)</u>	<u>657</u>
Tax on profit on ordinary activities	<u>13,667</u>	<u>11,071</u>

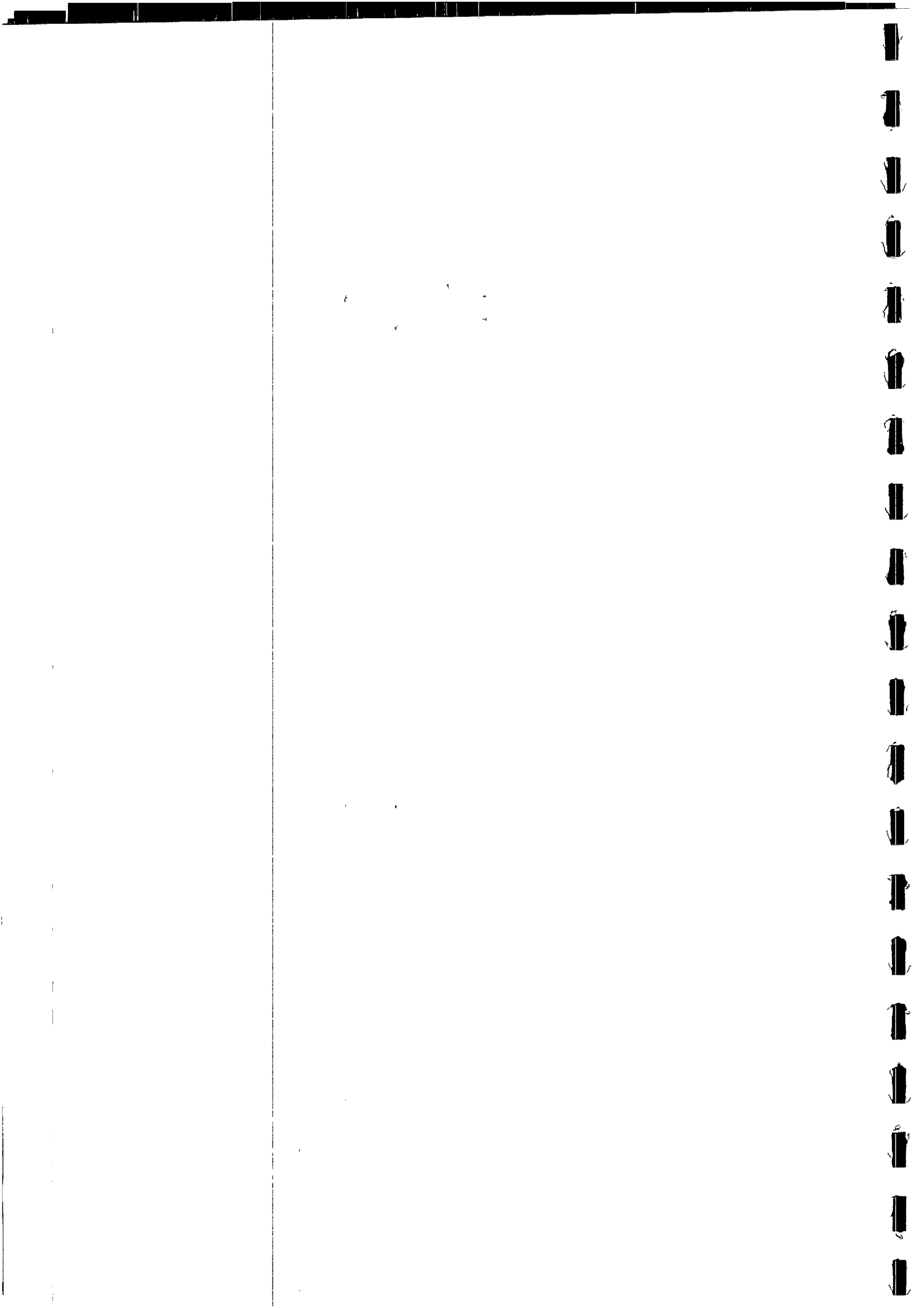
The tax assessed for the year differs from the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are explained below

	2010 £'000	2009 £'000
Profit on ordinary activities before tax	50,622	21,022
Profit on ordinary activities multiplied by standard rate in the UK 28% (2009 28%)	<u>14,174</u>	<u>5,886</u>
Effects of		
Expenses not deductible for tax purposes	441	6,354
Accelerated capital allowances and other timing differences	1,330	1,334
Pension contribution relief in excess of pension cost charge	(858)	(1,085)
Adjustment in respect of previous years	466	(2,075)
Current tax charge for the year	<u>15,553</u>	<u>10,414</u>

Factors that may affect future tax charges

Based on the current capital investment plans, the group expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year

In the budgets of June 2010 and March 2011, changes in the future corporation tax rates in the UK were proposed. To date only the revision to 27% from April 2011 has been approved. As the further proposed changes in the UK corporation tax rate have not yet been substantively enacted, deferred tax has been calculated at 27% at 31 December 2010. If the proposed corporation tax rate changes were to be fully approved and the tax rate reduced to 23% by 2014, the relevant deferred tax assets and liabilities would be restated accordingly.



AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

11 Profit for the financial year

The company's profit after tax for the year was £21,374,000 (2009 profit of £19,846,000)

12 Dividends

	2010 £'000	2009 £'000
Ordinary dividend paid of £0.33008 per 25p share (2009 £0.25561)	17,318	13,411

13 Tangible assets

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

	Long leasehold land £'000	Long leasehold generating plant and buildings £'000	Maintenance assets £'000	Motor vehicles £'000	Fixtures and fittings £'000	Computer equipment £'000	Construction work in progress £'000	Total £'000
Cost								
At 1 January 2010	929	334,492	14,817	399	179	197	–	351,013
Additions	–	2,795	(23)	30	–	47	104	2,953
Disposals	–	(625)	–	(13)	–	–	–	(638)
At 31 December 2010	929	336,662	14,794	416	179	244	104	353,328
Accumulated depreciation								
At 1 January 2010	523	152,377	5,727	323	143	168	–	159,261
Charge for year	37	16,233	1,808	31	15	17	–	18,141
Eliminated in respect Of disposals	–	(355)	–	(13)	–	–	–	(368)
At 31 December 2010	560	168,255	7,535	341	158	185	–	177,034
Net book amount								
At 31 December 2010	369	168,407	7,259	75	21	59	104	176,294
At 31 December 2009	406	182,115	9,090	76	36	29	–	191,752

Included within accruals and deferred income at 31 December 2010 are contributions to the cost of construction work in progress. See note 18.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

14 Investments

Company

	Interests in group undertakings £'000
Cost	
At 1 January 2010 and 31 December 2010	278,556
Amounts Written Off	
At 1 January 2010 and 31 December 2010	-
Net book amount	
At 31 December 2010	278,556
At 31 December 2009	278,556

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
Kilroot Electric Limited	Cayman Islands	Ordinary US \$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

