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AES (NI) Limited
Annual Report
for the year ended 31 December 2011

Registered no : NI 26332

AES (NI) Limited

AES (NI) Limited

Directors and advisors

Directors

M Miller
J Marquez

Company Secretaries

L O'Neill	
D Bothwell	(Resigned 21 April 2011)
J Leeburn	(Appointed 21 April 2011)

Registered office

Kilroot Power Station
Larne Road
Carrickfergus
Co Antrim
BT38 7LX

Solicitors

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

Bankers

Barclays
Donegall House
Donegall Square North
Belfast
BT1 5GB

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 2011

The directors present their report and the audited financial statements for the year ended 31 December 2011.

Principal activity

The principal activity of the AES (NI) Limited group is that of generating electricity. AES Kilroot Power Limited is the main operating subsidiary of the AES (NI) Limited group, and is the company which encompasses the Plant

Review of business and future developments

2011 was the first full year of merchant operations in the Single Electricity Market (SEM) for the two main coal/oil-fired units in the AES (NI) Limited group. The move to operations in the SEM changed the revenue constituents from availability under the previous Power Purchase Agreements (PPA's) and variable cost pass-through to a combination of capacity payments (based on a regulated pricing structure through availability of the units) and energy payments (variable margin or profit when KPL is competitive in the market). Both the level of business and year end financial position were within the director's expectations under prevailing market conditions and satisfactory. The directors expect that the level of operational and financial activity of the various generating units in 2011 (corrected for scheduled outage periods) will be sustained for the foreseeable future.

Key performance indicators

For each of the AES (NI) Limited group companies, the directors have established a set of key metrics, or Key Performance Indicators (KPI's) to monitor the performance or position of the company's operations in the areas of safety, environmental, operational and financial performance where applicable. The concept of 'continuous improvement' is a basis for all operations within the group.

The directors utilise the following KPI's as main indicators of performance:

KPI	**2011**	2010
EAF	**85.50%**	94.60%
EFOR	**5.50%**	2.90%
CA	**85.80%**	96.50%
LTI's	**1**	1

EAF: Equivalent Availability Factor
EFOR: Equivalent Forced Outage Rate
CA: Commercial Availability
LTI: Lost Time Incident

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.

AES (NI) Limited

Directors' report for the year ended 31 December 2011 (continued)

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.

Principal risks and uncertainties

AES Kilroot Power Limited (KPL) operates Kilroot Power Station under two commercial scenarios. The first is directly into the 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 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.

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 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 performance.

Operational risks

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. Gas turbines are inspected and overhauled in accordance with prudent industry practice based on original equipment manufacturer guidelines.

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

AES (NI) Limited

Directors' report for the year ended 31 December 2011 (continued)

Operational risks (continued)

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 remaining PPAs 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.

Financial risks

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.

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.

AES (NI) Limited

Directors' report for the year ended 31 December 2011 (continued)

Results and dividends

The consolidated profit and loss account for the year is set out on page 10.

The directors have paid the following dividends during 2011 and 2010.

	2011 £'000	2010 £'000
Interim dividend paid	-	17,318

No final dividend has been proposed.

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 £26,000 (2010: £37,000).

Other charitable contributions of £24,000 (2010: £41,000) 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 2011 (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 group 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 2011 the number of creditor days in respect of trade creditors was 28 days (2010: 28 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
27 April 2012

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 company 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 2011 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 29. 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 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2011 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.

Ernst & Young LLP.

Keith Jess(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Belfast
27 April 2012

AES (NI) Limited

Group profit and loss account for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Turnover	2	**124,854**	156,026
Cost of sales	3	**(75,037)**	(64,798)
Gross profit		**49,817**	91,228
Administrative expenses	3	**(32,269)**	(31,616)
Operating profit		**17,548**	59,612
Interest receivable and similar income	6	**311**	552
Interest payable and similar charges	7	**(3,861)**	(8,353)
Other finance costs	19	**(366)**	(1,189)
Profit on ordinary activities before taxation	8	**13,632**	50,622
Tax on profit on ordinary activities	9	**(2,150)**	(13,667)
Net profit for the financial year	21	**11,482**	36,955

