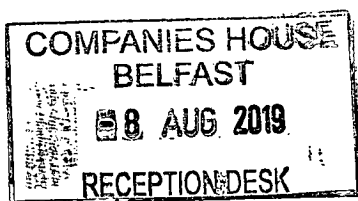


AES Ballylumford Holdings Limited

Annual Report and Financial Statements

Registered number No 07261857

31 December 2018



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AES Ballylumford Holdings Limited

COMPANY INFORMATION

DIRECTORS

	Appointed on	Resigned
Ian Luney	6-Oct-14	2-Aug-18
Roger Casement	11-Sep-17	18-Apr-18
Paul Hutchinson	18-Apr-18	4-Apr-19
James Timothy McCullough	18-Apr-18	4-Apr-19
Julie Leeburn	2-Aug-18	26-Jun-19
Bruno De Almeida Laranjeira	4-Apr-19	29-Jun-19
Serhiy Zyuev	4-Apr-19	29-Jun-19
Elizabeth Akdag	28-Jun-19	
Paul Jonh Chapman	28-Jun-19	

REGISTERED OFFICE

First Floor
Templeback
10 Temple Back
Bristol
BS1 6FL

BANKERS

Barclays
Donegall House
Donegall Square North
Belfast
SW1A 1QA

INDEPENDENT AUDITORS

Ernst & Young LLP
Auditors
16 Bedford Street
Belfast
BT2 7DT

Strategic report

The directors present their Strategic report for the year ended 31 December 2018.

Principal activity

The principal activity of the company is that of holding investments in associated undertakings. During the years the company continued to hold an investment in AES Ballylumford Limited, which operates an electricity generating station near Belfast and in AES Barry Operations Limited, a holding company with investments in a power plant in Maritza, Bulgaria.

No key financial and other performance indicators have been identified for this company.

Review of the business and future business development

As a direct owner of AES Ballylumford Limited (Ballylumford), the company is interested in recent events: The I-SEM is the wholesale electricity market arrangement operating in the Republic of Ireland and Northern Ireland starting October 1, 2018, replacing the previously existing SEM. The I-SEM market arrangements are designed to integrate the Irish All-Island electricity market with European electricity markets enabling the free flow of energy across borders, creating increased levels of competition and increased security of supply.

The I-SEM has a competitive capacity payment mechanism designed to ensure that there is sufficient generating capacity to meet peak demand requirements. The first competitive capacity auction for the capacity year October 2018-September 2019 was completed in January 2018. Ballylumford's B station Unit 5 failed to clear the I-SEM capacity auction for 2018/2019 period, while Unit 4's capacity contract was transferred to one of AES Kilroot Power Limited's coal units in 2018. As a result, generation at Ballylumford's B station ceased in late 2018. AES management have taken the decision to retire the units and the assets ceased operations at the end of December 2018. The on-going work to safely shut down the B station was completed in early 2019.

The decision of the management to close B station Units 4 and 5, triggered a revision of the recoverability of investment in AES Ballylumford Limited and resulted in an impairment of investment of £40,238,000 in the 2018 financial statements of the company.

In February 2019, Eirgrid and SONI announced the results of the second annual I-SEM capacity auction. All Ballylumford OCGTs units were awarded a capacity contract.

On April 9, 2019, the company entered into an agreement to sell its entire 100% interest in AES Ballylumford Limited. The sale was completed on 12 June 2019.

Principal risks and uncertainties

The company's activities are exposed to a number of financial risks which the directors considered to be the company's principal 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.

Credit risk

The company's principal financial asset is other receivables. The company has no significant concentration of credit risk, with exposure spread over a large number of related parties.

Interest rate cash flow risk

The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets are mainly inter-group loans which earn interest at variable rates. The company's interest bearing liabilities are mainly inter-group loans which also bear interest at variable rates. Where appropriate, the company fixes the interest rate on inter-group loans to minimise the interest rate cash flow risk.

Liquidity risk

The company actively maintains and monitors its liquidity position to ensure that it always has sufficient funds available for its operations and loan repayments.

On behalf of the Board

Director: Elizabeth Akdag



Date: 26 July 2019

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2018.

Results and dividends

The company's loss for the year ended 31 December 2018 after taxation is \$20,501,000.
(2017: profit \$118,357,000).

The directors paid no interim dividend in the year (2017:\$122,376,000). The directors do not recommend the payment of a final dividend (2017:\$nil).

Directors of the company

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.

Events since the balance sheet date

In February 2019 the loan between the company and AES Ballylumford Limited was terminated and the Company will no longer be entitled to the receivable of the outstanding balance of principal and interest.

In February 2019 the Forward Subscription Agreement (FSA) between AES Barry Operations Limited and AES Ballylumford Holdings Limited was also terminated. The company received a dividend from AES Barry Operations Limited which was offset with the existing interest liability.