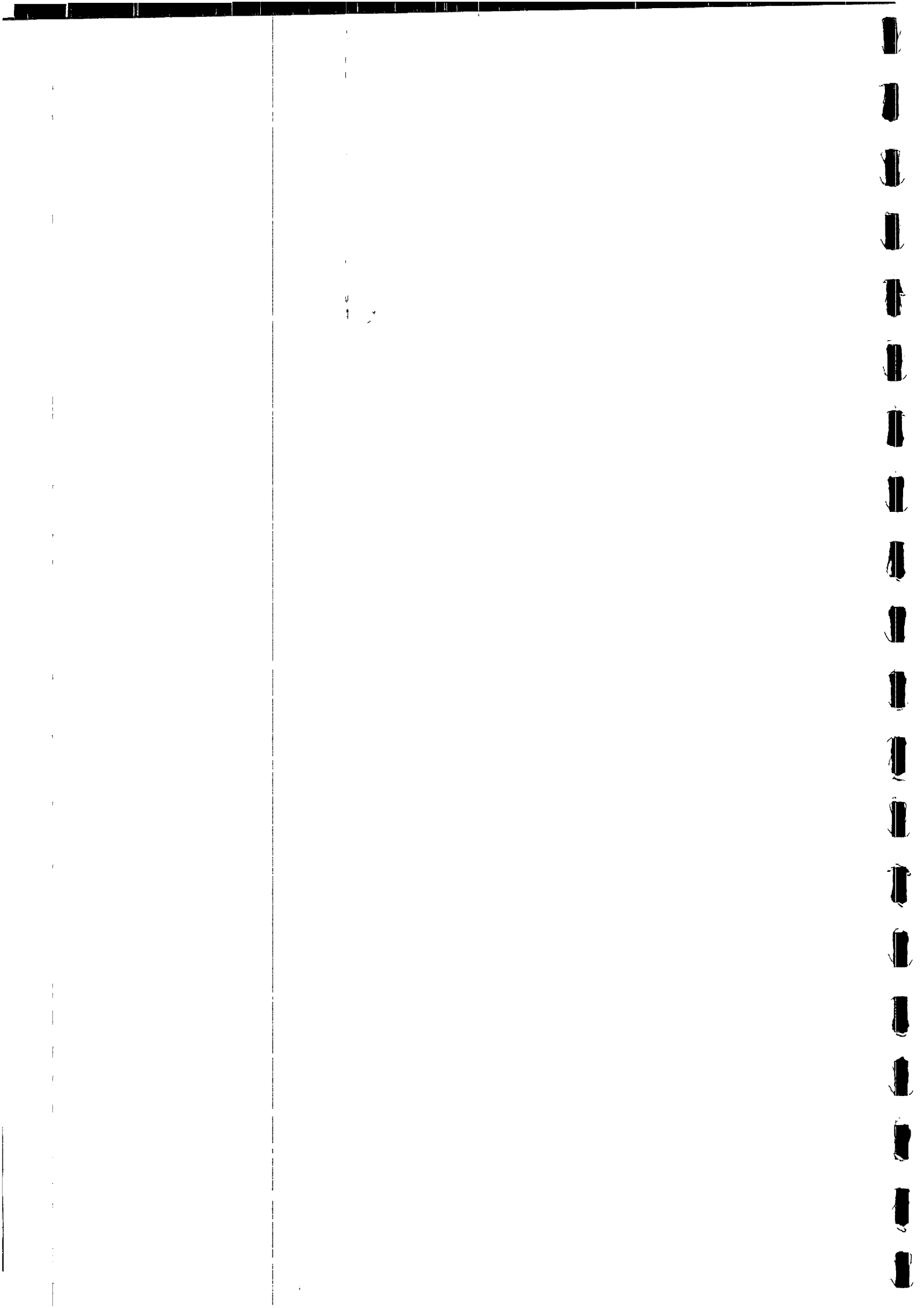
The principal business activities of these subsidiary undertakings are

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

Financial statements of AES Kilroot Power Limited have been prepared up to 31 December 2010 and show a profit after tax of £44,619,000 (2009 £21,877,000) and net assets amounting to £216,771,000 (2009 £203,209,000)

Financial statements of Kilroot Electric Limited have been prepared up to 31 December 2010 and show a loss after tax of £109,000 (2009 loss of £122,000) and net assets amounting to £25,000 (2009 £134,000)

AES Belfast West Power Limited did not trade during the year



AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

15 Stocks

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

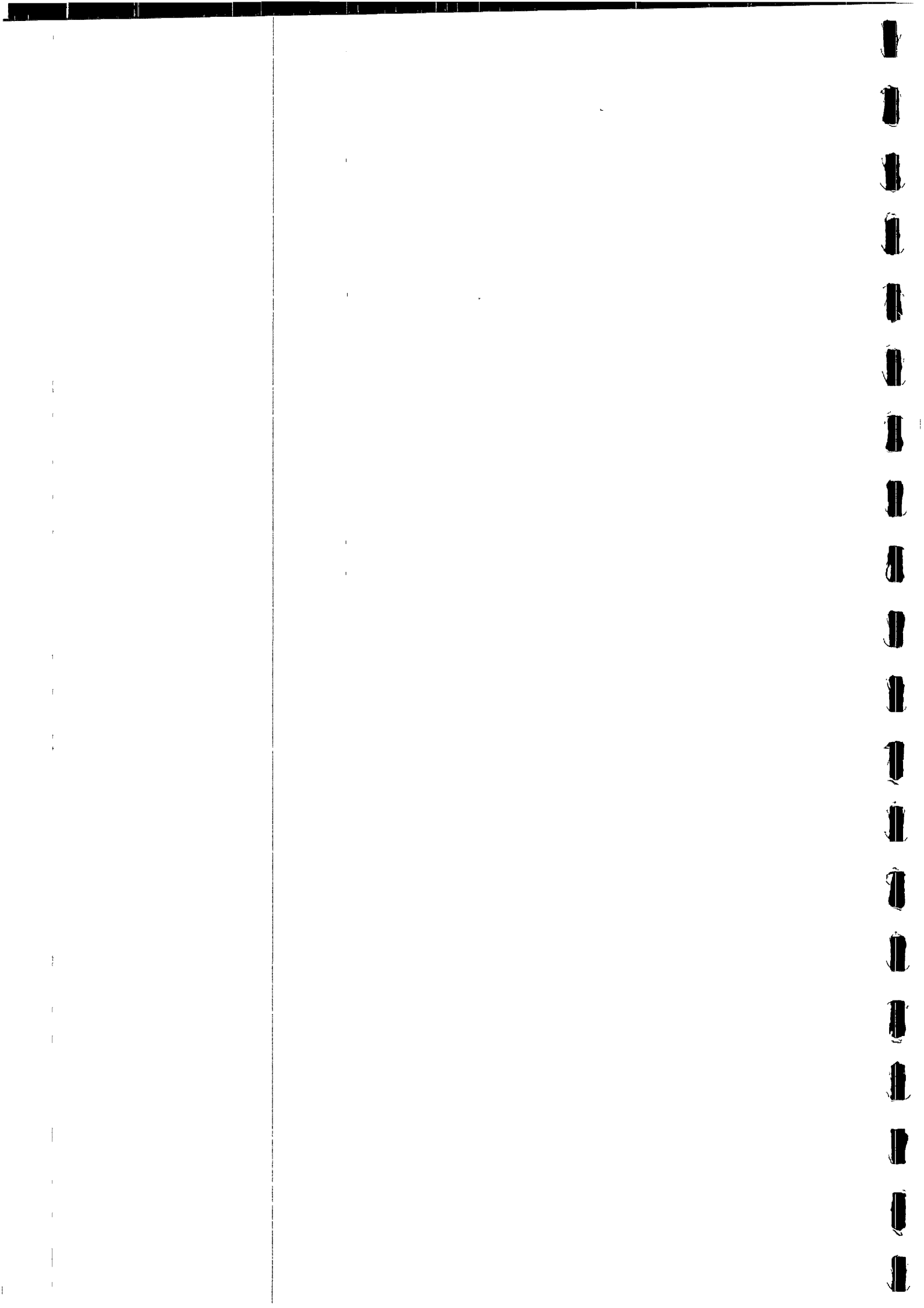
	2010 £'000	2009 £'000
Engineering stock	10,162	11,375
Fuel stock	5,069	4,219
	<u>15,231</u>	<u>15,594</u>

16 Debtors

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Amounts falling due after more than one year				
Amounts owed by subsidiary undertaking	—	—	27,215	59,215
	<u>—</u>	<u>—</u>	<u>27,215</u>	<u>59,215</u>

The loan to subsidiary undertaking is unsecured and repayable after more than one year.