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 2011

	Notes	2011 £'000	2010 £'000
Profit for the financial year		**11,482**	36,955
Actuarial gain recognised in the pension scheme	19	**11,228**	2,700
Movement on deferred tax relating to pension gain		**(2,975)**	(756)
Total recognised gains and losses since last annual report		**19,735**	38,899

AES (NI) Limited

Group and Company balance sheets at 31 December 2011

		Group		Company	
		2011	2010	**2011**	2010
	Notes	**£'000**	£'000	**£'000**	£'000
Fixed assets					
Tangible assets	12	**164,854**	176,294	–	–
Investments	13	–	–	**278,556**	278,556
		164,854	176,294	**278,556**	278,556
Current assets					
Stocks	14	**14,992**	15,231	–	–
Debtors: amounts falling due after one year	15	–	–	–	27,215
Debtors: amounts falling due within one year	15	**13,809**	15,505	**4,835**	36,532
Cash at bank and in hand		**23,107**	15,357	**3,975**	712
		51,908	46,093	**8,810**	64,459
Creditors: amounts falling due within one year	16	**(53,902)**	(66,788)	**(138,050)**	(476)
Net current (liabilities)/assets		**(1,994)**	(20,695)	**(129,240)**	63,983
Total assets less current liabilities		**162,860**	155,599	**149,316**	342,539
Creditors: amounts falling due after more than one year	17	**(71,027)**	(70,980)	**(29,313)**	(224,555)
Provisions for liabilities	18	**(23,930)**	(27,358)	–	–
Net assets excluding pension surplus/ (deficit)		**67,903**	57,261	**120,003**	117,984
Pension surplus/ (deficit)	19	**2,566**	(6,590)	–	–
Net assets		**70,469**	50,671	**120,003**	117,984
Capital and reserves					
Called up share capital	20	**13,117**	13,117	**13,117**	13,117
Share premium account	21	**3,729**	3,729	**3,729**	3,729
Profit and loss reserve	21	**52,403**	32,668	**103,157**	101,138
Other reserves	21	**1,220**	1,157	–	–
Shareholders' funds	23	**70,469**	50,671	**120,003**	117,984

The financial statements were approved for issue by the board of directors on 27 April 2012 and signed on its behalf by:

Mark Miller
Director
27 April 2012

AES (NI) Limited

Group statement of cash flows for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Net cash inflow from operating activities	24	**28,507**	80,049
Returns on investments and servicing of finance			
Interest received		**377**	486
Interest paid		**(2,190)**	(9,509)
		(1,813)	(9,023)
Taxation			
Corporation tax paid including group relief payable		**(6,207)**	(11,750)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(5,400)**	(3,656)
Sale of tangible fixed assets		**2**	824
		(5,398)	(2,832)
Dividends paid to shareholders		**-**	(17,318)
Net cash inflow before use of liquid resources and financing		**15,089**	39,126
Management of liquid resources			
Increase in short-term deposits with banks		**3,000**	13,900
Financing			
Repayment of loan capital		**(37,644)**	(50,441)
New loan capital		**32,000**	–
Issue costs		**(1,695)**	–
Transferable loan stock repaid during year		**-**	(2,195)
		(7,339)	(52,636)
Increase in cash in the year	25 & 26	**10,750**	390

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

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.

As noted on the AES (NI) Limited group balance sheet, the group is in a net current liability position of £1,994,000 (2010:£20,695,000). Included in current liabilities for 2011 are amounts owed to other group undertakings of £11,284,000 (2010: £5,687,000). In the unlikely event that the AES (NI) Limited group are unable to settle their current liabilities, management does not expect that the other group undertakings to call the amounts as they come due. Included in current liabilities is the project financing that was refinanced in July 2011.

As noted on the AES (NI) Limited company balance sheet, the company is in a net current liability position of £129,240,000 (2010:net current assets £63,983,000). Included in current liabilities for 2011 are amounts owed to other group undertakings of £137,786,000 (2010: £209,000). In the unlikely event that the AES (NI) Limited is unable to settle its current liabilities, management does not expect that the other group undertakings to call the amounts as they come due.

