

REGISTERED
29 OCT 2002
27

REGISTERED
28 OCT 2002

AES (NI) Limited
Annual Report
for the year ended 31 December 2001

Registered no : NI 26332

AES (NI) Limited

**Annual report
for the year ended 31 December 2001**

	Pages
Directors and advisers	1
Directors' report	2-5
Report of the auditors	6
Consolidated profit and loss account	7
Balance sheets	8
Consolidated cash flow statement	9
Notes to the financial statements	10-31

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

A D Murtlow (A) (Chairperson)
N Hopkins (B)
M Fitzpatrick (Alternate A and B)
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 2001

The directors present their report and the audited financial statements for the year ended 31 December 2001.

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 2001:

	£'000
Ordinary dividends:	
Interim paid	2,588
Final proposed	5,300
	<hr/>
	7,888
	<hr/> <hr/>

Directors

The directors of the company at 31 December 2001, all of whom have been directors for the whole of the year ended on that date, are listed 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.

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 2001.

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 2001 and 28 February 2002.

Charitable contributions

During the year the group introduced a gift matching scheme. Contributions made by the group for charitable purposes were £74,264 (2000: £29,877).

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 and the group for that period. In preparing those financial statements, the directors are required to:

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

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

Introduction of the euro

Although the group does not export any products, the group does import certain raw materials. These transactions are mainly denominated in US Dollars and accordingly the directors consider the likely impact of the Euro to be negligible.

AES (NI) Limited

Policy on preservation of amenity and fisheries

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

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the annual general meeting.

By order of the board


G McNeilly
Company Secretary

8 March 2002

Auditors' report to the members of AES (NI) Limited

We have audited the financial statements, which comprise the profit and loss account, the balance sheet, the 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.

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.

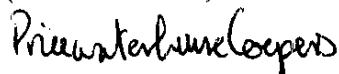
Basis of audit opinion

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 financial accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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 affairs of the state of the company and the group at 31 December 2001 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

Chartered Accountants and Registered Auditors

Belfast

8 March 2002

AES (NI) Limited

Consolidated profit and loss account for the year ended 31 December 2001

	Notes	2001 £'000	2000 £'000
Turnover	2	127,754	117,035
Operating costs	3	(82,404)	(86,294)
Operating profit		<u>45,350</u>	<u>30,741</u>
Investment income	5	2,219	2,118
Interest payable and similar charges	6	(21,090)	(21,190)
Profit on ordinary activities before taxation	7	<u>26,479</u>	<u>11,669</u>
Tax on profit on ordinary activities	8	(8,433)	(3,971)
Profit for the financial year	9	<u>18,046</u>	<u>7,698</u>
Transfer (to) / from reserves	21	(10,158)	3,265
Dividends	10	<u>7,888</u>	<u>10,963</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 2001

	Notes	Group		Company	
		2001 £'000	2000 £'000	2001 £'000	2000 £'000
Fixed assets					
Intangible assets	11	31,419	32,818	-	-
Tangible assets	12	174,822	184,974	-	-
Investments	13	-	9	234,971	234,979
		<u>206,241</u>	<u>217,801</u>	<u>234,971</u>	<u>234,979</u>
Current assets					
Stocks	14	15,954	15,087	-	-
Debtors	15	14,803	13,753	25,527	10,098
Cash at bank and in hand		77,922	43,991	470	56
		<u>108,679</u>	<u>72,831</u>	<u>25,997</u>	<u>10,154</u>
Creditors: amounts falling due within one year	16	(41,461)	(47,986)	(14,713)	(15,050)
Net current assets/(liabilities)		<u>67,218</u>	<u>24,845</u>	<u>11,284</u>	<u>(4,896)</u>
Total assets less current liabilities		<u>273,459</u>	<u>242,646</u>	<u>246,255</u>	<u>230,083</u>
Creditors: amounts falling due after more than one year					
Borrowings and other creditors	17	235,258	209,249	207,623	207,623
Convertible debt	17	6,268	6,268	6,268	6,268
Provisions for liabilities and charges	18	57,156	62,510	-	-
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	(35,801)	(45,959)	21,786	5,614
Equity shareholders' funds	22	<u>(25,223)</u>	<u>(35,381)</u>	<u>32,364</u>	<u>16,192</u>
		<u>273,459</u>	<u>242,646</u>	<u>246,255</u>	<u>230,083</u>

The financial statements on pages 7 to 31 were approved by the board of directors on 8 March 2002 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 2001