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Amounts falling due within one year				
Trade debtors	13,286	16,819	—	—
Group relief receivable	—	—	1,894	1,681
Amounts owed by subsidiary undertakings	—	—	34,379	2,109
Amounts owed by parent company and fellow subsidiary undertakings	315	27	—	10
Other debtors	890	858	258	258
Prepayments and accrued income	1,014	669	1	1
	<u>15,505</u>	<u>18,373</u>	<u>36,532</u>	<u>4,059</u>



AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

17 Creditors. amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Bank loan	30,241	10,082	—	—
Debenture stock (2006-2010)	—	39,525	—	—
Trade creditors	15,386	6,389	—	—
Amounts owed to subsidiary undertakings	—	—	—	175
Amounts owed to parent company and fellow subsidiary undertakings	5,687	5,722	209	1,363
Floating rate subordinated loan stock	—	—	—	—
Corporation tax	7,825	3,405	—	—
Other taxation and social security	2,752	2,647	—	—
Other creditors	258	541	258	258
Accruals and deferred income	4,639	6,079	9	11
	<u>66,788</u>	<u>74,390</u>	<u>476</u>	<u>1,807</u>

18 Creditors amounts falling due after more than one year

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Bank Loan	—	30,262	—	—
Amounts owed to parent company and fellow subsidiary undertakings	1,120	2,800	—	—
Loan from subsidiary undertaking	—	—	196,450	196,600
Floating rate subordinated loan stock	28,105	30,300	28,105	30,300
Accruals and deferred income	41,755	46,834	—	—
	<u>70,980</u>	<u>110,196</u>	<u>224,555</u>	<u>226,900</u>

Bank Loan

Group

On 5 September 2008, the group obtained financing from BNP Paribas in order to meet the long term financing requirements of the AES (NI) Group

The loan carries interest at LIBOR plus a margin of 2.25% until 31 December 2010 and a margin of 2.75% per annum thereafter. The loan is repayable in bi-annual instalments with the remaining balance being repaid in June 2011.

The loan is secured by secondary charges over the assets and share capital of AES Kilroot Power Limited.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

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

The carrying value of the bank loan included above and in note 17 amounted to £30,241,000 (2009 £40,344,000) after adjustment for financing costs of £397,000 which are amortised over the life of the loan

The entire loan is repayable in less than five years and repayable as follows

	2010 £'000	2009 £'000
In one year or less	30,241	10,082
In more than one year, but not more than two years	—	30,262
In more than two years, but not more than five years	—	—
	<u>30,241</u>	<u>40,344</u>

Debenture stock (2006-2010)

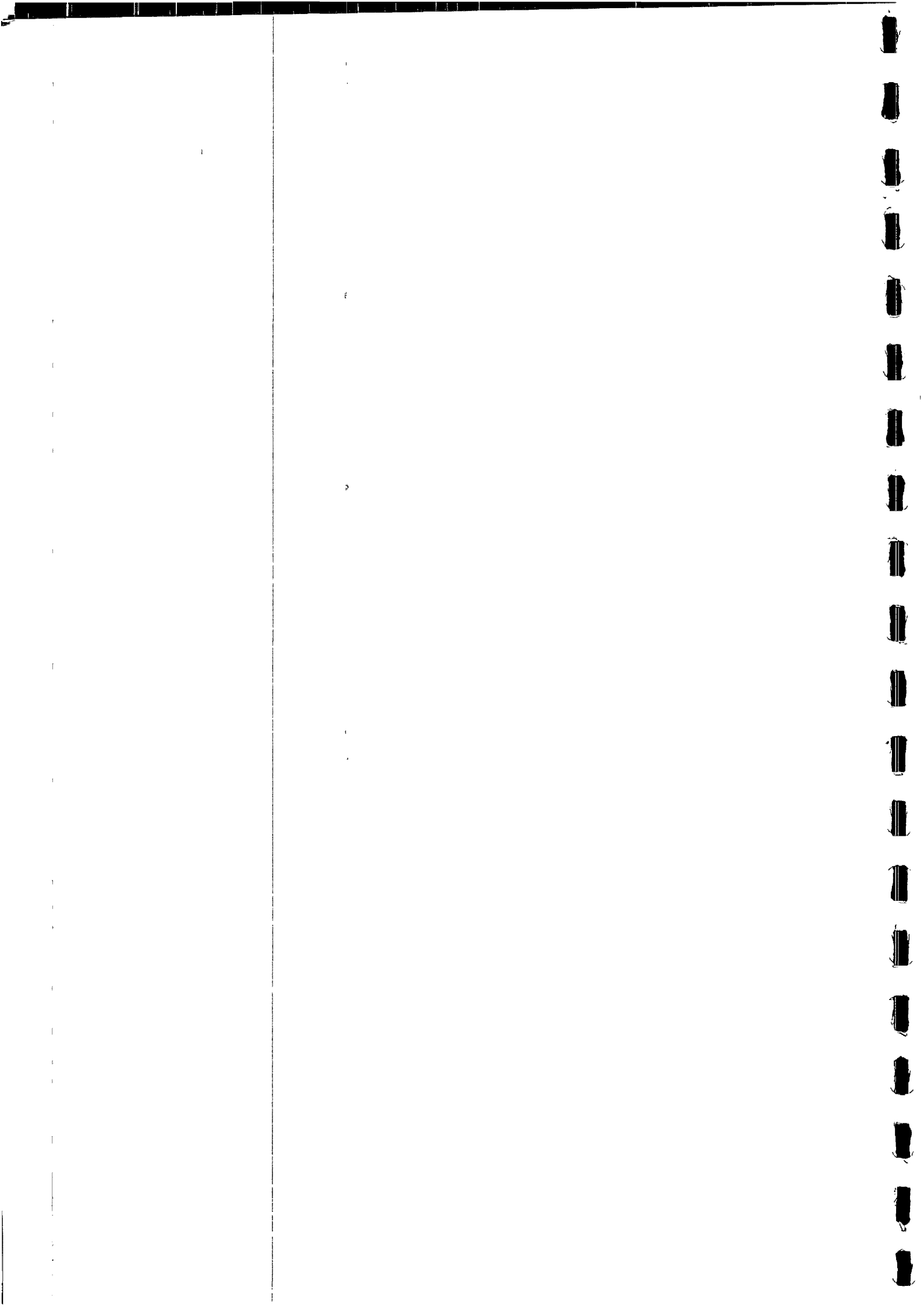
Group

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 debenture stock was fully repaid on 31 December 2010.

Loan from subsidiary undertaking

Company

The loan of £195,123,000 from the subsidiary undertaking is unsecured and repayable in less than three years. The interest rate levied is 9.8% per annum.



AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

18 Creditors amounts falling due after more than one year (continued)

Floating rate subordinated loan stock

Group and company	2010 £'000	2009 £'000
Authorised		
Floating rate subordinated loan stock	<u>30,300</u>	<u>30,300</u>
Issued		
	2010 £'000	2009 £'000
Floating rate subordinated loan stock at 1 January 2010	30,300	30,300
Transferable loan stock redeemed during the year	<u>(2,195)</u>	<u>—</u>
Floating rate subordinated loan stock at 31 December 2010	<u>28,105</u>	<u>30,300</u>
The floating rate subordinated loan stock is repayable as follows		
	2010 £'000	2009 £'000
In one year or less	—	—
In more than one year, but not more than two years	—	—
In more than two year, but not more than five years	—	—
In more than five years	28,105	30,300
	<u>28,105</u>	<u>30,300</u>

The floating rate subordinated loan stock is due to be repaid in full by 31 March 2016 and carries interest at a rate of LIBOR plus 6%

Deferred income

Group	Contributions towards fixed assets £'000	Other £'000	Total £'000
At 1 January 2010	50,433	2,480	52,913
Received in the year	581	—	581
Credited to the profit and loss account	(4,620)	(2,480)	(7,100)
At 31 December 2010	<u>46,394</u>	<u>—</u>	<u>46,394</u>

The deferred income in relation to contributions towards the cost of tangible fixed assets will be released to the profit and loss account over the useful economic life of the related asset and the other deferred income is being released over a period of 9 years from 2001 to 2010

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

19 Provisions for liabilities

The company has no provision for liabilities. Details of those relating to the group are as follows:

	Deferred tax £'000	Other (see below) £'000	Pending litigation £'000	Total £'000
At 1 January 2010	29,690	588	–	30,278
Profit and loss account	(2,745)	10	–	(2,735)
Payments in the year	–	(185)	–	(185)
At 31 December 2010	26,945	413	–	27,358

Deferred taxation

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

	2010 £'000	2009 £'000
Tax effect of timing difference because of		
Excess of capital allowances over depreciation	27,396	29,745
Provisions	(451)	(100)
Other timing differences	–	45
Deferred tax excluding that relating to pension deficit	26,945	29,690
Deferred tax on pension deficit (note 20)	(2,563)	(4,176)
Total provision for deferred tax	24,382	25,514

The group has a potential deferred tax asset of £187,000 (2009: £294,000) in respect of employee share options. The deferred tax asset has not been recognised in these financial statements as their recovery in the future is uncertain.