Basis of consolidation
The consolidated financial statements include the company and its subsidiary undertakings drawn up to 31 December 2011. 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	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 rotable 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

Notes to the financial statements for the year ended 31 December 2011

1 Accounting policies (continued)

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.

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.

Debtors
Debtors are stated after all known bad debts have been written off and specific provision has been made against all debts considered doubtful of collection.

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

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

1 Accounting policies (continued)

Provisions for liabilities

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Bank loans

Bank loans are recognised at gross proceeds less any capitalised costs of raising finance

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.

Pension

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

The funds are valued every two 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.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

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.

Energy revenue is recognised when energy is sold and is calculated as a product of System Marginal Price SMP) and the relevant quantity.

Capacity revenue is recognised when the plant is declared available.

Dividends
Revenue is recognised when the Company's right to receive payment is established.
Final dividends are recorded in the Company's accounts in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are paid.

2 Turnover

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

3 Cost of sales and administrative expenses

	2011	2010
	£'000	£'000
Cost of sales	75,037	64,798
Administrative expenses	32,269	31,616
	107,306	96,414

The expenses above of £107,306,000 (2010: £96,414,000) relate to continuing operations.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

4 Employee information

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

	2011 Number	2010 Number
By activity		
Production	**125**	126
Administration	**10**	12
	135	138

The company had no employees during 2011 and 2010.

	2011 £'000	2010 £'000
Staff costs (for the above persons)		
Wages and salaries	**6,203**	5,977
Social security costs	**686**	596
Other pension costs current service cost	**3,088**	548
Defined contribution pension cost	**175**	172
Cost of employee share schemes (see note 22)	**63**	108
	10,215	7,401

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

5 Directors' emoluments

	2011 £'000	2010 £'000
Aggregate emoluments	120	-

No group director (2010: one) has retirement benefits accruing under the group's defined benefit pension scheme. Remuneration of £120,000 was paid in 2011 to the directors of the Company (2010:£nil) apportioned according to their services across a number of other group undertakings and entities in the AES Corporation.

6 Interest receivable and similar income

	2011 £'000	2010 £'000
Interest receivable on bank balances	311	551
Interest receivable from parent company	-	1
	311	552

7 Interest payable and similar charges

	2011 £'000	2010 £'000
Interest payable on debentures and other loans	1,300	5,164
Interest payable to parent company	2,004	2,071
Interest payable on bank loans and overdrafts	-	8
Other interest payable	557	1,110
	3,861	8,353

8 Profit on ordinary activities before taxation

	2011 £'000	2010 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Staff costs (see note 4)	10,215	7,401
Depreciation of tangible fixed assets	18,288	18,141
Amortisation of deferred income (see note 17)	4,633	7,101
Gain on sale of fixed assets	(2)	(553)
Hire of plant and machinery	405	84
Auditors' remuneration - for audit services (company £5,000 (2010: £5,000))	56	40
- for other services (company £Nil (2010 : £Nil))	-	-

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

9 Tax on profit on ordinary activities

	2011 £'000	2010 £'000
Current tax:		
UK corporation tax at 26.5% (2010: 28%)	**4,912**	9,790
Group relief payable at 26.5% (2010: 28%)	**-**	5,297
Adjustment in respect of previous years	**162**	466
Total current tax	**5,074**	15,553
Deferred tax:		
Accelerated capital allowances and other timing differences	**(1,094)**	(1,719)
Pension contribution relief in excess of pension cost charge	**357**	859
Effect of decreased rate on opening deferred tax liability	**(1,910)**	(1,026)
Adjustment in respect of previous years	**(277)**	-
Total deferred tax	**(2,924)**	(1,886)
Tax on profit on ordinary activities	**2,150**	13,667

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 26.5% (2010: 28%). The differences are explained below:

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	**13,632**	50,622
Profit on ordinary activities multiplied by standard rate in the UK 26.5% (2010 : 28%)	**3,612**	14,174
Effects of:		
Expenses not deductible for tax purposes	**498**	441
Accelerated capital allowances and other timing differences	**1,159**	1,330
Pension contribution relief in excess of pension cost charge	**(357)**	(858)
Adjustment in respect of previous years	**162**	466
Current tax charge for the year	**5,074**	15,553

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 Budget of March 2012, changes in the future corporation tax rates in the UK were proposed and a rate of 24% has been approved from 1 April 2012 and further reductions to 22% have been proposed but not approved. As the proposed changes in the UK corporation tax were not yet substantively enacted at the balance sheet date, deferred tax has been calculated at 25% at 31 December 2011. If the proposed corporation tax rate changes were to be fully approved and the tax rate reduced to 22% 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 2011

10 Profit for the financial year

The company's profit after tax for the year was £2,019,000 (2010: profit of £21,374,000).

