

AES (NI) Limited

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**Annual report
for the year ended 31 December 2002**

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DEPARTMENT OF ENTERPRISE
TRADE AND INVESTMENT
REGISTERED
2003 14
COMPANIES REGISTRY
NORTHERN IRELAND

DEPARTMENT OF ENTERPRISE
TRADE AND INVESTMENT
COMPANIES REGISTRY
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COUNTER RECEIVED

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

M Armstrong (Chairperson)
N Hopkins
S Lynch
T McCullough

Registered Auditors

PricewaterhouseCoopers
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

Secretary and registered office

G McNeilly
Larne Road
Carrickfergus
Co Antrim
BT31 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 2002

The directors present their report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The consolidated profit and loss account for the year is set out on page 7.

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

Review of business

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.

Dividends

The directors have declared the following dividends in respect of the year ended 31 December 2002:

	£'000
Ordinary dividends:	
Interim paid	42,913
Final proposed	12,237
	<u>55,150</u>

Directors

The directors of the company at 31 December 2002, all of whom have been directors for the whole of the year ended on that date, except as referred to below, are listed on page 1.

A D Murtlow resigned as director on 27 March 2002.

M Armstrong was appointed as director on 27 March 2002.

M Fitzpatrick resigned as director on 28 June 2002

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.

AES (NI) Limited

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 2002.

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

There has been no change in the interests set out above between 31 December 2002 and 29 April 2003.

Charitable contributions

Contributions made by the group for charitable purposes were £34,397 (2001: £74,264).

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 and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

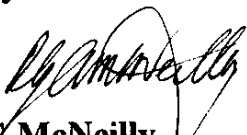
Policy on preservation of amenity and fisheries

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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, a resolution to appoint the new firm, PricewaterhouseCoopers LLP, as auditors to the company will be proposed at the annual general meeting.

By order of the board


G McNeilly
Company Secretary

29 April 2003

AES (NI) Limited

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

We have audited the financial statements, which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and the related notes.

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 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 company's circumstances, consistently applied and adequately disclosed.

Independent auditors' report to the members of AES (NI) Limited (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 of the state of affairs of the company and the group at 31 December 2002 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

PricewaterhouseCoopers

PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Belfast

29 April 2003

AES (NI) Limited

Consolidated profit and loss account for the year ended 31 December 2002

	Notes	2002 £'000	2001 £'000
Turnover	2	103,644	127,754
Operating costs	3	(60,442)	(82,404)
Operating profit		<u>43,202</u>	<u>45,350</u>
Investment income	5	3,824	2,219
Interest payable and similar charges	6	(22,328)	(21,090)
Profit on ordinary activities before taxation	7	<u>24,698</u>	<u>26,479</u>
Tax on profit on ordinary activities	8	(3,520)	(8,433)
Profit for the financial year	9	<u>21,178</u>	<u>18,046</u>
Transfer from/(to) reserves	21	33,972	(10,158)
Dividends	10	<u>55,150</u>	<u>7,888</u>

All amounts relate to continuing operations of the group.

The group has no recognised gains or losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

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

AES (NI) Limited

Balance sheets at 31 December 2002

	Notes	Group		Company	
		2002 £'000	2001 £'000	2002 £'000	2001 £'000
Fixed assets					
Intangible assets	11	30,020	31,419	-	-
Tangible assets	12	167,875	174,822	-	-
Investments	13	-	-	234,971	234,971
		<u>197,895</u>	<u>206,241</u>	<u>234,971</u>	<u>234,971</u>
Current assets					
Stocks	14	8,897	15,954	-	-
Debtors: amounts falling due within one year	15	12,645	14,803	27,486	25,527
Debtors: amounts falling due after one year	15	-	-	32,000	-
Cash at bank and in hand		83,426	77,922	1,167	470
		<u>104,968</u>	<u>108,679</u>	<u>60,653</u>	<u>25,997</u>
Creditors: amounts falling due within one year	16	<u>(42,189)</u>	<u>(41,461)</u>	<u>(15,334)</u>	<u>(14,713)</u>
Net current assets		<u>62,779</u>	<u>67,218</u>	<u>45,319</u>	<u>11,284</u>
Total assets less current liabilities		<u>260,674</u>	<u>273,459</u>	<u>280,290</u>	<u>246,255</u>
Creditors: amounts falling due after more than one year					
Borrowings and other creditors	17	264,097	235,258	239,623	207,623
Convertible debt	17	6,268	6,268	6,268	6,268
Provisions for liabilities and charges	18	49,504	57,156	-	-
Capital and reserves					
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	(69,773)	(35,801)	23,821	21,786
Equity shareholders' funds	22	<u>(59,195)</u>	<u>(25,223)</u>	<u>34,399</u>	<u>32,364</u>
		<u>260,674</u>	<u>273,459</u>	<u>280,290</u>	<u>246,255</u>