Other provisions

Other provisions relate to industrial disease liabilities which the group 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

Notes to the financial statements for the year ended 31 December 2010

20 Pension and similar obligations

The group pension scheme provides pension benefits 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 2009 by a qualified independent actuary. The group intends to fund the scheme on a basis consistent with the Regulations. The next full valuation of the scheme will be carried out at 31 March 2011.

The defined benefit scheme is closed to new entrants but the group has established a defined contribution scheme to provide benefits to new employees.

During the accounting period, the group paid regular contributions at the rate of £4,800,000 (2009: £5,600,000).

Defined benefit scheme

An actuarial valuation of the scheme using the projected unit basis was carried out at 31 December 2010. The major assumptions used by the actuary were:

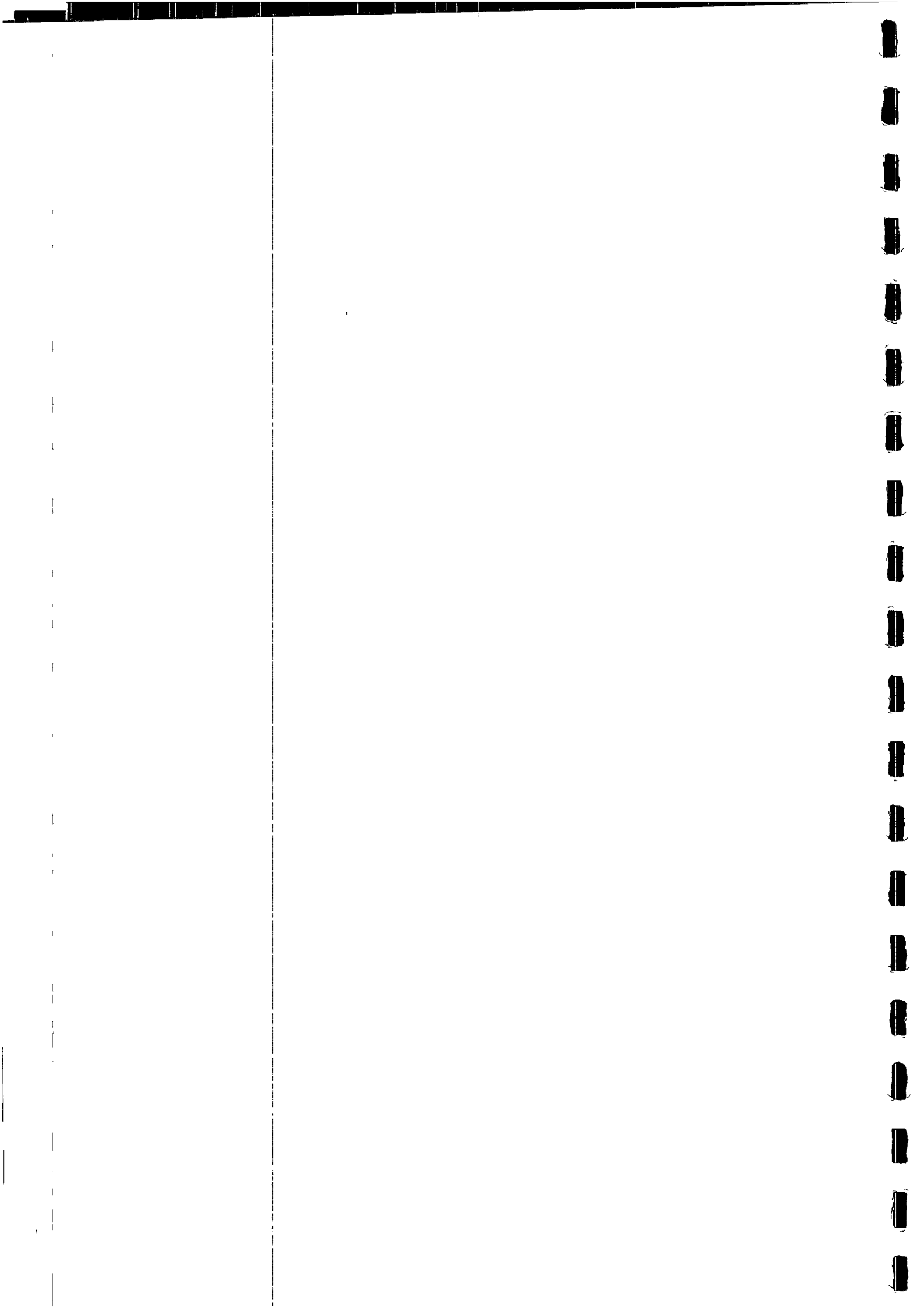
	31 December 2010	31 December 2009
Scheme asset valuation	Bid value	Bid value
Rate of increase in salaries	3.75%	4.00%
Rate of increase in pensions in payment and deferred benefits during deferral	3.25%	3.50%
Discount rate	5.75%	5.75%
Inflation assumption	3.25%	3.50%

The mortality assumptions used were as follows:

Average expected future life (in years) at age 65 for		
Male currently aged 65	21.0	20.8
Female currently aged 65	-	23.4
Male currently aged 45	22.9	22.7
Female currently aged 45	-	25.3

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

	Long-term rate of Return Expected at 31.12.10 %	Value at 31.12.10 £'000	Long-term rate of return expected At 31.12.09 %	Value at 31.12.09 £'000
Equities	6.75	36,807	6.75	37,549
Bonds	4.25	60,468	4.25	52,621
Cash	0.50	97	0.50	64
Market value of assets		97,372		90,234



AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

20 Pension and similar obligations (continued)

	2010 £'000	2009 £'000
Total market value of assets	97,372	90,234
Present value of scheme liabilities	(106,525)	(105,150)
Deficit in the scheme	(9,153)	(14,916)
Net pension deficit	(9,153)	(14,916)
Related deferred tax asset	2,563	4,176
Net pension deficit	(6,590)	(10,740)
Reconciliation of present value of scheme liabilities		
	2010 £'000	2009 £'000
Opening value of scheme's liabilities	105,150	92,741
Current service cost	548	352
Member contributions	198	211
Interest on scheme liabilities	5,952	5,684
Actuarial (gain)/loss recognised in the pension scheme	(1,394)	10,324
Benefits paid	(3,924)	(4,162)
Premiums paid	(5)	–
Closing value of scheme's liabilities	106,525	105,150
Reconciliation of fair value of scheme assets		
	2010 £'000	2009 £'000
Opening value of scheme's assets	90,234	77,530
Expected return	4,763	4,310
Actuarial gain recognised in the pension scheme	1,306	6,745
Employer contributions	4,800	5,600
Member contributions	198	211
Benefits paid	(3,924)	(4,162)
Premiums paid	(5)	–
Closing value of scheme's assets	97,372	90,234

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £6,069,000 (2009: £11,055,000).

