

AES UK HOLDINGS LIMITED

Report and Financial Statements

31 December 2009

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AES UK HOLDINGS LIMITED

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

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AES UK HOLDINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

	Appointed	Resigned
Donald Lehman	30 April 2009	
Julian Jose Nebreda Marquez	1 September 2009	
Neil Hopkins		30 April 2009
John McLaren		1 September 2009

COMPANY SECRETARY

Donald Lehman	30 April 2009	
Neil Hopkins		30 April 2009

REGISTERED OFFICE

37-39, Kew Foot Road
Richmond
Surrey
TW9 2SS

AUDITORS

Ernst & Young LLP
1, More London Place
London
SE1 2AF

AES UK HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period ended 31 December 2009

PRINCIPAL ACTIVITIES

The company acts as an intermediate parent company within the group of companies controlled by The AES Corporation. The subsidiary undertakings are listed in note 7 to the financial statements.

RESULTS AND DIVIDENDS

The company's results for the year ended 31 December 2009 showed a loss after tax of £51,881,000, (2008 profit of £63,966,000). The movement results from an impairment charge of £107,889,000 (2008 £6,640,000), this relates to the company's interest in AES Electric Limited, a wholly owned subsidiary, which primarily receives its cash flows from the operational subsidiary AES Kilroot Power Limited ("Kilroot"). In 2009, Kilroot has experienced a decline in production volumes due to the high price of coal in comparison to natural gas, resulting in the plant being called upon under the PPA (Power Purchase Agreement) less often than in prior periods. In addition, NIE, the regulator notified Kilroot of its intention to cancel the PPA in November 2010, the earliest date under that agreement. Therefore the future expected cash flows of this entity have declined with a correlative impact on its recoverable amount.

The directors paid a dividend in the year of £22,436,000 (2008 £nil)

EVENTS SINCE THE BALANCE SHEET DATE

The company proposed and paid an interim dividend for the year ending 31 December 2010 of £17,972,000 on 28 April 2010.

In October 2010, AES Electric Limited (a subsidiary of the company) loans facility with Global Power Holdings BV ("GPH BV") was reassigned to the company. The company allotted and issued 1 ordinary share of £1 each to GPH BV, its parent, for a total consideration of £45,453,396.

In November 2010 as a result of the AES UK group reorganisation, the company acquired 100% interests in AES Ballylumford Holdings Limited.

FINANCIAL RISK MANAGEMENT

The company's activities expose it to a number of financial risks. The group to which the company belongs has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring the levels of debt finance and related finance costs. The company does not use derivative financial instruments for speculative purposes.

DIRECTORS

The directors of the company who served throughout the year and to the date of these financial statements (except as noted) are given on page 1.

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 company'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 the absence of a notice proposing that the appointment be terminated, Ernst & Young LLP will be deemed to be re-appointed as the company's auditor for the next year.

Approved by the Board of Directors
and signed on behalf of the Board



Donald Lehman
16 December 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' 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 company and the profit or loss for that period. In preparing these accounts, 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 United Kingdom 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AES UK HOLDINGS LIMITED

We have audited the financial statements of AES UK Holdings Limited for the year ended 31 December 2009, which comprise the company profit and loss account, the company balance sheet, and the related notes 1 to 14. 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss 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.

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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, or

Ernst & Young LLP

for and on behalf of Ernst & Young LLP, Statutory Auditor
London

(7 December 2010)

AES UK HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Administrative expenses		(13)	-
OPERATING LOSS		(13)	-
Gain on sale of investment		-	4,411
Income from shares in group undertakings		54,402	76,545
Interest receivable and similar income	4	154	-
Impairment of investments	3	(107,889)	(6,640)
Interest payable and similar charges	5	-	(12,817)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(53,346)	61,499
Tax credit on ordinary activities	6	1,465	2,467
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	11	(51,881)	63,966

All amounts are derived from continuing operations in both the current and preceding year

There are no recognised gains or losses for the current or preceding financial year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses has been prepared.

AES UK HOLDINGS LIMITED

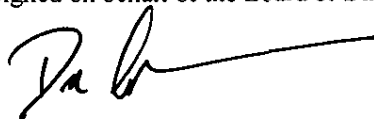
BALANCE SHEET

As at 31 December 2009

	Notes	2009 £'000	2008 £'000
FIXED ASSETS			
Investments	7	61,394	169,283
CURRENT ASSETS			
Debtors amounts falling due within one year	8	11,277	9,663
CREDITORS: amounts falling due within one year	9	(8)	(31,966)
NET CURRENT ASSETS / (LIABILITIES)		11,269	(22,303)
NET ASSETS		72,663	146,980
CAPITAL AND RESERVES			
Called up share capital	10	18,001	18,001
Share premium account	11	52,086	260,317
Profit and loss account	11	2,576	(131,338)
SHAREHOLDER'S FUNDS	12	72,663	146,980

These financial statements were approved by the Board of Directors on 16 December 2010

Signed on behalf of the Board of Directors



Donald Lehman

Director

NOTES TO THE ACCOUNTS

Year ended 31 December 2009

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below and have been applied consistently throughout both the current and preceding year.