The financial statements on pages 7 to 30 were approved by the board of directors on 29 April 2003 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 2002

	Notes	2002 £'000	2001 £'000
Net cash inflow from operating activities	23	51,287	63,781
Returns on investments and servicing of finance			
Interest received		3,809	2,454
Interest paid		(22,317)	(30,602)
		<u>(18,508)</u>	<u>(28,148)</u>
Taxation paid		<u>(6,213)</u>	<u>(7,797)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,296)	(222)
Sale of fixed assets		908	131
Sale of Nigen 1998 Trust own shares		-	18
Sale of fixed assed investment		-	2
		<u>(1,388)</u>	<u>(71)</u>
Equity dividends paid		<u>(48,213)</u>	<u>(9,588)</u>
Cash (outflow)/inflow before financing		<u>(23,035)</u>	<u>18,177</u>
Financing			
Refinancing proceeds		32,000	-
Increase in cash in the year	24&25	<u>8,965</u>	<u>18,177</u>

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2002

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important group accounting policies is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

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.

AES (NI) Limited

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:

Asset	Life in years
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

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.

Decommissioning of generating plant

Prior to the adoption of FRS 12, charges were made on an equal annual basis against profits for the estimated costs of decommissioning generating plant. Since that date decommissioning costs have been capitalised as part of fixed assets and depreciated on a straight line basis over the remaining useful economic life.

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.

AES (NI) Limited

Deferred taxation

The company has adopted FRS 19 "Deferred taxation" in these financial statements. 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

The adoption of FRS 19 in the current year has not resulted in a prior year adjustment.

Pension

The two principal trading subsidiaries within the group participate in a defined benefit pension scheme. The fund is valued every three years by an independent actuary. The regular cost of providing pensions and related benefits and any variations from regular cost arising from the actuarial valuations are charged to the profit and loss account over the expected remaining service lives of scheme members.

The transitional accounting requirements of FRS 17 "Retirement Benefits" are reflected in these financial statements. Full adoption of the standard has been deferred pending international discussions on the equivalent International Accounting Standard, IAS 19, which may result in convergence of the standards. FRS 17 requires a surplus or deficit in a pension scheme (measured with reference to the fair values of the scheme assets and actuarially valued liabilities) to be shown on the employer's balance sheet. Changes in those fair values from year to year will be reflected in the profit and loss account or statement of total recognised gains and losses as appropriate. Disclosures required under the transitional arrangements of FRS 17 are provided in Note 19 to these financial statements.

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.

AES (NI) Limited**3 Operating costs**

	2002 £'000	2001 £'000
Cost of sales	44,084	63,081
Administration expenses	16,358	19,323
	<u>60,442</u>	<u>82,404</u>

4 Employee information

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

	2002 Number	2001 Number
By activity		
Production	106	170
Administration	7	11
	<u>113</u>	<u>181</u>

	2002 £'000	2001 £'000
Staff costs (for the above persons)		
Wages and salaries	4,110	5,758
Social security costs	302	501
Other pension costs (see note 19)	838	797
	<u>5,250</u>	<u>7,056</u>

5 Investment income

	2002 £'000	2001 £'000
Other interest receivable	3,824	2,219
	<u>3,824</u>	<u>2,219</u>

AES (NI) Limited

6 Interest payable and similar charges

	2002	2001
	£'000	£'000
On debentures and other loans:		
Repayable within 5 years, by instalments:		
Amounts payable to parent companies	1,939	2,137
Repayable wholly or partly in more than 5 years	18,857	18,857
On bank loans and overdrafts	1,524	28
Other interest payable	8	68
	<u>22,328</u>	<u>21,090</u>