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

20 Pension and similar obligations (continued)

Analysis of the amount charged to profit and loss account is as follows

	2010 £'000	2009 £'000
Current service cost	548	352
Expected return on scheme assets	(4,763)	(4,310)
Interest on pension scheme liabilities	5,952	5,684
Total	<u>1,737</u>	<u>1,726</u>

The total current service cost £548,000 (2009 £352,000) is included within cost of sales

Other finance costs

	2010 £'000	2009 £'000
Expected return on pension scheme assets	5,952	5,684
Interest on pension scheme liabilities	(4,763)	(4,310)
Total	<u>1,189</u>	<u>1,374</u>

Amounts for current and previous four years

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Defined benefit obligations	106,525	105,150	92,741	98,108	91,143
Scheme's assets	97,372	90,234	77,530	88,600	82,411
Deficit	(9,153)	(14,916)	(15,211)	(9,508)	(8,732)
Experience adjustments on scheme liabilities	583	342	(1,075)	(2,157)	(998)
Experience adjustments on scheme assets	1,306	6,745	(15,047)	(2,535)	(2,919)
Total recognised in statement of total recognised gains and losses	2,700	(3,579)	(7,124)	(2,855)	5,155

Defined contribution scheme

The cost of contributions to the defined contribution scheme amounts to £172,000 (2009 £135,000)

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

21 Called up share capital

	2010 £'000	2009 £'000
Authorised		
160,000,000 ordinary shares of 25p each	40,000	40,000
	<u> </u>	<u> </u>
Allotted and fully paid		
52,465,999 ordinary shares of 25p each	13,117	13,117
	<u> </u>	<u> </u>

22 Reserves

Group

	Share premium account £'000	Other reserves £'000	Profit and loss reserve £'000	Total £'000
At 1 January 2010	3,729	1,049	11,087	15,865
Profit for the financial year	–	–	36,955	36,955
Dividends paid	–	–	(17,318)	(17,318)
Actuarial loss recognised in the pension scheme	–	–	2,700	2,700
Movement on deferred tax relating to pension deficit	–	–	(756)	(756)
Share based payments	–	108	–	108
At 31 December 2010	<u>3,729</u>	<u>1,157</u>	<u>32,668</u>	<u>37,554</u>

Company

	Share premium account £'000	Profit and loss reserve £'000
At 1 January 2010	3,729	97,082
Profit for the financial year	–	21,374
Dividends paid	–	(17,318)
At 31 December 2010	<u>3,729</u>	<u>101,138</u>

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

23 Share based payments

Stock options

AES grants employees options to purchase shares of common stock under stock option plans. Under the terms of the plans, the Company may issue options to purchase shares of the Company's common stock at a price equal to 100% of the market price at the date the option is granted. Stock options are generally granted based upon a percentage of an employee's base salary. Stock options issued under these plans in 2008 and 2007 have a three-year vesting schedule and vest in one-third increments over the three-year period. No stock options were awarded in 2010. In all circumstances, stock options granted by AES do not entitle the holder the right, or obligate AES, to settle the stock option 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 2010 is £37,737 (2009: £12,000).

The weighted average fair value of each option grant has been estimated, as of the grant date, using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted, with the following weighted average assumptions:

	2010	2009	2008
Expected volatility	N/A	N/A	37%
Expected annual dividend yield	N/A	N/A	-%
Expected option term (years)	N/A	N/A	6
Risk-free interest rate	N/A	N/A	3.04%

The Company exclusively relies on implied volatility as the expected volatility to determine the fair value using the Black-Scholes option-pricing model. The implied volatility may be exclusively relied upon due to the following factors:

- The Company utilizes a valuation model that is based on a constant volatility assumption to value its employee share options,
- The implied volatility is derived from options to purchase AES common stock that are actively traded,
- The market prices of both the traded options and the underlying share are measured at a similar point in time to each other and on a date reasonably close to the grant date of the employee share options,
- The traded options have exercise prices that are both near-the-money and close to the exercise price of the employee share options, and
- The remaining maturities of the traded options on which the estimate is based are at least one year.

Pursuant to share-based compensation accounting guidance, the Company used a simplified method to determine the expected term based on the average of the original contractual term and the pro rata vesting period. This simplified method was used for stock options granted during the years ended December 31, 2008 and 2007. This is appropriate given a lack of relevant stock option exercise data. This simplified method may be used as the Company's stock options have the following characteristics:

- The stock options are granted at-the-money,
- Exercisability is conditional only on performing service through the vesting date,
- If an employee terminates service prior to vesting, the employee forfeits the stock options,
- If an employee terminates service after vesting, the employee has a limited time to exercise the stock option, and
- The stock option is non-hedgeable and not transferable.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

23 Share based payments (continued)

Stock options (continued)

The Company does not discount the grant date fair values determined to estimate post-vesting restrictions. Post-vesting restrictions include black-out periods when the employee is not able to exercise stock options based on their potential knowledge of information prior to the release of that information to the public.

Using the above assumptions, the weighted average fair value of each stock option granted was £3.92 and £4.35, for the years ended 31 December 2008 and 2007, respectively.

The following table summarizes the components of stock-based compensation related to employee stock options recognized in the Company's financial statements.

	2010 £'000	2009 £'000
Total intrinsic value of options exercised	15	41
Total fair value of options exercised	61	52

There was no cash used to settle stock options or compensation cost capitalized as part of the cost of an asset for the years ended 31 December 2010, 2009 and 2008. As of 31 December 2010, £5,000 of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted average period of 0.2 year. There were no modifications to stock option awards during the year ended 31 December 2010.

A summary of the option activity for year ended 31 December 2010 and 31 December 2009 follows:

	2010 Number	2010 Weighted average exercise price	2009 Number	2009 Weighted average exercise price
Outstanding at 1 January	106,734	£9.52	125,684	£8.66
Exercised during the year	(8,383)	£1.81	(8,513)	£3.81
Forfeited and expired during the year	(9,219)	£17.76	(1,859)	£13.69
Net shares transferred during the year	68,936	£12.44	(8,578)	£7.00
Outstanding at 31 December	158,068	£10.72	106,734	£8.86
Vested and expected to vest at 31 December	156,542	£10.71	103,077	£8.81
Exercisable at 31 December	151,184	£10.66	91,381	£8.64

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of the fourth quarter of 2010 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on 31 December 2010. The amount of the aggregate intrinsic value will change based on the fair market value of the Company's stock. The Company initially recognizes compensation cost on the estimated number of instruments for which the requisite service is expected to be rendered. AES has estimated a forfeiture rate of 24.28% and 22.57% for stock options granted in 2008 and 2007, respectively. Those estimates shall be revised if subsequent information indicates that the actual number of instruments forfeited is likely to differ from previous estimates.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

23 Share based payments (continued)

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. The units are then required to be held for an additional two years before they can be redeemed for shares, and thus become transferable. 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 2010 is £70,268 (2009: £17,000).

For the years ended 31 December 2010, 2009, and 2008, RSUs had a grant date fair value equal to the closing price of the Company's stock on the grant date. The Company does not discount the grant date fair values to reflect any post-vesting restrictions. RSUs granted to employees during the years ended 31 December 2010, 2009, and 2008 had grant date fair values per RSU of £4.69, £9.68 and £11.41 respectively. The total grant date fair value of RSUs granted was £56.456 during the year ended 31 December 2010.