	Notes	2001 £'000	2000 £'000
Net cash inflow from operating activities	23	63,781	65,050
Returns on investments and servicing of finance			
Interest received		2,454	1,878
Interest paid		(30,602)	(21,186)
		<u>(28,148)</u>	<u>(19,308)</u>
Taxation paid		<u>(7,797)</u>	<u>(5,470)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(222)	(1,983)
Sale of fixed assets		131	6
Sale of Nigen 1998 Trust own shares		18	-
Sale of fixed assed investment		2	-
		<u>(71)</u>	<u>(1,977)</u>
Equity dividends paid		<u>(9,588)</u>	<u>(12,652)</u>
Cash inflow before financing		<u>18,177</u>	<u>25,643</u>
Financing			
Issue of ordinary shares		-	186
Increase in cash in the year	24&25	<u>18,177</u>	<u>25,829</u>

AES (NI) Limited

Notes to the financial statements for the year ended 31 December 2001

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.

Implementation of FRS 18 'Accounting policies'

The company has adopted FRS 18 in its accounts for the year ended 31 December 2001. Adoption of FRS 18 required a full review of all the Group's accounting policies and estimation techniques (the latter being the methods by which accounting policies are implemented). This review was conducted in accordance with FRS 18 which requires that, where a choice of treatment is available, the "most appropriate" accounting policies and estimation techniques shall be used. The four 'fundamental accounting concepts' of SSAP2 (i.e. going concern, accruals, consistency and prudence) are replaced by a framework that requires accounting policies to be selected against the objectives of relevance, reliability, comparability and understandability. Implementation of FRS 18 has not resulted in changes to group accounting policies or estimation techniques.

Turnover

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

AES (NI) Limited

Goodwill

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

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

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

Strategic spares

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

Tangible fixed assets

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

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

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.

AES (NI) Limited

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.

Deferred taxation

Provision is made for deferred taxation using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

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 accounting requirements of FRS 17 "Retirement Benefits" will have to be implemented in full for the year ended 30 June 2003. 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.

AES (NI) Limited

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

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

3 Operating costs

	2001 £'000	2000 £'000
Cost of sales	63,081	56,388
Administration expenses	19,323	29,906
	<u>82,404</u>	<u>86,294</u>

4 Employee information

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

	2001 Number	2000 Number
By activity		
Production	170	233
Administration	11	12
	<u>181</u>	<u>245</u>
	<u>2001</u>	<u>2000</u>
	<u>£'000</u>	<u>£'000</u>
Staff costs (for the above persons)		
Wages and salaries	5,758	8,043
Social security costs	501	706
Other pension costs (see note 19)	797	801
	<u>7,056</u>	<u>9,550</u>

AES (NI) Limited**5 Investment income**

	2001	2000
	£'000	£'000
Other interest receivable	2,219	2,118
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	2001	2000
	£'000	£'000
On debentures and other loans:		
Repayable within 5 years, by instalments:		
Amounts payable to parent companies	2,137	2,317
Repayable wholly or partly in more than 5 years	18,857	18,857
On bank loans and overdrafts	28	6
Other interest payable	68	10
	<u>21,090</u>	<u>21,190</u>
	<u> </u>	<u> </u>

7 Profit on ordinary activities before taxation

	2001	2000
	£'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	10,211	10,281
Loss / (profit) on sale of fixed assets	32	(47)
Auditors' remuneration - for audit (company £2,300) (2000 £2,215)	34	28
- for other services	81	85
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

AES (NI) Limited

8 Tax on profit on ordinary activities

	2001 £'000	2000 £'000
United Kingdom corporation tax at 30% (2000: 30%)		
Current	9,715	7,077
Prior	152	(217)
Deferred - current year movement	(1,247)	(2,889)
- prior year movement	(187)	-
	<u>8,433</u>	<u>3,971</u>

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 £16,172,000 (2000: £10,022,000) is dealt with in the financial statements of the company.