On April 9, 2019, AES Ballylumford Holdings Limited entered into an agreement to sell its entire 100% interest in AES Ballylumford Limited. The sale and purchase agreement was approved by the EU Merger Regulator on 5th of June 2019 and the sale was completed on 12 June 2019.

The company has substantially repaid its inter-company loan payable in July 2019 from the proceeds of the sales of AES Ballylumford Ltd.

Future outlook

Details of the future outlook of the company are included within the Strategic report on page 2.

Going concern

For the year ended December 31, 2018, the Company has reported loss after taxes of \$ 20,501,000 and net current liabilities of \$ 2,654,000 (2017: \$ 11,069,000). After making enquiries and preparing projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The parent company AES Global Power Holdings B.V., the Netherlands, has stated its intention to provide financial support if needed. The Company directors consider that the going concern assumption is appropriate in the preparation of these financial statements and accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors' indemnity

During the year the Company maintained liability insurance for its Directors and officers. The Company indemnifies the directors in its Articles of Association to the extent allowed under the Companies Act 2006. The indemnity provision, which is a qualifying third-party indemnity provision as defined by section 236 of the Companies Act 2006, has been in force throughout the year and remains in force as at the date of approving Directors' report.

Disclosure of information to auditor

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. 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

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

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

Director: Elizabeth Akdag



Date: 26 July 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic report, 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 applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice). 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 financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting 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 adequate 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.

Independent Auditors' Report to the members of AES Ballylumford Holdings Limited

Opinion

We have audited the financial statements of AES Ballylumford Holdings Limited for the year ended 31 December 2018 which comprise the Statement of comprehensive income, the Statement of Financial Position, the Statement of changes in equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditors' report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditors' Report to the members of AES Ballylumford Holdings Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.

Ruth Logan

Ruth Logan (Senior statutory auditor)

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

Belfast

1/8/19

AES Ballylumford Holdings Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 USD'000	2017 USD'000
Revenue	3	23,615	122,376
Administrative expenses		(37)	(82)
Impairment of investment	5	(40,238)	-
OPERATING (LOSS)/PROFIT		(16,660)	122,294
Interest receivable and similar income	6	1,433	1,304
Interest payable and similar expenses	7	(6,286)	(5,337)
(LOSS)/PROFIT BEFORE TAX		(21,513)	118,261
Tax on (loss) /profit on ordinary activities	9	1,012	96
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(20,501)	118,357
Other comprehensive income:			
Foreign currency translation		-	4,739
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(20,501)	123,096

AES Ballylumford Holdings Limited

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2018

	Notes	2018 USD'000	2017 USD'000
FIXED ASSETS			
Investments	10	206,534	246,772
		<u>206,534</u>	<u>246,772</u>
CURRENT ASSETS			
Debtors			
- due within one year		6,982	8,269
- due after more than one year		3,207	3,398
	11	<u>10,189</u>	<u>11,667</u>
CREDITORS: amounts falling due within one year	12	(12,843)	(22,736)
NET CURRENT LIABILITIES		<u>(2,654)</u>	<u>(11,069)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>203,880</u>	<u>235,703</u>
CREDITORS: amounts falling due after more than one year	13	(81,262)	(92,584)
NET ASSETS		<u><u>122,618</u></u>	<u><u>143,119</u></u>
CAPITAL AND RESERVES			
Called up share capital	14	-	-
Share premium	14	131,918	131,918
Profit and loss account		(10,619)	9,882
Currency translation reserve	17	1,319	1,319
TOTAL SHAREHOLDERS FUNDS		<u><u>122,618</u></u>	<u><u>143,119</u></u>

These financial statements were approved by the board of directors on 26 July 2019 and were signed on its behalf by:


Elizabeth Akdag

Director

Company registered number: No.07261857

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Called up share capital USD'000	Share premium account USD'000	Profit and loss account USD'000	Currency Revaluation reserve USD'000	Total equity USD'000
Balance at 1 January 2017	-	117,029	14,890	(210)	131,709
Capital contribution	-	10,690	-	-	10,690
Profit for the year	-	-	118,357	-	118,357
Foreign Currency Translation	-	4,199	(989)	1,529	4,739
Dividends	-	-	(122,376)	-	(122,376)
Balance at 31 December 2017	-	131,918	9,882	1,319	143,119
Balance at 1 January 2018	-	131,918	9,882	1,319	143,119
Loss for the year	-	-	(20,501)	-	(20,501)
Balance at 31 December 2018	-	131,918	(10,619)	1,319	122,618

AES Ballylumford Holdings Limited

Notes to the financial statements for year ended 31 December 2018

1. General information

AES Ballylumford Holdings Ltd (the “company”) is a private company limited by shares and incorporated and domiciled in the UK. The presentation currency of these financial statements is US Dollars (USD). This is also the functional currency of the company. All amounts in the financial statements have been rounded to the nearest \$1,000.