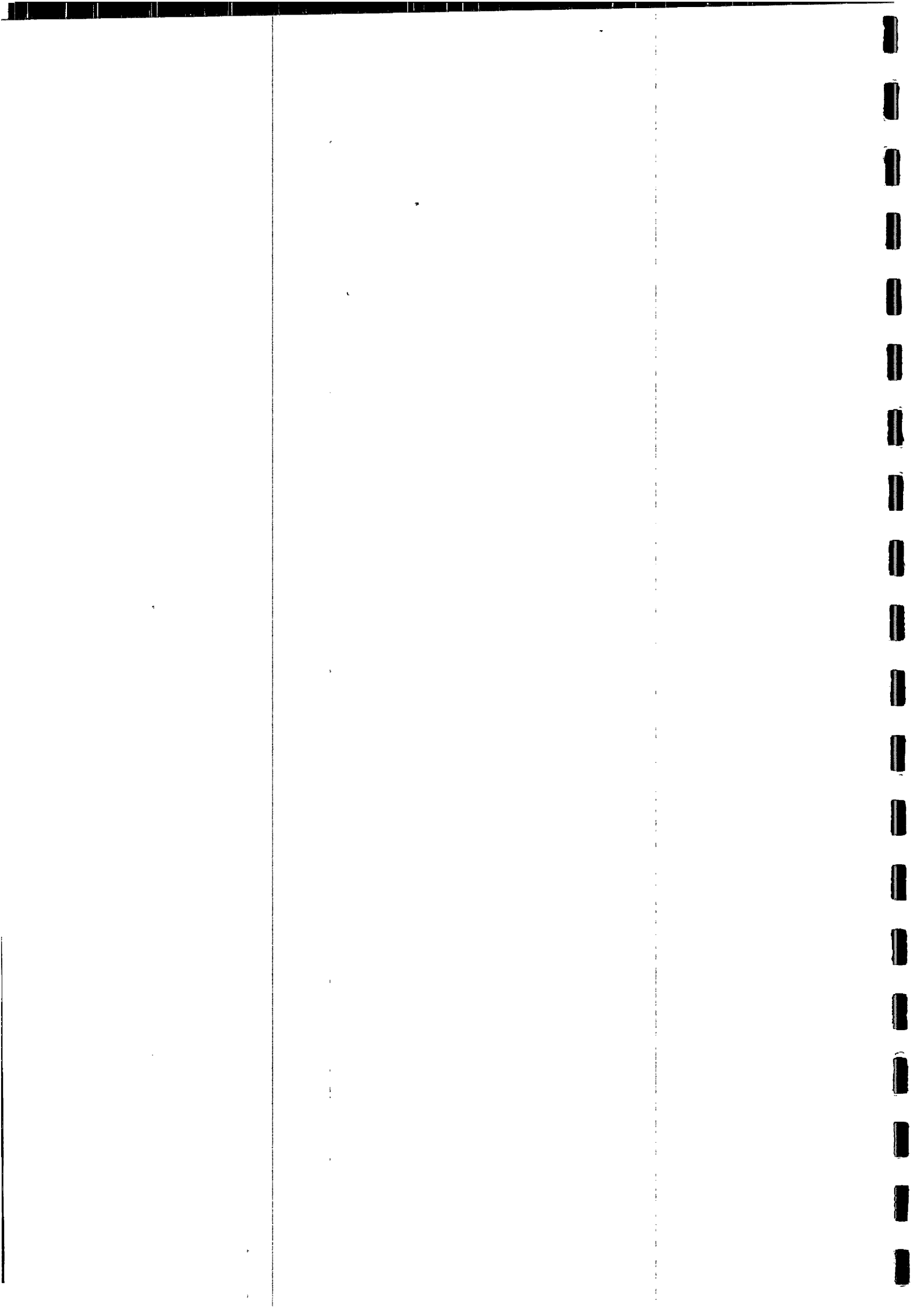
The following table summarizes the components of the Company's stock-based compensation related to its employee RSUs recognized in the Company's financial statements.

	2010 £'000	2009 £'000
Total value of RSUs converted	45	42
Total fair value of RSUs vested	86	62

There was no cash used to settle RSUs or compensation cost capitalized as part of the cost of an asset for the years ended 31 December 2010, 2009 and 2008. As of 31 December 2010, £59,893 of total unrecognized compensation cost related to RSUs is expected to be recognized over a weighted average period of approximately 1.7 years. There were no modifications to RSU awards during the year ended 31 December 2010.

A summary of the RSUs activity for the year ended December 31, 2010 follows:

	2010 Number	2010 Weighted average exercise price	2009 Number	2009 Weighted average exercise price
Non vested at 1 January	12,266	£6.85	15,242	£10.20
Vested during the year	(8,535)	£10.04	(5,991)	£10.33
Forfeited and expired during the year	(628)	£12.70	(102)	£10.06
Granted during the year	7,257	£7.78	4,920	£4.69
Net shares transferred during the year	5,964	£6.00	(1,803)	£10.12
Non vested at 31 December	16,324	£7.43	12,266	£7.94
Vested at 31 December	22,871	£11.73	15,957	£9.92
Vested and expected to vest at 31 December	36,129	£10.13	25,517	£9.15

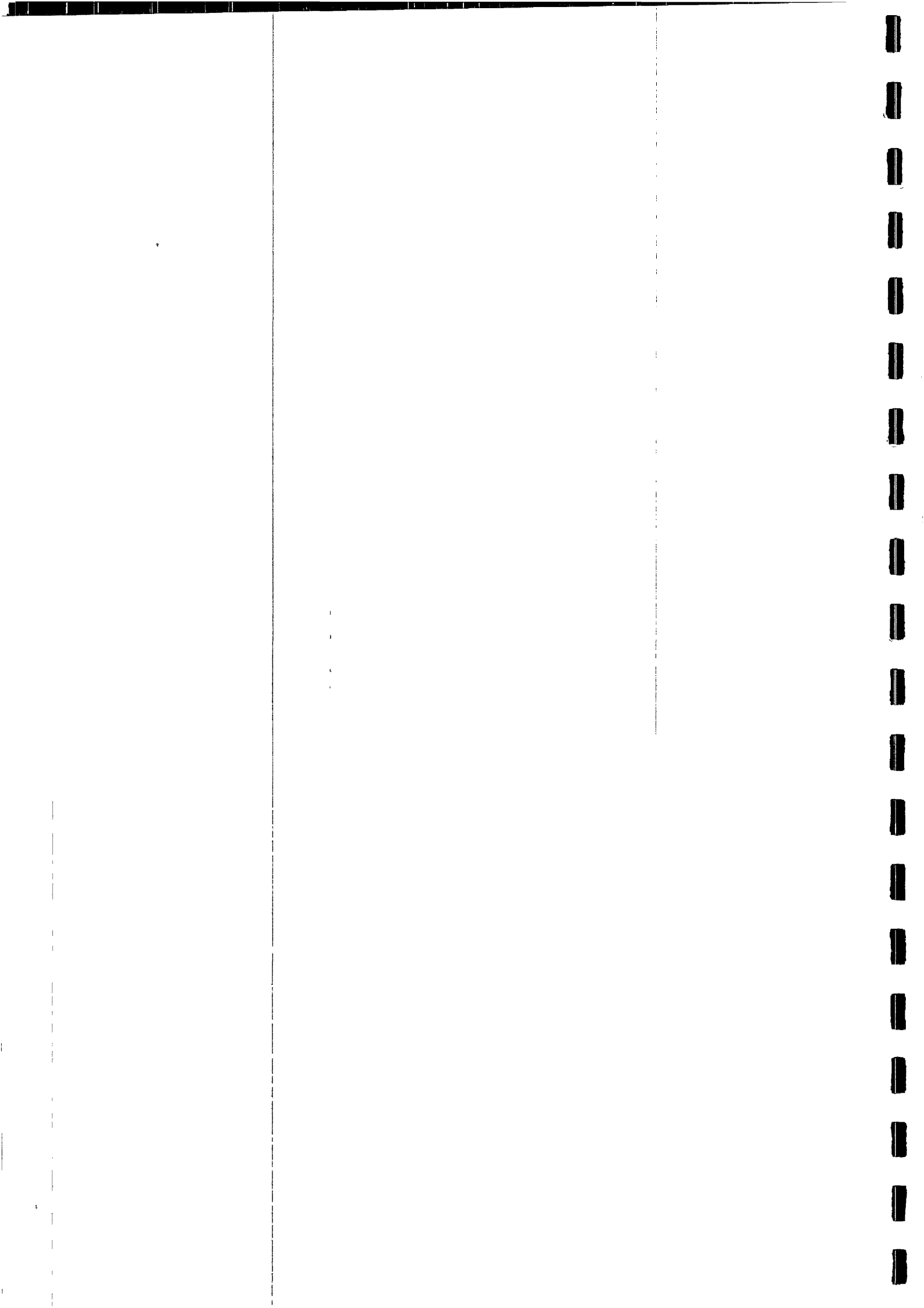


AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

24 Reconciliation of movements in group shareholders' funds

Group	2010	2009
	£'000	£'000
Profit for the financial year	36,955	9,951
Dividends	(17,318)	(13,411)
Share based payments	108	29
	<u>19,745</u>	<u>(3,431)</u>
Actuarial gain/(loss) recognised in the pension scheme	2,700	(3,579)
Movement on deferred tax relating to pension deficit	(756)	1,002
	<u>21,689</u>	<u>(6,008)</u>
Net movement during year		
Opening shareholders' funds	28,982	34,990
Closing shareholders' funds	<u>50,671</u>	<u>28,982</u>
Company	2010	2009
	£'000	£'000
Profit for the financial year	21,374	19,846
Dividends	(17,318)	(13,411)
	<u>4,056</u>	<u>6,435</u>
Net movement during year		
Opening shareholders' funds	113,928	107,493
Closing shareholders' funds	<u>117,984</u>	<u>113,928</u>



AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

25 Reconciliation of operating profit to net cash inflow from operating activities

	2010 £'000	2009 £'000
Operating profit	59,612	34,511
Gain on sale of tangible fixed assets	(553)	(6)
Goodwill impairment	—	21,628
Depreciation on tangible fixed assets	18,141	15,755
Amortisation of issue costs	813	1,078
Movement in stocks	363	2,833
Movement in trade debtors	(32)	16,040
Movement in prepayments and accrued income	(256)	528
Movement in amounts owed by parent company and fellow subsidiaries	(288)	370
Movement in other debtors	3,533	2,211
Movement in trade creditors	8,999	(15,477)
Movement in amounts owed to parent company and fellow subsidiaries	(1,120)	(7,862)
Movement in other taxation and social security	105	1,867
Movement in accruals and deferred income	(4,658)	26,678
Movement in other creditors	(290)	(9,861)
Movement in provisions	(175)	(1,714)
Difference between pension charge and cash contributions	(4,252)	(5,248)
Adjustment in respect of employee share schemes	108	29
Net cash inflow from operating activities	80,050	83,360

26 Reconciliation of net cash flow to movement in net debt

	2010 £'000	2009 £'000
Decrease / (increase) in cash in the year	390	(15,660)
Movement in deposits	(13,900)	(15,000)
Repayment of loan capital	50,441	51,334
Issue costs	—	315
Transferable loan stock redeemed during the year	2,195	—
Change in net debt resulting from cash flows	39,126	20,989
Amortisation of debt issue costs	(813)	(1,078)
Movement in net debt in the year	38,313	19,911
Net debt at 1 January 2010	(81,302)	(101,213)
Net debt at 31 December 2010	(42,989)	(81,302)

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

27 Analysis of net debt

	1 January 2010 £'000	Cash flow £'000	Non cash changes £'000	31 December 2010 £'000
Cash at bank or in hand	11,967	390	—	12,357
	<u>11,967</u>	<u>390</u>	<u>—</u>	<u>12,357</u>
Liquid resources	16,900	(13,900)	—	3,000
	<u>28,867</u>	<u>(13,510)</u>	<u>—</u>	<u>15,357</u>
Debt due after 1 year	(60,562)	2,195	30,262	(28,105)
Debt due within 1 year	(49,607)	50,441	(31,075)	(30,241)
	<u>(110,169)</u>	<u>52,636</u>	<u>(813)</u>	<u>(58,346)</u>
Net debt	<u>(81,302)</u>	<u>39,126</u>	<u>(813)</u>	<u>(42,989)</u>

28 Capital commitments

	2010 £'000	2009 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	—	10
Fuel supply commitments	—	24,340

29 Related party transactions

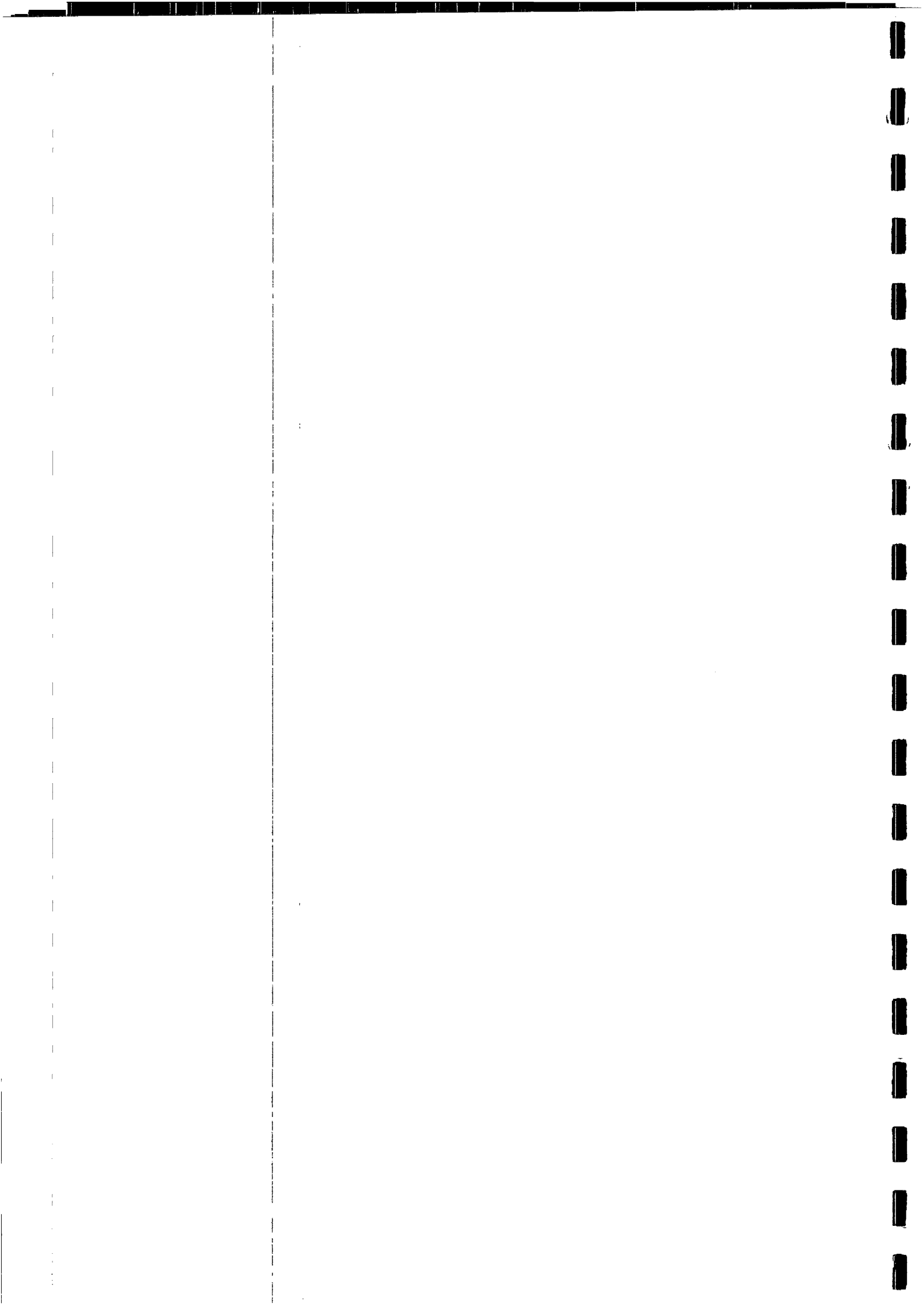
Group

During the year the parent company incurred management expenses of £500,000 (2009 £500,000) under the terms of the Management Fee Agreement with The AES Corporation. At 31 December 2009 an amount of £42,000 (2009 £42,000) was due from the parent company.

Under the terms of a loan agreement (Debenture Stock 2006 - 2010) between AES (NI) Limited and AES Electric Limited, AES(NI) Limited incurred interest of £1,655,000 (2009 £2,105,000). At 31 December 2010 an amount of £143,000 (2009 £1,049,000) was due from the company. At 31 December 2010 the Debenture Loan Stock balance was ££24,050,000 (2009 £24,050,000).

Under the terms of a loan agreement (Debenture Stock 2006 - 2010) between AES (NI) Limited and AES Horizons Investments Limited, AES(NI) Limited incurred interest of £417,000 (2009 £547,000). At 31 December 2010 an amount of £24,000 (2009 £273,000) was due from the company. At 31 December 2010 the Debenture Loan Stock balance was £4,055,000 (2009 £6,250,000).

During the year the company paid a dividend of 8,279,000 (2009 £6,411,000) to AES Electric Limited, a dividend of £8,811,000 (2009 £6,823,000) to AES Horizons Investments Limited and a dividend of £228,000 (2009 £177,000) to the minority shareholders.



AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

29 Related party transactions (continued)

Tax losses

During the year, tax losses and interest on tax losses were surrendered and reimbursed or due to be reimbursed. The amounts due to be reimbursed in relation to tax losses and interest on tax losses are summarised in the table below.