7 Profit on ordinary activities before taxation

	2002	2001
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging:		
Goodwill amortisation	1,399	1,399
Depreciation charge for the year on tangible owned fixed assets	9,178	10,211
(Profit) / loss on sale of fixed assets	(843)	32
Auditors' remuneration - for audit (company £2,400) (2001 £2,300)	33	34
- for other services	111	81
	<u>11,878</u>	<u>12,765</u>

AES (NI) Limited

8 Tax on profit on ordinary activities

	2002 £'000	2001 £'000
Current tax:		
UK corporation tax at 30%	9,374	10,193
Adjustment in respect of previous periods	(2,654)	(350)
Total current tax	<u>6,720</u>	<u>9,843</u>
Deferred tax:		
Accelerated capital allowances and other timing differences	(3,585)	(1,596)
Adjustment in respect of previous periods	385	186
Total deferred tax	<u>(3,200)</u>	<u>(1,410)</u>
Tax on profit on ordinary activities	<u><u>3,520</u></u>	<u><u>8,433</u></u>

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

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	24,698	26,479
Profit on ordinary activities multiplied by standard rate in the UK 30% (2001: 30%)	<u>7,409</u>	<u>7,944</u>
Effects of:		
Income not taxable	(250)	(3)
Expenses not deductible for tax purposes	471	510
Accelerated capital allowances and other timing differences	3,585	1,596
Group relief not paid	(1,200)	-
Adjustment in respect of previous periods	(2,654)	(353)
Other	641	149
Current tax charge for the period	<u><u>6,720</u></u>	<u><u>9,843</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 £57,185,000 (2001: £24,060,000) is dealt with in the financial statements of the company.

10 Dividends

	2002	2001
	£'000	£'000
Adjustment to prior year final proposed	1	(14)
First interim of 25.0p in February 2002	5,753	-
Second interim of 36.5p in April 2002	9,999	-
Third interim of 99.15p in May and June 2002 (2001 : 9.5p)	27,160	2,602
Final proposed 44.67p per share (2001 : 19.35p)	12,237	5,300
	<u>55,150</u>	<u>7,888</u>

11 Intangible fixed assets

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

	Goodwill
	£'000
Cost	
At 1 January 2002 and 31 December 2002	44,829
	<u> </u>
Amortisation	
At 1 January 2002	13,410
Charge for year	1,399
	<u> </u>
At 31 December 2002	14,809
	<u> </u>
Net book value	
At 31 December 2002	30,020
	<u> </u>
Net book value	
At 31 December 2001	31,419
	<u> </u>

AES (NI) Limited

12 Tangible fixed assets

Group	Long leasehold land £'000	Long leasehold generating plant and buildings £'000	Decomm- issioning asset £'000	Maint- enance asset £'000	Motor vehicles £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost								
At 1 January 2002	929	261,227	2,633	2,337	518	737	455	268,836
Additions	-	540	-	1,719	14	-	23	2,296
Disposals	-	(6,143)	(2,633)	-	(75)	(158)	(115)	(9,124)
At 31 December 2002	929	255,624	-	4,056	457	579	363	262,008
Depreciation								
At 1 January 2002	283	88,656	2,612	954	403	725	381	94,014
Charge for year	29	8,055	21	963	58	11	41	9,178
Eliminated in respect of disposals	-	(6,078)	(2,633)	-	(75)	(158)	(115)	(9,059)
At 31 December 2002	312	90,633	-	1,917	386	578	307	94,133
Net book value								
At 31 December 2002	617	164,991	-	2,139	71	1	56	167,875
Net book value								
At 31 December 2001	646	172,571	21	1,383	115	12	74	174,822

AES (NI) Limited

13 Fixed asset investments (continued)

Company

	Interests in Group Undertakings £'000
Cost	
At 1 January 2002	234,971
At 31 December 2002	<u>234,971</u>
Amounts Written Off	
At 1 January 2002	-
At 31 December 2002	<u>-</u>
Net Book Value	
At 31 December 2002	<u>234,971</u>
At 31 December 2001	<u>234,971</u>

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.