11 Dividends

	2011 £'000	2010 £'000
Ordinary dividend paid of £nil per 25p share (2010: £0.33008)	–	17,318

12 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 2011	929	336,637	14,817	416	179	244	104	353,326
Additions	-	1,144	3,755	-	-	1,175	44	6,118
Disposals	-	(539)	(2,900)	(16)	-	-	-	(3,455)
Transfers	-	11	93	-	-	-	(104)	-
Transfers from group company	-	899	-	-	-	-	-	899
At 31 December 2011	**929**	**338,152**	**15,765**	**400**	**179**	**1,419**	**44**	**356,888**
Accumulated depreciation								
At 1 January 2011	560	168,254	7,535	340	158	185	-	177,032
Charge for year	37	16,443	1,536	38	16	218	-	18,288
Eliminated in respect of disposals	-	(539)	(2,900)	(16)	-	-	-	(3,455)
Transfers from group company	-	169	-	-	-	-	-	169
At 31 December 2011	**597**	**184,327**	**6,171**	**362**	**174**	**403**	**-**	**192,034**
Net book amount								
At 31 December 2011	**332**	**153,825**	**9,594**	**38**	**5**	**1,016**	**44**	**164,854**
At 1 January 2011	369	168,383	7,282	76	21	59	104	176,294

Included within accruals and deferred income at 31 December 2011 are contributions to the cost of construction work in progress. See note 17.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

13 Investments

Company

	Interests in group undertakings £'000
Cost	
At 1 January 2011 and 31 December 2011	278,556
Amounts Written Off	
At 1 January 2011 and 31 December 2011	-
Net book amount	
At 31 December 2011	278,556
At 1 January 2011	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 2011 and show a profit after tax of £20,061,000 (2010 : £44,619,000) and net assets amounting to £226,121,000 (2010 : £216,771,000).

Financial statements of Kilroot Electric Limited have been prepared up to 31 December 2011 and show a loss after tax of £Nil (2010:£109,000) and net assets amounting to £25,000 (2010: £25,000).

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 2011

14 Stocks

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

	2011 £'000	2010 £'000
Fuel stock	**9,812**	10,162
Engineering stock	**5,180**	5,069
	14,992	15,231

15 Debtors

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertaking	–	–	–	27,215
	–	–	–	27,215

	Group 2011 £'000	Group 2010 £'000	Company 2011 £'000	Company 2010 £'000
Amounts falling due within one year:				
Trade debtors	**11,618**	13,286	–	–
Group relief receivable	–	–	**1,578**	1,894
Amounts owed by subsidiary undertakings	–	–	**2,997**	34,379
Amounts owed by parent company and fellow subsidiary undertakings	**459**	315	–	–
Other debtors	**799**	890	**258**	258
Prepayments and accrued income	**933**	1,014	**2**	1
	13,809	15,505	**4,835**	36,532

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

16 Creditors: amounts falling due within one year

	Group		Company	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Bank loan	**17,689**	30,241	**-**	-
Trade creditors	**11,916**	15,386	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**-**	-
Amounts owed to parent company and fellow subsidiary undertakings	**11,284**	5,687	**137,786**	209
Floating rate subordinated loan stock	**-**	-	**-**	-
Corporation tax	**5,963**	7,825	**-**	-
Other taxation and social security	**2,073**	2,752	**-**	-
Other creditors	**258**	258	**258**	258
Accruals and deferred income	**4,719**	4,639	**6**	9
	53,902	66,788	**138,050**	476

Loan from subsidiary undertaking

Company

The loan of £135,908,000 (2010:£195,123,000) from the subsidiary undertaking is unsecured and repayable in less than one year. The interest rate levied is 7% per annum. The company was charged interest of £10,774,000 on the loan from fellow subsidiary(2010:£13,659,000).