2. Accounting policies

2.1. Basis of preparation of the Financial Statements

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”) and the Companies Act 2006.

The company is exempt by virtue of s400 (1) of Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

- Fair value as deemed cost: The previous GAAP revaluation at transition date has been used as deemed cost for specific tangible fixed assets, specific investment property and specific intangible assets.

- Borrowing costs: The company has elected to capitalise borrowing costs only from the date of transition.

The company’s ultimate parent undertaking, The AES Corporation includes the company in its consolidated financial statements. The consolidated financial statements of The AES Corporation are prepared in accordance with generally accepted accounting principles adopted by the U.S. Securities and Exchange Commission and are available to the public and may be obtained from the Securities and Exchange Commission, 450 5th Street NW, Washington DC 20549, USA. In these financial statements, the company is considered to be a qualifying entity for the purposes of FRS 102 and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- A reconciliation of the number of shares outstanding at the beginning and at the end of the period, required by FRS 102.4.12;
- Cash Flow Statement and related notes, required by FRS 102.7;
- Related party transactions, required by FRS 102.33.1A; and
- Key Management Personnel compensation in total, a requirement of FRS 102.33.7.

As the consolidated financial statements of AES Corporation include the equivalent disclosures, the company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all the periods presented in these financial statements.

2.2 Going concern

The Company has a net liability position for 2018. Although, after making enquiries and preparing projections, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The parent company AES Global Power Holdings B.V., the Netherlands, has stated its intention to provide financial support if needed. The Company directors consider that the going concern assumption is appropriate in the preparation of these financial statements and accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

AES Ballylumford Holdings Limited

Notes to the financial statements for year ended 31 December 2018

2. Accounting policies (continued)

2.3 Foreign currency translation

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

2.4 Classification of financial instruments issued by the company

In accordance with FRS 102.22, financial instruments issued by the company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

2.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Loans and other borrowings

The Company initially measures its loans at fair value. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of comprehensive income, when the respective financial liability is derecognised.

Cash and cash equivalents

Cash and cash equivalents comprise unrestricted balances of cash in bank and are subject to an insignificant risk of changes in value.

Notes to the financial statements
for year ended 31 December 2018

2. Accounting policies (continued)

2.6 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment.

Investments in subsidiaries

Investments in subsidiaries are initially recognised at fair value which is normally the transaction price. Subsequently they are measured at cost less impairment.

2.7 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.8 Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Notes to the financial statements
for year ended 31 December 2018

2. Accounting policies (continued)

2.9 Turnover

Turnover represents dividend income from subsidiary companies. The revenue is recognised when the decision for dividend distribution is authorised.

2.10 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2.12. Judgements and estimates

The preparation of the financial statements, management is required to make judgement, 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. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from those estimates.

The following are considered key sources of estimation uncertainty:

Valuation of investments

The company's investments in its subsidiary undertakings are measured at cost less impairment. Where there are indicators of impairment of individual assets, the group performs impairment tests based on the fair value less costs to sell or a value in use calculations. The former is based on reliable data from sales transactions on similar assets if applicable. The value in use calculations is based on a discounted cashflow model. The cashflows are derived from the budget over the life of the assets and to not include performance enhancement modifications not yet committed to.

Notes to the financial statements
for year ended 31 December 2018

2. Accounting policies (continued)

2.13. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

AES Ballylumford Holdings Limited

Notes to the financial statements for year ended 31 December 2018

3 Revenue

	2018	2017
	USD'000	USD'000
Dividend income	23,615	122,376
	<u>23,615</u>	<u>122,376</u>

4 Operating (loss) / profit

	2018	2017
	USD'000	USD'000
Auditors remuneration	11	10
	<u>11</u>	<u>10</u>

5 Impairment of assets

Management's decision to decommission the Ballylumford B Station generating units (B4 and B5) prior to the end of their estimated useful lives and the transfer of the B4 capacity contract to Kilroot is an impairment indicator for the investment in AES Ballylumford Ltd ("Ballylumford"). As such Management has reviewed the recoverability of the company's investment in Ballylumford as at December 31, 2018. The review of the investment resulted in an impairment for the amount of \$ 40,238,000 in the 2018 financial statements.

6 Interest receivable and similar income

	2018	2017
	USD'000	USD'000
Interest income from group undertakings	1,433	1,304
	<u>1,433</u>	<u>1,304</u>

7 Interest payable and similar expenses

	2018	2017
	USD'000	USD'000
Interest payable to group undertakings	6,286	5,337
	<u>6,286</u>	<u>5,337</u>

8 Staff costs

The company had no employees in the years ended 31 December 2018, and 31 December 2017.