10 Dividends

	2001 £'000	2000 £'000
Adjustment to prior year final proposed	(14)	65
Interim paid - 9.5p per share (2000 : 14p)	2,602	3,898
Final proposed - 19.35p per share (2000 : 25p)	5,300	7,000
	<u>7,888</u>	<u>10,963</u>

AES (NI) Limited**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 2001 and 31 December 2001	44,829
	<hr/>
Amortisation	
At 1 January 2001	12,011
Charge for year	1,399
	<hr/>
At 31 December 2001	13,410
	<hr/>
Net book value	
At 31 December 2001	31,419
	<hr/> <hr/>
Net book value	
At 31 December 2000	32,818
	<hr/> <hr/>

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 2001	929	261,410	2,633	2,337	499	738	794	269,340
Additions	-	108	-	-	45	-	69	222
Disposals	-	(291)	-	-	(26)	(1)	(408)	(726)
At 31 December 2001	929	261,227	2,633	2,337	518	737	455	268,836
Depreciation								
At 1 January 2001	254	79,234	2,527	564	336	709	742	84,366
Charge for year	29	9,551	85	390	92	17	47	10,211
Eliminated in respect of disposals	-	(129)	-	-	(25)	(1)	(408)	(563)
At 31 December 2001	283	88,656	2,612	954	403	725	381	94,014
Net book value								
At 31 December 2001	646	172,571	21	1,383	115	12	74	174,822
Net book value								
At 31 December 2000	675	182,176	106	1,773	163	29	52	184,974

AES (NI) Limited

13 Fixed asset investments

Group

Other investments at net book value include:

	Listed Investments £'000	Investment in Own Shares £'000	Total £'000
Cost			
At 1 January 2001	1	8	9
Disposals	(1)	(8)	(9)
At 31 December 2001	<u>-</u>	<u>-</u>	<u>-</u>
	<u>==</u>	<u>==</u>	<u>==</u>
Amounts Written Off			
At 1 January 2001	-	-	-
At 31 December 2001	<u>-</u>	<u>-</u>	<u>-</u>
	<u>==</u>	<u>==</u>	<u>==</u>
Net Book Value			
At 31 December 2001	<u>-</u>	<u>-</u>	<u>-</u>
	<u>==</u>	<u>==</u>	<u>==</u>
At 31 December 2000	<u>1</u>	<u>8</u>	<u>9</u>
	<u>==</u>	<u>==</u>	<u>==</u>

On 6 November 2001 the listed investments were redeemed at par.

During the year the shares held in the Nigen (1998) Trust were purchased by AES Horizons Investments Limited.

AES (NI) Limited

13 Fixed asset investments (continued)

Company

	Interests in Group Undertakings £'000	Investment in Own Shares £'000	Total £'000
Cost			
At 1 January 2001	234,971	8	234,979
Disposals	-	(8)	(8)
At 31 December 2001	<u>234,971</u>	<u>-</u>	<u>234,971</u>
Amounts Written Off			
At 1 January 2001	-	-	-
At 31 December 2001	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value			
At 31 December 2001	<u>234,971</u>	<u>-</u>	<u>234,971</u>
At 31 December 2000	<u>234,971</u>	<u>8</u>	<u>234,979</u>

Details of the movements in the ESOS Trust and Nigen 1998 Trust investments in own shares are given in Note 20.

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 (formerly Kilroot Power Limited) and AES Belfast West Power Limited (formerly 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	
	2001 £'000	2000 £'000
Engineering stock	3,908	3,981
Fuel stock	12,046	11,106
	<u>15,954</u>	<u>15,087</u>
Replacement cost	<u>16,838</u>	<u>18,717</u>

15 Debtors

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Amounts falling due within one year				
Trade debtors	13,287	12,966	-	-
Group relief receivable	-	-	2,615	3,039
Amounts owed by subsidiary undertakings	-	-	1,277	348
Amounts owed by parent company and fellow subsidiary undertakings	38	36	30	30
Dividends receivable	-	-	21,300	6,500
Other tax	-	2	-	-
Other debtors	991	217	305	177
Prepayments and accrued income	487	532	-	4
	<u>14,803</u>	<u>13,753</u>	<u>25,527</u>	<u>10,098</u>

AES (NI) Limited

16 Creditors: amounts falling due within one year

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Bank overdraft	16,542	788	896	-
Trade creditors	4,598	21,136	-	-
Amounts owed to subsidiary undertakings	-	-	7,175	7,175
Amounts owed to parent company and fellow subsidiary undertakings	431	404	568	652
Corporation tax	7,308	5,238	-	-
Other taxation and social security	1,299	2,449	-	-
Other creditors	728	175	729	175
Accruals and deferred income	5,255	10,796	45	48
Dividends payable	5,300	7,000	5,300	7,000
	<u>41,461</u>	<u>47,986</u>	<u>14,713</u>	<u>15,050</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	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
9.5% secured debenture stock (2006 - 2010)	196,924	196,749	-	-
Loan from subsidiary undertaking	-	-	195,123	195,123
Non transferable loan stock	6,268	6,268	6,268	6,268
Accruals and deferred income	25,834	-	-	-
	<u>229,026</u>	<u>203,017</u>	<u>201,391</u>	<u>201,391</u>

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 £196,924,538 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.