Basis of accounting

The financial statements are prepared under the historical cost convention.

Basis of consolidation

In accordance with Section 400 (1) of the Companies Act 2006, consolidated financial statements have not been presented as the company is a wholly owned subsidiary of the AES Corporation, a company incorporated in the state of Delaware, USA and incorporates the financial statements of this company. These financial statements present information about the company as an individual undertaking and not about its group.

Cash flow

The company is exempt from preparing a cash flow statement under the terms of Financial Reporting Standard (FRS) 1 (Revised) as it is a wholly-owned subsidiary, for which the ultimate parent company prepares consolidated accounts which include the results of the company and are publicly available.

Investments

Fixed asset investments in subsidiaries and other group companies are held at cost. The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Foreign currency translation

Transactions expressed in foreign currencies are translated into sterling at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the year end. Any resulting gains or losses are taken to the profit and loss account.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided on timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profit and its results as stated in the financial statements that arise from the inclusion of gains and losses in the tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

NOTES TO THE ACCOUNTS
Year ended 31 December 2009

1 ACCOUNTING POLICIES (CONTINUED)

Dividend income

Dividend income from investments is recognised when the shareholders right to receive the payment is established

Dividends payable

Final dividends are recorded in the accounts in the year in which they are approved by the company's shareholders. Interim dividends are recorded in the year in which they are approved and paid

Use of estimates

The preparation of accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

2. INFORMATION REGARDING DIRECTORS, EMPLOYEES AND AUDITORS' COSTS

No director received any emoluments from or in respect of the company. The directors who were in office in 2009 were also directors or employees of AES Electric Limited and their remuneration is dealt with in the accounts of that company. The company has no employees.

Auditors' remuneration of £7,500 for the audit of the company's annual accounts has been borne by the company. The remuneration for 2008 (£7,500) was borne by AES Electric Limited, a fellow subsidiary.

3. (LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2009 £'000	2008 £'000
(Loss) / profit on ordinary activities is stated after mainly charging:		
Impairment of investments (see note 7)	107,889	6,640

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 £'000	2008 £'000
Interest income from group undertakings	154	-

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £'000	2008 £'000
Interest expense on loans from group undertakings	-	4,024
Foreign exchange loss	-	8,793
	-	12,817

AES UK HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2009

6. TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

	2009 £'000	2008 £'000
UK corporation tax on profit for the period	-	1,140
Adjustments in respect of prior periods	1,465	1,327
	<u>1,465</u>	<u>1,327</u>
Tax credit on ordinary activities	1,465	2,467
	<u>1,465</u>	<u>2,467</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss) /profit before tax can be reconciled as follows

	2009 £'000	2008 £'000
(Loss) / profit on ordinary activities before tax	(53,346)	61,499
Tax credit / (charge) on ordinary activities at standard UK corporation tax rate of 28% (2008 28.5%)	14,937	(17,527)
Effect of		
Income not subject to tax	15,233	23,072
Expenses not deductible for tax purposes	(30,253)	(1,892)
Group relief surrendered at carrying value	-	(1,140)
Group relief surrendered for nil consideration	-	(2,513)
Non-deductible expenses	83	-
Receipt for group relief surrendered in prior periods	1,465	1,327
Receipt for group relief surrendered during the year	-	1,140
	<u>1,465</u>	<u>2,467</u>
Current tax credit for period	1,465	2,467

There is an unrecognised deferred tax asset of £6,143,000 (2008 £5,399,000) in respect of tax losses. The deferred tax asset has not been recognised in respect of these losses as the directors do not anticipate suitable taxable profits to arise in the foreseeable future.

In his budget of 22 June 2010, the Chancellor of the Exchequer proposed a decrease in the rate of UK corporation tax from 28% to 24% by 1% each year, from April 2011, which will be enacted annually. If the unrecognised deferred tax assets were realised at the 27% tax rate, which has been enacted, their value would be £5,924,000 in respect of tax losses.

7. INVESTMENTS HELD AS FIXED ASSETS

In accordance with FRS 11 "Impairment of Fixed Assets and Goodwill" the carrying value of the fixed asset investment for AES Electric Limited, at 31 December 2009, has been compared to its recoverable amount.

The value in use has been derived from discounted cash flow projections using a nominal discount rate of 6.5%.