AES (NI) Limited

13 Fixed asset investments (continued)

The principal business activities of these subsidiary undertakings are:

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

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

14 Stocks

	Group	
	2002 £'000	2001
£'000		
Engineering stock	2,846	3,908
Fuel stock	6,051	12,046
	<u>8,897</u>	<u>15,954</u>
Replacement cost	<u>9,308</u>	<u>16,838</u>

15 Debtors

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001
Amounts falling due within one year				
Trade debtors	11,114	13,287	-	-
Group relief receivable	-	-	3,077	2,615
Amounts owed by subsidiary undertakings	-	-	467	1,277
Amounts owed by parent company and fellow subsidiary undertakings	18	38	-	30
Dividends receivable	-	-	22,827	21,300
Other debtors	361	991	302	305
Prepayments and accrued income	1,152	487	813	-
	<u>12,645</u>	<u>14,803</u>	<u>27,486</u>	<u>25,527</u>
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	-	-	32,000	-

AES (NI) Limited

16 Creditors: amounts falling due within one year

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001
Bank overdraft	13,081	16,542	-	896
Trade creditors	2,342	4,598	-	-
Amounts owed to subsidiary undertakings	-	-	1,822	7,175
Amounts owed to parent company and fellow subsidiary undertakings	44	431	550	568
Group relief payable	1,219	-	-	-
Corporation tax	6,596	7,308	-	-
Other taxation and social security	1,007	1,299	-	-
Other creditors	483	728	258	729
Accruals and deferred income	5,180	5,255	467	45
Dividends payable	12,237	5,300	12,237	5,300
	<u>42,189</u>	<u>41,461</u>	<u>15,334</u>	<u>14,713</u>

Bank overdrafts relating to 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 Kilroot Power Limited.

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001
9.5% secured debenture stock (2006 - 2010)	197,100	196,924	-	-
Secured term loan	32,000	-	32,000	-
Loan from subsidiary undertaking	-	-	195,123	195,123
Transferable loan stock	12,500	12,500	12,500	12,500
Accruals and deferred income	22,497	25,834	-	-
	<u>264,097</u>	<u>235,258</u>	<u>239,623</u>	<u>207,623</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 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 amounted to £197,099,589, after adjustment for original issue costs of £2,873,757, which are amortised over the life of the bond.

The entire loan is repayable after more than five years.

Loan from subsidiary undertaking

Company

The unsecured loan from the subsidiary undertaking is repayable as follows:

	£'000
30 December 2006	39,025
30 December 2007	39,025
30 December 2008	39,025
30 December 2009	39,024
30 December 2010	39,024
	<u>195,123</u>

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

Loan (continued)

The loan is repayable as follows:

	£'000
30 April 2004	7,000
30 April 2005	1,000
30 April 2006	2,000
30 April 2007	4,500
30 April 2008	3,000
30 April 2009	4,500
30 April 2010	4,000
29 April 2011	6,000

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

18 Provisions for liabilities and charges

The company has no provision for liabilities and charges.

Group	Deferred tax (see below) £'000	VSS and Pensions £'000	Decommissioning and other £'000	Total £'000
At 1 January 2002	50,462	3,499	3,195	57,156
Profit and loss account	(3,200)	(268)	(774)	(4,242)
Payments in the year	-	(3,231)	(179)	(3,410)
At 31 December 2002	<u>47,262</u>	<u>-</u>	<u>2,242</u>	<u>49,504</u>

Deferred taxation

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

	Group	
	2002 £'000	2001 £'000
Tax effect of timing difference because of:		
Excess of capital allowances over depreciation	46,951	51,318
Provisions	(47)	(1,267)
Other timing differences	358	411
	<u>47,262</u>	<u>50,462</u>

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 triennial valuations by professionally qualified actuaries.