AES (NI) Limited

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

In June 1997, AES Kilroot Power Limited entered into an interest rate swap on a principal of £45 million for a period of five years. Under this agreement, AES Kilroot Power Limited pays interest based on 6 month LIBOR, and receives interest at 7.405%. This transaction is to hedge against the high fixed interest rate attached to the secured debenture stock.

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
	<hr/> <hr/> 195,123

The interest rate levied is 7% per annum.

Transferable loan stock

Group and company

Authorised

	£'000
Floating rate subordinated loan stock 2007	12,500
	<hr/> <hr/>

Issued

	£'000
Floating rate subordinated loan stock 2007	12,500
	<hr/> <hr/>

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**

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

Issued

Floating rate subordinated convertible deferred loan stock 2007	6,268
---	-------

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

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

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.

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 2001	51,896	7,559	3,055	62,510
Profit and loss account	(1,434)	614	213	(607)
Payments in the year	-	(4,674)	(73)	(4,747)
At 31 December 2001	50,462	3,499	3,195	57,156

AES (NI) Limited

18 Provisions for liabilities and charges (continued)

Deferred taxation

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

	Group	
	2001	2000
	£'000	£'000
Tax effect of timing difference because of:		
Excess of capital allowances over depreciation	51,318	53,798
Provisions	(1,267)	(2,275)
Other timing differences	411	463
	<u>50,462</u>	<u>51,986</u>
	<u>50,462</u>	<u>51,986</u>

19 Pension and similar obligations

The group pension scheme provides 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.

AES (NI) Limited

19 Pension and similar obligations (continued)

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 £798,000 per annum plus the cost of the early retirement augmentations under a voluntary severance scheme. With effect from April 2002, the company's ordinary contribution rate will increase to £838,000 per annum, increasing each April thereafter in line with price inflation.

The actuarial valuation was updated to 31 December 2001 for FRS 17 purposes. The main financial assumptions used by the actuary for the purpose of calculating pension cost were:

At 31 December 2001

Valuation method	Projected unit
Scheme asset valuation	Market value
Rate of increase in salaries	3.0%
Rate of increase in pensions in payment and deferred benefits during deferment	2.5%
Discount rate	5.5%
Inflation assumption	2.5%

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

	Long-term rate of Return expected at 31.12.01	Value at 31.12.01 £'000
Equities	6.9%	56,394
Bonds	4.8%	11,270
Cash	4.0%	389
Total market value of assets	6.5%	68,053
Present value of scheme liabilities		70,300
Deficit in the scheme		(2,247)
Net pension liability		(2,247)
Related deferred tax asset		674
Net pension liability		(1,573)

If the above amounts had been recognised in the financial statements, the company's net assets and profit and loss reserve at 31 December 2001 would be as follows:

AES (NI) Limited

19 Pension and similar obligations (continued)

	£'000
Net liabilities excluding pension liability	(22,923)
Pension liability	(1,573)
Net liabilities including pension liability	<u>(24,496)</u>
	£'000
Profit and loss reserve excluding pension liability	(33,501)
Pension liability	(1,573)
Profit and loss reserve including pension liability	<u>(35,074)</u>

20 Called up share capital

	2001	2000
	£'000	£'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>

Share option schemes, ESOS Trust and Nigen (1998) Trust

No options were granted to employees or exercised by employees during the year. No options remain outstanding as at 31 December 2001.

An Employee Share Ownership Scheme Trust (ESOS Trust) was set up in 1993 to hold shares of the company for the purpose of satisfying obligations under share schemes for the benefit of all group employees. The total number of shares held by the trust at the date of the balance sheet was 49,828. These 49,828 shares will vest unconditionally with employees on the expiry of a specific period or on their leaving the company.

In 1998 the company established a further discretionary trust, the Nigen (1998) Trust, for the purpose of repurchasing shares from former employees who had been unable to sell their shares to current employees.

AES (NI) Limited

20 Called up share capital (continued)

The total number of shares held by this trust at the balance sheet date was nil (2000: 8,586). On 30 November 2000 employees of the AES (NI) Limited Group were offered a share swap for shares in AES Corporation.