Losses Surrendered To / From	Losses relating to period ended	2010 Reimburse Provision / Adjustment Provision £'000	2009 Reimburse Provision / Adjustment Provision £'000	2010 Amount owed to related party £'000	2009 Amount owed to related party £'000
To AES Kilroot Power Limited From AES Electric Limited - Agent For AES UK Holdings Limited, AES Venezuela Finance Limited	31/12/07	-	1,726	-	1,726
To Kilroot Electric Limited From AES Electric Limited - Agent For AES UK Holdings Limited	31/12/07	-	71	-	71
To AES Belfast West Power Limited From AES Electric Limited - Agent For AES UK Holdings Limited	31/12/07	-	1	-	1
To AES Kilroot Power Limited From AES Electric Limited - Agent For AES Sirocco Limited, AES UK Holdings Limited, AES Indian Queens Holdings Ltd	31/12/08	6,028	1,140	-	-
To AES Kilroot Power Limited From AES Horizons Investments Limited	31/12/08	-	212	-	212
To Kilroot Electric Limited From AES Electric Limited - Agent For AES Overseas Holdings Limited	31/12/08	70	-	-	-
To AES Belfast West Power Limited From AES Electric Limited - Agent For AES Overseas Holdings Limited	31/12/08	9	-	9	-
To AES Kilroot Power Limited From AES Electric Limited	31/12/09	-	2,800	2,800	2,800
To AES Kilroot Power Limited From AES Horizons Investments Limited	31/12/09	733	166	899	166
To AES Kilroot Power Limited From Cloghan Point (Holdings) Limited	31/12/09	111	-	111	-
To AES Kilroot Power Limited From AES Electric Limited	31/12/10	1,120	-	1,120	-
To AES Kilroot Power Limited From AES Horizons Investments Limited	31/12/10	195	-	195	-
To AES Kilroot Power Limited From Cloghan Point (Holdings) Limited	31/12/10	174	-	174	-

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

29 Related party transactions (continued)

Other related party transactions

Under the terms of the Cloghan Point Usage Agreement between AES Kilroot Power Limited and Cloghan Point (Holdings) Limited, AES Kilroot Power Limited incurred costs of £Nil (2009 £146,000). At 31 December 2010, AES Kilroot Power Limited owes £Nil (2009 £36,000) to Cloghan Point (Holdings) Limited.

Under the terms of a maintenance services agreement between Cloghan Point (Holdings) Limited and AES Kilroot Power Limited, AES Kilroot Power Limited recharged costs of £64,000 (2009 £Nil). At 31 December 2010, Cloghan Point (Holdings) Limited owes £10,000 (2009 £Nil) to AES Kilroot Power Limited.

During the year, the company paid £Nil (2009 – £2,946,000) to Cloghan Point (Holdings) Limited as short term funding for the ongoing Cloghan Pipeline Project. Cloghan Point (Holdings) Limited repaid £160,000 (2009 – £3,106,000) to the company during the year. At 31 December 2010, the parent company is owed £Nil (2009 – £160,000 due to the company).

Under the terms of an intercompany loan facility agreement between AES (NI) Limited and AES Horizons Investments Limited, AES Horizons Investments Limited borrowed £150,000 (2009 £Nil) and repaid £150,000 (2009 £Nil) during the year. AES (NI) Limited charged interest of £1,000 (2009 Nil). At 31 December 2010, the parent company is owed £Nil.

During the year AES Belfast West Power Limited entered into agreement with AES Electric Limited to waive an intergroup balance of £Nil (2009 – £1,256,000).

During the year AES Kilroot Power Limited recharged and incurred costs to and from related parties. The amounts of transactions and amounts outstanding at 31 December 2010 are summarised in the tables below.

Name of related party (relationship)	Nature of transaction	Amount of transaction	
		2010 £'000	2009 £'000
AES Nejapa Gas Ltda de C V	Recharge of costs to related party	2	–
The AES Corporation	Recharge of costs to related party	283	–
AES Climate Solutions Holdings II LLC	Recharge of costs to related party	13	–
AES Elsta B V	Recharge of costs to related party	8	–
AES Kalaeloa Venture. LLC	Recharge of costs to related party	32	–
Cloghan Point (Holdings) Limited	Recharge of costs to related party	74	–
AES Electric Limited	Recharge of costs to related party	8	54
AES Ballylumford Holdings Limited	Recharge of costs to related party	21	–
Premier Power Limited	Recharge of costs to related party	24	–
JSC AES Ust- Kamengorsk CHP	Recharge of costs to related party	2	–
Masinloc Power Partners Co Limited	Recharge of costs to related party	–	49



AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

29 Related party transactions (continued)

Name of related party (relationship)	Nature of transaction	Amount of transaction	
		2010 £'000	2009 £'000
AES Electric Limited	Recharge of costs from related party	283	811
The AES Corporation	Recharge of costs from related party	401	428
AES Elsta BV	Recharge of costs from related party	11	—

Name of related party (relationship)	Nature of transaction	Amount owed from / (to) related party	
		2010 £'000	2009 £'000
The AES Corporation	Recharge of costs to related party	259	—
AES Electric Limited	Recharge of costs to related party	—	1
AES Climate Solutions Holdings II LLC	Recharge of costs to related party	12	—
Cloghan Point (Holdings) Limited	Recharge of costs to related party	10	—
AES Ballylumford Holdings Limited	Recharge of costs to related party	21	—
Premier Power Limited	Recharge of costs to related party	13	—
Masinloc Power Partners Co Limited	Recharge of costs to related party	—	16
The AES Corporation	Recharge of costs from related party	(1,236)	(814)
AES Electric Limited	Recharge of costs from related party	(49)	(33)
AES Elsta BV	Recharge of costs from related party	(3)	—

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2010

29 Related party transactions (continued)

Parent company

The company has taken advantage of the exemption in FRS 8 not to disclose transactions with wholly owned subsidiaries

During the year the parent company incurred management expenses of £500,000 (2009 £500,000) under the terms of the Management Fee Agreement with AES Corporation. At 31 December 2009 an amount of £42,000 (2009 £42,000) was due from the parent company.

Under the terms of a loan agreement (Debenture Stock 2006 - 2010) between AES (NI) Limited and AES Electric Limited, AES(NI) Limited incurred interest of £1,655,000 (2009 £2,105,000). At 31 December 2010 an amount of £143,000 (2009 £1,049,000) was due from the company. At 31 December 2010 the Debenture Loan Stock balance was £24,050,000 (2009 £24,050,000).

Under the terms of a loan agreement (Debenture Stock 2006 - 2010) between AES (NI) Limited and AES Horizons Investments Limited, AES(NI) Limited incurred interest of £417,000 (2009 £547,000). At 31 December 2010 an amount of £24,000 (2009 £273,000) was due from the company. At 31 December 2010 the Debenture Loan Stock balance was £6,250,000 (2009 £6,250,000).

During the year the company paid a dividend of £8,279,000 (2009 £6,411,000) to AES Electric Limited, a dividend of £8,811,000 (2009 £6,823,000) to AES Horizons Investments Limited and a dividend of £228,000 (2009 £177,000) to the minority shareholders.

During the year, the company paid £Nil (2009 £2,946,000) to Cloghan Point (Holdings) Limited as short term funding for the ongoing Cloghan Pipeline Project. Cloghan Point (Holdings) Limited repaid £160,000 (2009 £3,106,000) to the company during the year. At 31 December 2010, the parent company is owed £Nil (2009 £160,000 due to the company).

Under the terms of an intercompany loan facility agreement between AES (NI) Limited and AES Horizons Investments Limited, AES Horizons Investments Limited borrowed £150,000 (2009 £Nil) and repaid £150,000 (2009 £Nil) during the year. AES (NI) Limited charged interest of £1,000 (2009 Nil). At 31 December 2010, the parent company is owed £Nil.

30 Ultimate parent companies

The share capital of AES (NI) Limited is owned 47.79% (2009 47.79%) by AES Electric Limited, a company registered in England and Wales, and 50.86% (2009 50.86%) by AES Horizons Investments Limited, a company registered in England and Wales.

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