A full valuation was carried out at 31 March 2001 by a qualified independent actuary. The main methods and assumptions used were as follows:

	At 31 March 2001
Valuation method	Attained age
Scheme asset valuation	Market value
Rate of increase in salaries	3.0% per annum
Rate of increase in pensions in payment and deferred benefits during deferment	2.5% per annum
Rate of future investment return	6.5% per annum
Inflation assumption	2.5% per annum

On an ongoing basis, the market value of the assets as at 31 March 2001 covered the value of the past service liabilities with a funding level of 130%, representing an excess of assets above prospective accrued benefits amounting to £16.5 million.

Under the terms of the Electricity (Protected Persons) Pensions Regulations (Northern Ireland) 1992, assets were sufficient to cover 89% of the liabilities. 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 £838,000 per annum plus the cost of the early retirement augmentations under a voluntary severance scheme. With effect from April 2003, the company's ordinary contribution rate will increase to £859,000 per annum, increasing each April thereafter in line with price inflation.

The actuarial valuation was updated to 31 December 2002 for FRS 17 purposes. The main financial assumptions used by the actuary for the purpose of calculating pension cost were:

	31 December 2002	31 December 2001
Valuation method	Projected unit	Projected unit
Scheme asset valuation	Market value	Market value
Rate of increase in salaries	2.85%	3.00%
Rate of increase in pensions in payment and deferred benefits during deferment	2.35%	2.50%
Discount rate	5.40%	5.50%
Inflation assumption	2.35%	2.50%

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 31.12.02	Value at 31.12.02 £'000	Long-term rate of return expected at 31.12.01	Value at 31.12.01 £'000
Equities	6.9%	44,276	6.9%	56,394
Bonds	5.4%	8,889	4.8%	11,270
Cash	4.0%	1,241	4.0%	389
Total market value of assets	<u>6.6%</u>	<u>54,406</u>	<u>6.5%</u>	<u>68,053</u>
			2002	2001
			£'000	£'000
Total market value of assets			54,406	68,053
Present value of scheme liabilities			73,425	70,300
Deficit in the scheme			<u>(19,019)</u>	<u>(2,247)</u>
Net pension liability			(19,019)	(2,247)
Related deferred tax asset			5,706	674
Net pension liability			<u>(13,313)</u>	<u>(1,573)</u>

If the above amounts had been recognised in the financial statements, the company's net liabilities and profit and loss reserve at 31 December 2002 would be as follows:

	£'000	£'000
Net liabilities excluding pension liability	(60,458)	(22,923)
Pension liability	(13,313)	(1,573)
Net liabilities including pension liability	<u>(73,771)</u>	<u>(24,496)</u>
Profit and loss reserve excluding pension liability	(71,036)	(33,501)
Pension liability	(13,313)	(1,573)
Profit and loss reserve including pension liability	<u>(84,349)</u>	<u>(35,074)</u>

AES (NI) Limited

19 Pension and similar obligations (continued)

The following amounts would have been recognised in the performance statements in the year to 31 December 2002 under the requirements of FRS 17.

Operating profit	£'000
Current service cost	279
Curtailment cost	2,139
	<u>2,418</u>
Other finance income	
Expected return on pension scheme assets	4,425
Interest on pension scheme liabilities	(3,782)
	<u>643</u>
Statement of total recognised gains and losses (Strgl)	
Actual return less expected return on pension scheme assets	(17,545)
Experience gains and losses arising on the scheme liabilities	(149)
Changes in assumptions underlying the present value of the scheme liabilities	318
	<u>(17,376)</u>
Movement in deficit during the year	£'000
Deficit in scheme at beginning of the year	(2,247)
Movement in year:	
Current service cost	(2,418)
Contributions	2,379
Other finance income	643
Actuarial loss	(17,376)
Deficit on scheme at end of the year	<u>(19,019)</u>
Details of experience gains and loss for the year to 31 December 2002	£'000
Difference between the expected and actual return on scheme assets:	
Amount (£'000)	(17,545)
Percentage of scheme assets	(32%)
Experience gains and losses on scheme liabilities:	
Amount (£'000)	(149)
Percentage of the present value of the scheme liabilities	(0%)
Total amount recognised in statement of total recognised gains and losses:	
Amount (£'000)	(17,376)
Percentage of the present value of the scheme liabilities	<u>(34%)</u>