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Bank Loan	**5,800**	-	**-**	-
Amounts owed to parent company and fellow subsidiary undertakings	**-**	1,120	**-**	-
Loan from subsidiary undertaking	**-**	-	**1,208**	196,450
Floating rate subordinated loan stock	**28,105**	28,105	**28,105**	28,105
Accruals and deferred income	**37,122**	41,755	**-**	-
	71,027	70,980	**29,313**	224,555

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

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

Bank Loan

Group

Bank Loan – BNP Paribas

On 5 September 2009, the group obtained financing from BNP Paribas in order to meet the long term financing requirements of the AES (NI) Group.

The loan carried interest at LIBOR plus a margin of 2.75% (2010: LIBOR plus a margin of 2.25%). The loan was repaid in full in September 2011.

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

The carrying value of the BNP Paribas bank loan included above and in note 17 amounted to £nil (2010: £30,241,000).

Financing costs of £462,000 (2010: £638,000) were recognised in the profit and loss account during the year.

Bank loan – Barclays Bank

On 8 September 2011, the company refinanced BNP Paribas loan facility and obtained financing from Barclays Bank.

The loan carries interest at LIBOR plus a margin of 3.25%. The loan is repayable in bi-annual instalments with the remaining balance being repaid in June 2014 as detailed in the Target Repayment Schedule.

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

The carrying value of the Barclays bank loan included above and in note 16 amounted to £24,994,000 (2010: £Nil) after adjustment for financing costs of £937,000 and debt discount costs of £568,000 which are amortised over the life of the loan.

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

	2011 £'000	2010 £'000
In one year or less	18,293	-
In more than one year, but not more than two years	6,495	-
In more than two year, but not more than five years	206	-
	24,994	-
Less: Issue costs to be amortised in future periods	(1,505)	-
	23,489	-

Financing costs of £1,695,000 (2010: £Nil) were capitalised during the year.
Financing costs of £190,000 (2010: £Nil) were recognised in the profit and loss account during the year.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

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

Floating rate subordinated loan stock

Group and company	2011 £'000	2010 £'000
Authorised		
Floating rate subordinated loan stock	**30,300**	30,300

Issued

	2011 £'000	2010 £'000
Floating rate subordinated loan stock at 1 January 2011	**28,105**	30,300
Transferable loan stock redeemed during the year	–	(2,195)
Floating rate subordinated loan stock at 31 December 2011	**28,105**	28,105

The floating rate subordinated loan stock is repayable as follows:

	2011 £'000	2010 £'000
In one year or less	–	–
In more than one year, but not more than two years	–	–
In more than two years, but not more than five years	**28,105**	–
In more than five years	-	28,105
	28,105	28,105

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 2011	46,394	–	46,394
Received in the year	–	80	80
Credited to the profit and loss account	(4,633)	–	(4,633)
At 31 December 2011	**41,761**	**80**	**41,841**

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. The other deferred income relates to a sale of assets for which title to the asset did not transfer during the period ended 31 December 2011.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

18 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	Total £'000
At 1 January 2011	26,945	413	27,358
Profit and loss account	(3,366)	76	(3,290)
Payments in the year	–	(138)	(138)
At 31 December 2011	**23,579**	**351**	**23,930**

Deferred taxation

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

	2011 £'000	2010 £'000
Tax effect of timing difference because of:		
Excess of capital allowances over depreciation	**23,820**	27,396
Provisions	**(241)**	(451)
	23,579	26,945
Deferred tax on pension surplus/(deficit) (note 19)	**855**	(2,563)
Total provision for deferred tax	**24,434**	24,382

The company has a potential deferred tax asset of £305,000 (2010: £187,000) 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. Tax relief is granted as employees exercise their stock options and the exercising of shares is driven by the share price of The AES Corporation and generally an employee will only exercise if the market value is in excess of the grant price.

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 2011

19 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 (2010: £4,800,000).

It is expected that the group will make regular contributions at the rate of £4,800,000 in 2012.