21 Share premium account and reserves

Group	Share premium account £'000	Profit and loss account £'000
At 1 January 2001	3,729	(45,959)
Profit for the year	-	12,458
At 31 December 2001	<u>3,729</u>	<u>(33,501)</u>
Company	Share premium account £'000	Profit and loss account £'000
At 1 January 2001	3,729	5,614
Profit for the year	-	16,172
At 31 December 2001	<u>3,729</u>	<u>21,786</u>

22 Reconciliation of movements in shareholders' funds

	2001 £'000	2000 £'000
Opening shareholders' funds	(35,381)	(32,302)
Profit for the financial year	18,046	7,698
Dividends	(7,888)	(10,963)
New share capital issued	-	61
Premium on allotment during the year	-	125
Closing shareholders' funds	<u>(25,223)</u>	<u>(35,381)</u>

AES (NI) Limited

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

	2001 £'000	2000 £'000
Continuing operating activities		
Operating profit	45,350	30,741
Loss on sale of fixed assets	32	-
Profit on sale of fixed asset investment	(9)	-
Amortisation of intangible fixed assets	1,399	1,399
Depreciation on tangible fixed assets	10,211	10,281
Amortisation of issue costs	175	175
(Increase) / decrease in stocks	(867)	650
(Increase) / decrease in trade debtors	(320)	282
Increase in prepayments and accrued income	(191)	(14)
(Increase) / decrease in amounts owed by parent and fellow subsidiaries	(2)	13
Increase in other debtors	(774)	(28)
(Decrease) / increase in trade creditors	(16,538)	17,297
Increase / (decrease) in amounts owed to parent and fellow subsidiaries	27	(1,045)
(Decrease) / increase in other taxation and social security	(1,150)	973
Increase / (decrease) in accruals and deferred income	29,805	(173)
Increase in other creditors	553	-
(Decrease) / increase in provisions	(3,920)	4,499
Net cash inflow from continuing operating activities	<u>63,781</u>	<u>65,050</u>

AES (NI) Limited

24 Reconciliation of net cash flow to movement in net debt

	2001 £'000
Increase in cash in the period	18,177
Change in net debt resulting from cash flows	<u>18,177</u>
Amortisation of debt issue costs	(175)
Movement in net debt in the year	<u>18,002</u>
Net debt at 01.01.01	(172,314)
Net debt at 31.12.01	<u><u>(154,312)</u></u>

25 Analysis of net debt

	01.01.01 £'000	Cash flow £'000	Other non cash changes £'000	31.12.01 £'000
Cash in hand at bank	43,991	33,931	-	77,922
Overdrafts	(788)	(15,754)	-	(16,542)
Debt due after 1 year	(215,517)	-	(175)	(215,692)
	<u>(172,314)</u>	<u>18,177</u>	<u>(175)</u>	<u>(154,312)</u>

26 Capital commitments

	2001 £'000	2000 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	Nil	Nil

AES (NI) Limited

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% (2000: 97.25%) interest in the equity capital of AES (NI) Limited at 31 December 2001.

28 Directors' emoluments

	2001 £'000	2000 £'000
Aggregate emoluments	341	226

Six directors (2000 – five) have retirement benefits accruing under the company's defined benefit pension scheme.

Exercise of share options

No directors (2000 – four) exercised share options during the year.

	2001 £'000	2000 £'000
Highest paid director		
Aggregate emoluments	95	100
Benefits accrued under defined benefit scheme:		
Accrued pension	18	39
Accrued lump sum	53	117

No directors exercised share options during the year. No share options remain outstanding as at 31 December 2001.

Performance bonuses for 2000 have been disclosed in 2001 numbers above. The bonuses payable for 2001 performance have not yet been determined and will be disclosed in the 2002 financial statements.

AES (NI) Limited

29 Related party transactions

The share capital of AES (NI) Limited (formerly Nigen Limited) is owned 45.76% (2000: 45.76%) by AES Electric Limited and 51.65% (2000: 51.49%) by AES Horizons Investments Limited. The directors regard AES Corporation, a company registered in the United States of America, as the ultimate parent company.

The following transactions were conducted with related parties during the period to 12 May 2000 when the equity interest of Tractebel SA in AES (NI) Limited (formerly Nigen Limited) was acquired by AES Electric Limited:

		AES Corporation £'000	AES Electric Limited £'000	Tractebel SA £'000	Total £'000
Sale of management services	2001	-	-	-	-
	2000	-	44	-	44
Purchases of management services	2001	500	-	-	500
	2000	120	-	-	120
Fuel purchases	2001	-	-	-	-
	2000	-	-	12,018	12,018
Interest on loan stock	2001	1,068	1,068	-	2,136
	2000	-	551	-	551