AES (NI) Limited

20 Called up share capital

	2002 £'000	2001 £'000
Authorised		
160,000,000 ordinary shares of 25p each	40,000	40,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
27,393,999 ordinary shares of 25p each	6,849	6,849
	<u> </u>	<u> </u>

21 Share premium account and reserves

Group	Share premium account £'000	Profit and loss account £'000
At 1 January 2002	3,729	(35,801)
Transfer to current year	-	(33,972)
	<u> </u>	<u> </u>
At 31 December 2002	3,729	(69,733)
	<u> </u>	<u> </u>
Company	Share premium account £'000	Profit and loss account £'000
At 1 January 2002	3,729	21,786
Profit for the year	-	2,035
	<u> </u>	<u> </u>
At 31 December 2002	3,729	23,821
	<u> </u>	<u> </u>

22 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Opening shareholders' funds	(25,223)	(35,381)
Profit for the financial year	21,178	18,046
Dividends	(55,150)	(7,888)
	<u> </u>	<u> </u>
Closing shareholders' funds	(59,195)	(25,223)
	<u> </u>	<u> </u>

AES (NI) Limited

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

	2002 £'000	2001 £'000
Continuing operating activities		
Operating profit	43,202	45,350
(Profit) / loss on sale of fixed assets	(843)	32
Profit on sale of fixed asset investment	-	(9)
Amortisation of intangible fixed assets	1,399	1,399
Depreciation on tangible fixed assets	9,178	10,211
Amortisation of issue costs	176	175
Decrease / (increase) in stocks	7,057	(867)
Decrease / (increase) in trade debtors	2,173	(320)
Increase in prepayments and accrued income	(650)	(191)
Decrease / (increase) in amounts owed by parent and fellow subsidiaries	20	(2)
Decrease / (increase) in other debtors	630	(774)
Decrease in trade creditors	(2,256)	(16,538)
Decrease/(increase) in amounts owed to parent and fellow subsidiaries	(387)	27
Decrease in other taxation and social security	(292)	(1,150)
(Decrease) / increase in accruals and deferred income	(3,423)	29,805
(Decrease) / increase in other creditors	(245)	553
Decrease in provisions	(4,452)	(3,920)
Net cash inflow from continuing operating activities	<u>51,287</u>	<u>63,781</u>

24 Reconciliation of net cash flow to movement in net debt

	2002 £'000
Increase in cash in the period	8,965
Change in net debt resulting from cash flows	<u>8,965</u>
Amortisation of debt issue costs	(176)
Movement in net debt in the year	<u>8,789</u>
Net debt at 01.01.02	(154,312)
Net debt at 31.12.02	<u>(145,523)</u>

AES (NI) Limited

25 Analysis of net debt

	01.01.02 £'000	Cash flow £'000	Non cash changes £'000	31.12.02 £'000
Cash in hand at bank	77,922	5,504	-	83,426
Overdrafts	(16,542)	3,461	-	(13,081)
	<u>61,380</u>	<u>8,965</u>	<u>-</u>	<u>70,345</u>
Debt due after 1 year	(215,692)	(32,000)	(176)	(247,868)
	<u>(154,312)</u>	<u>(23,035)</u>	<u>(176)</u>	<u>(177,523)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

26 Capital commitments

	2002 £'000	2001 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	Nil	Nil
	<u> </u>	<u> </u>

27 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% (2001: 97.41%) interest in the equity capital of AES (NI) Limited at 31 December 2002.

AES (NI) Limited

28 Directors' emoluments

	2002 £'000	2001 £'000
Aggregate emoluments	116	193

Two directors (2001 – two) have retirement benefits accruing under the company's defined benefit pension scheme.

Exercise of share options

No directors (2001 – nil) exercised share options during the year.

No directors were granted share options during the year. No share options remain outstanding as at 31 December 2002.

Performance bonuses for 2001 have been disclosed in 2002 numbers above. The bonuses payable for 2002 performance have not yet been determined and will be disclosed in the 2003 financial statements.

29 Related party transactions

The share capital of AES (NI) Limited is owned 45.76% (2001: 45.76%) by AES Electric Limited and 51.65% (2001: 51.65%) by AES Horizons Investments Limited. The directors regard AES Corporation, a company registered in the United States of America, as the ultimate parent company.