Defined benefit scheme

An actuarial valuation of the scheme using the projected unit basis was carried out at 31 December 2011. The major assumptions used by the actuary were:

	31 December 2011	31 December 2010
Scheme asset valuation	**Bid value**	Bid value
Rate of increase in salaries	**3.50%**	3.75%
Rate of increase in pensions in payment and deferred benefits during deferment	**2.25%**	3.25%
Discount rate	**4.75%**	5.75%
Inflation assumption	**3.00%**	3.25%

The mortality assumptions used were as follows:

Average expected future life (in years) at age 65 for:		
Member currently aged 65	**19.90**	21.00
Member currently aged 40	**21.70**	22.90

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

	Long-term rate of Return Expected at 31.12.11 %	**Value at 31.12.11 £'000**	Long-term rate of return expected At 31.12.10 %	Value at 31.12.10 £'000
Equities	**5.75**	**45,003**	6.75	36,807
Bonds	**3.00**	**67,505**	4.25	60,468
Cash	**-**		0.50	97
Market value of assets		**112,508**		97,372

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

19 Pension and similar obligations (continued)

	2011 £'000	2010 £'000
Total market value of assets	112,508	97,372
Present value of scheme liabilities	(109,087)	(106,525)
Surplus/ (deficit) in the scheme	3,421	(9,153)
Net pension surplus/ (deficit)	3,421	(9,153)
Related deferred tax (liability)/asset	(855)	2,563
Net pension surplus / (deficit)	2,566	(6,590)

Reconciliation of present value of scheme liabilities

	2011 £'000	2010 £'000
Opening value of scheme's liabilities	106,525	105,150
Current service cost	558	548
Member contributions	202	198
Interest on scheme liabilities	5,751	5,952
Actuarial gain recognised in the pension scheme	(1,539)	(1,394)
Benefits paid	(4,935)	(3,924)
Premiums paid	(5)	(5)
Plan curtailments	2,530	-
Closing value of scheme's liabilities	109,087	106,525

Reconciliation of fair value of scheme assets

	2011 £'000	2010 £'000
Opening value of scheme's assets	97,372	90,234
Expected return	5,385	4,763
Actuarial gain recognised in the pension scheme	9,689	1,306
Employer contributions	4,800	4,800
Member contributions	202	198
Benefits paid	(4,935)	(3,924)
Premiums paid	(5)	(5)
Closing value of scheme's assets	112,508	97,372

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 £15,074,000 (2010: £6,069,000)

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

19 Pension and similar obligations (continued)

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

	2011 £'000	2010 £'000
Current service cost	**558**	548
Plan curtailments	**2,530**	-
Expected return on scheme assets	**(5,385)**	(4,763)
Interest on pension scheme liabilities	**5,751**	5,952
Total	**3,454**	1,737

The total current service cost £558,000 (2010: £548,000) is included within cost of sales.

Other finance costs

	2011 £'000	2010 £'000
Expected return on pension scheme assets	**5,751**	5,952
Interest on pension scheme liabilities	**(5,385)**	(4,763)
Total	**366**	1,189

Analysis of the amount taken to the Statement of Total Recognised gains and losses is as follows:

	2011 £'000	2010 £'000
Actual return on scheme assets	**15,074**	6,069
Less Expected return on scheme assets	**(5,385)**	(4,763)
Actuarial gain/loss	**1,539**	1,394
Total	**11,228**	2,700

Amounts for current and previous four years:

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Defined benefit obligations	**109,087**	106,525	105,150	92,741	98,108
Scheme's assets	**112,508**	97,372	90,234	77,530	88,600
Surplus/(Deficit)	**3,421**	(9,153)	(14,916)	(15,211)	(9,508)
Experience adjustments on scheme liabilities	**(22)**	583	342	(1,075)	(2,157)
Experience adjustments on scheme assets	**9,689**	1,306	6,745	(15,047)	(2,535)
Total recognised in statement of total recognised gains and losses:	**11,228**	2,700	(3,579)	(7,124)	(2,855)

Defined contribution scheme

The cost of contributions to the defined contribution scheme amounts to £175,000 (2010: £172,000).