	2009 £'000	2008 £'000
Cost:		
At 1 January	345,433	345,433
Impairment:		
At 1 January	(176,150)	(169,510)
During the year	(107,889)	(6,640)
At 31 December	<u>(284,039)</u>	<u>(176,150)</u>
Net book value:		
At 31 December	<u>61,394</u>	<u>169,283</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2009

7. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (CONTINUED)

Details of the investments as at 31 December 2009 were as follows

Name of company	Country of incorporation	Type of shares	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings:				
<i>Directly owned</i>				
AES Electric Limited	England & Wales	Ordinary	100%	Project development
AES Indian Queens Holdings Limited	England & Wales	Ordinary	100%	Non-trading
AES Horizons Limited	England & Wales	Ordinary	100%	Premises rental
<i>Held by a subsidiary</i>				
AES Medway Electric Limited	England & Wales	Ordinary	100%	Non-trading
AES Barry Limited	England & Wales	Ordinary	100%	Non-trading
AES Wind Generation Asset Management Services Limited (formerly AES Frontier Ltd)	England & Wales	Ordinary	100%	Non-trading
AES East Usk Limited	England & Wales	Ordinary	100%	Non-trading
AES Horizons Investments Limited	England & Wales	Ordinary	100%	Intermediate holding company
AES Cloghan Ltd	Northern Ireland	Ordinary	100%	Parent
AES Cloghan Point (Holdings) Limited	Northern Ireland	Ordinary	100%	Provider of oil tanker berthing facility
AES Energy Ltd (formerly AES New Energy Ltd)	England & Wales	Ordinary	100%	Non-trading
AES (NI) Limited	Northern Ireland	Ordinary	98.65%	Parent
AES Kilroot Power Limited	Northern Ireland	Ordinary	98.65%	Electricity generation
AES Belfast West Power Limited	Northern Ireland	Ordinary	98.65%	Non-trading
Kilroot Electric Limited	Cayman Islands	Ordinary	98.65%	Investments

8. DEBTORS

	2009 £'000	2008 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	11,277	9,663
	<u>11,277</u>	<u>9,663</u>

9. CREDITORS: amounts falling due within one year

	2009 £'000	2008 £'000
Amounts owed to group undertakings	-	31,966
Accrued costs	8	-
	<u>8</u>	<u>31,966</u>

AES UK HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2009

10. CALLED UP SHARE CAPITAL

	2009 £'000	2008 £'000
Authorised:		
50,000,000 ordinary shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
	2009 £'000	2008 £'000
Called up, allotted and fully paid:		
18,001,500 ordinary shares of £1 each	18,001	18,001
	<u>18,001</u>	<u>18,001</u>

11. MOVEMENTS ON RESERVES

	Called up Share Capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
At 1 January 2009	18,001	260,317	(131,338)	146,980
Transfer (from) / to distributable reserves	-	(208,231)	208,231	-
	<u>18,001</u>	<u>52,086</u>	<u>76,893</u>	<u>146,980</u>
Loss for the year	-	-	(51,881)	(51,881)
Dividend paid	-	-	(22,436)	(22,436)
	<u>-</u>	<u>-</u>	<u>(22,436)</u>	<u>(22,436)</u>
At 31 December 2009	<u>18,001</u>	<u>52,086</u>	<u>2,576</u>	<u>72,663</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2009 £'000	2008 £'000
Opening shareholder's funds	146,980	83,014
(Loss) / profit for the year	(51,881)	63,966
Dividend paid	(22,436)	-
	<u>(22,436)</u>	<u>-</u>
Closing shareholder's funds	<u>72,663</u>	<u>146,980</u>

13. POST BALANCE SHEET EVENTS

The company proposed and paid an interim dividend for the year ending 31 December 2010 of £17,972,000 on 28 April 2010

In October 2010, AES Electric Limited (a subsidiary of the company) loans facility with Global Power Holdings BV ("GPH BV") was reassigned to the company. The company allotted and issued 1 ordinary shares of £1 each to GPH BV, its parent, for a total consideration of £45,453,396

In November 2010 as a result of the AES UK group reorganisation, the company acquired 100% interests in AES Ballylumford Holdings Limited

NOTES TO THE ACCOUNTS

Year ended 31 December 2009

14. ULTIMATE PARENT COMPANY

The immediate parent company is AES Global Power Holdings BV, a company incorporated in the Netherlands

The ultimate parent company and controlling entity, and parent of the smallest and largest group for which consolidated accounts are prepared of which this company is a part, is the AES Corporation, a company incorporated in the State of Delaware, USA. Copies of the parent company's financial statements can be obtained from the Securities and Exchange Commission, 450 5th Street NW, Washington DC 20549, USA

The company has taken advantage of the exemption granted by FRS 8 "Related Party Disclosures" not to disclose transactions with other undertakings within, and related parties of, The AES Corporation Group