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

20 Called up share capital

	2011 £'000	2010 £'000
Authorised		
160,000,000 ordinary shares of 25p each	**40,000**	40,000
Allotted and fully paid		
52,465,999 ordinary shares of 25p each	**13,117**	13,117

21 Reserves

Group

	Share premium account £'000	Other reserves £'000	Profit and loss reserve £'000	Total £'000
At 1 January 2011	3,729	1,157	32,668	37,554
Profit for the financial year	-	-	11,482	11,482
Actuarial gain recognised in the pension scheme	-	-	11,228	11,228
Movement on deferred tax relating to pension deficit	-	-	(2,975)	(2,975)
Share based payments	-	63	-	63
At 31 December 2011	**3,729**	**1,220**	**52,403**	**57,352**

Company

	Share premium account £'000	Profit and loss reserve £'000
At 1 January 2011	3,729	101,138
Profit for the financial year	-	2,019
At 31 December 2011	**3,729**	**103,157**

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

22 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 2011. 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 2011 is £8,000 (2010: £38,000).

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:

	2011	2010	2009
Expected volatility	**N/A**	N/A	N/A
Expected annual dividend yield	**N/A**	N/A	N/A
Expected option term (years)	**N/A**	N/A	N/A
Risk-free interest rate	**N/A**	N/A	N/A

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 2011

22 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:

	2011 £'000	2010 £'000
Total intrinsic value of options exercised	2	15
Total fair value of options exercised	32	61

There was no cash used to settle stock options or compensation cost capitalised as part of the cost of an asset for the years ended 31 December 2011, 2010 and 2009. As of 31 December 2011, £Nil (2010: £5,000) of total unrecognised compensation cost related to stock options is expected to be recognised over a weighted average period of nil years (2010: 0.2 years). There were no modifications to stock option awards during the year ended 31 December 2011.

A summary of the option activity for year ended 31 December 2011 and 31 December 2010 follows

	2011 Number	2011 Weighted average exercise price	Weighted Average Remaining Contractual Term (in years)
Outstanding at 1 January	158,068	£10.80	
Exercised during the year	(823)	£5.77	
Forfeited and expired during the year	(77,404)	£13.85	
Net shares transferred during the year.	23,216	£7.04	
Outstanding at 31 December	103,057	£7.55	3.1
Vested and expected to vest at 31 December	103,057	£7.55	3.1
Exercisable at 31 December	103,057	£7.55	3.1

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

22 Share based payments (continued)

Stock options (continued)

	2010 Number	2010 Weighted average exercise price	Weighted Average Remaining Contractual Term (in years)
Outstanding at 1 January	106,734	£9.52	
Exercised during the year	(8,383)	£1.81	
Forfeited and expired during the year	(9,219)	£17.76	
Net shares transferred during the year.	68,936	£12.44	
Outstanding at 31 December	158,068	£10.72	3.0
Vested and expected to vest at 31 December	156,542	£10.71	2.9
Exercisable at 31 December	151,184	£10.66	2.8

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 2011 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 2011. The amount of the aggregate intrinsic value will change based on the fair market value of the Company's stock. The Company initially recognises 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.

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 2011 is £55,000 (2010: £70,000)

For the years ended 31 December 2011, 2010, and 2009, 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 2011, 2010, and 2009 had grant date fair values per RSU of £8.29, £7.78 and £4.69 respectively. The total grant date fair value of RSUs granted was £68,000 during the year ended 31 December 2011.

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

22 Share based payments (continued)

Restricted Stock Units (continued)

The following table summarises the components of the Company's stock-based compensation related to its employee RSUs recognised in the Company's financial statements:

	2011 £'000	2010 £'000
Total value of RSUs converted	40	45
Total fair value of RSUs vested	70	86

There was no cash used to settle RSUs or compensation cost capitalised as part of the cost of an asset for the years ended 31 December 2011, 2010 and 2009. As of 31 December 2011, £57,000 (2010: £51,000) of total unrecognised compensation cost related to RSUs is expected to be recognised over a weighted average period of approximately 1.82 years (2010: 1.7 years). There were no modifications to RSU awards during the year ended 31 December 2011.

A summary of the RSUs activity for the year ended December 31, 2011 follows:

	2011 Number	2011 Weighted average exercise price	2010 Number	2010 Weighted average exercise price
Non vested at 1 January	16,324	£7.48	12,266	£6.85
Vested during the year	(8,460)	£8.27	(8,535)	£10.04
Forfeited and expired during the year	(241)	£6.23	(628)	£12.70
Granted during the year	8,142	£8.29	7,257	£7.78
Net shares transferred during the year	(154)	£12.14	5,964	£6.00
Non vested at 31 December	15,611	£7.45	16,324	£7.43
Vested at 31 December	26,695	£10.76	22,871	£11.73
Vested and expected to vest at 31 December	41,004	£9.59	36,129	£10.13

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

23 Reconciliation of movements in group shareholders' funds

Group	2011 £'000	2010 £'000
Profit for the financial year	11,482	36,955
Dividends	-	(17,318)
Share based payments	63	108
	11,545	19,745
Actuarial gain recognised in the pension scheme	11,228	2,700
Movement on deferred tax relating to pension scheme	(2,975)	(756)
Net movement during year	19,798	21,689
Opening shareholders' funds	50,671	28,982
Closing shareholders' funds	70,469	50,671

Company	2011 £'000	2010 £'000
Profit for the financial year	2,019	21,374
Dividends	-	(17,318)
Net movement during year	2,019	4,056
Opening shareholders' funds	117,984	113,928
Closing shareholders' funds	120,003	117,984

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

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

	2011 £'000	2010 £'000
Operating profit	17,548	59,612
Gain on sale of tangible fixed assets	(2)	(553)
Depreciation on tangible fixed assets	18,288	18,141
Amortisation of issue costs	587	813
Movement in stocks	239	363
Movement in trade debtors	1,668	(32)
Movement in prepayments and accrued income	14	(256)
Movement in amounts owed by parent company and fellow subsidiaries	(144)	(288)
Movement in other debtors	91	3,533
Movement in trade creditors	(4,583)	8,999
Movement in amounts owed to parent company and fellow subsidiaries	1,744	(1,120)
Movement in other taxation and social security	(679)	105
Movement in accruals and deferred income	(4,553)	(4,658)
Movement in other creditors	-	(290)
Movement in provisions	(62)	(175)
Difference between pension charge and cash contributions	(1,712)	(4,252)
Adjustment in respect of employee share schemes	63	108
Net cash inflow from operating activities	**28,507**	80,050

25 Reconciliation of net cash flow to movement in net debt

	2011 £'000	2010 £'000
Decrease in cash in the year	10,750	390
Movement in deposits	(3,000)	(13,900)
Repayment of loan capital	37,644	50,441
New loan capital	(32,000)	-
Issue costs	1,695	-
Transferable loan stock redeemed during the year	-	2,195
Change in net debt resulting from cash flows	15,089	39,126
Amortisation of debt issue costs	(587)	(813)
Movement in net debt in the year	14,502	38,313
Net debt at 1 January 2011	(42,989)	(81,302)
Net debt at 31 December 2011	**(28,487)**	(42,989)

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2011

26 Analysis of net debt

	1 January 2011 £'000	Cash flow £'000	Non cash changes £'000	**31 December 2011 £'000**
Cash at bank or in hand	12,357	10,750	-	**23,107**
	12,357	10,750	-	**23,107**
Liquid resources	3,000	(3,000)	-	-
	15,357	7,750	-	**23,107**
Debt due after 1 year	(28,105)	-	(5,800)	**(33,905)**
Debt due within 1 year	(30,241)	7,339	5,213	**(17,689)**
	(58,346)	7,339	(587)	**(51,594)**
Net debt	(42,989)	15,089	(587)	**(28,487)**

27 Capital commitments

	2011 £'000	2010 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**1,013**	-

This relates primarily to the refurbishment of two gas turbines.

28 Ultimate parent companies

The share capital of AES (NI) Limited is owned 47.79% (2010: 47.79%) by AES Electric Limited, a company registered in England and Wales, and 50.86% (2010: 50.86%) by AES Horizons Investments Limited, a company registered in England and Wales.

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

29 Related Party Transactions

The group and company has taken advantage of the exemptions contained in FRS 8 "Related Party Transactions" not to disclose transactions with related parties as all of the voting rights of the company are ultimately controlled by The AES Corporation.