No remuneration was paid out to Directors of the company as they provided negligible qualifying services to the company. Directors are paid out of from related entity and an apportionment of salary was not deemed practical.

AES Ballylumford Holdings Limited

Notes to the financial statements for year ended 31 December 2018

9 Tax on ordinary activities

	2018 USD'000	2017 USD'000
Current tax:		
UK corporation tax recoverable on loss for the period	(1,075)	(63)
Adjustment in respect of previous periods	63	(33)
Total current tax credit	(1,012)	(96)

The difference between the total tax recognised in the profit and loss and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2018 USD'000	2017 USD'000
(Loss)/Profit on ordinary activities before tax	(21,513)	118,261
(Loss)/Profit on ordinary activities at the standard UK corporation tax rate of 19% (2017: 19.25%)	(4,087)	22,761
Effect of:		
Expenses not deductible for tax purposes	7,645	363
Income not taxable for tax purposes	(4,645)	(23,187)
Group relief surrendered	12	-
Adjustments in respect of prior years	63	(33)
Current tax credit for the period	(1,012)	(96)

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) were substantively enacted on 26 October 2015 and 6 September 2016 respectively. Any deferred tax balance at 31 December 2018 has been calculated based on these rates.

10 Investments

	Fixed asset investments	
	2018 USD'000	2017 USD'000
Cost and net book value:		
At 1 January	246,772	227,903
Additions	-	10,690
Currency translation adjustment on change of functional currency	-	8,179
Total cost at 31 December	246,772	246,772
Impairment	(40,238)	-
Net book value at 31 December	206,534	246,772

Name of company	Registered address	Country of incorporation	Class of shares held	Ownership	Nature of business
Directly owned					
AES Ballylumford Limited	Ballylumford, Islandmagee, Larne Co Antrim, BT40 3RS	Northern Ireland	Ordinary	100%	Electricity generation

AES Ballylumford Holdings Limited

Notes to the financial statements

for year ended 31 December 2018

AES Barry Operations Limited	First Floor Templeback 10 Temple Back Bristol BS1 6FL	England & Wales	Ordinary	100%	Holding company
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11 Debtors

	2018 USD'000	2017 USD'000
Amounts falling due within one year:		
Amounts owed by group undertakings	6,982	8,269
Amounts falling due after more than one year:		
Amounts owed by group undertakings	3,207	3,398
	10,189	11,667

Amounts falling due after more than one year represent loans made to subsidiary undertakings and are related to the Forward Subscription Agreement. The loans are unsecured, interest bearing and are due for repayment in 2020. Fair value is not considered to be materially different from the carrying amount. This loan was waived in February 2019. Amounts falling due within one year represent interest due on loans to subsidiaries disclosed below:

Debtor	Curr.	Nominal interest rate	Year of maturity	Repayment schedule	2018 USD'000	2017 USD'000
AES Ballylumford Limited	GBP	GBP 12m LIBOR + 3.5%	2020	Repayable at maturity	3,046	3,226
AES Ballylumford Limited	GBP	GBP 12m LIBOR + 3.5%	2020	Repayable at maturity	161	172

12 CREDITORS: amounts falling due within one year

	2018 USD'000	2017 USD'000
Trade creditors	10	-
Amounts owed to group undertakings	12,803	22,683
Corporation tax	-	27
Accruals and deferred income	30	26
	12,843	22,736

Amounts owned by group undertakings consists of interest payable to AES Barry Operations Limited of \$6,616,000 (2017: \$5,710,000) on the Forward Subscription Agreement with the same terms as the loan with AES Ballylumford Limited, described in Note 11.

AES Ballylumford Holdings Limited

Notes to the financial statements for year ended 31 December 2018

13 CREDITORS: Amounts falling due after more than one year

	2018 USD'000	2017 USD'000
Amounts owed to group undertakings	81,262	92,584
	<u>81,262</u>	<u>92,584</u>

Amounts owed to group undertakings represent a loan received from the immediate parent undertaking:

The loan is unsecured, interest bearing and is due for repayment in 2020. Fair value is not considered to be materially different from the carrying amount. This loan was substantially repaid in July 2019.

As of 16 June 2017, the currency of loan was changed to USD. Interest rate applied is monthly 130% AFR (Index of Applicable Federal Rates) + 2.750%.

Creditor	Curr.	Nominal interest rate	Year of maturity	Repayment schedule	2018 USD'000	2017 USD'000
AES Global Power Holdings.BV	USD	130 % AFR plus 2.750 %	2020	No schedule	81,262	92,584

14 Called up share capital and Share premium:

	2018 USD	2017 USD
Allotted and fully paid:		
114 ordinary shares (114 at 2017 year end) of £1 each	136	136

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Share premium account

This reserve records the amount above the nominal value received for shares issued.

Share premium amount at 31 December 2018 is \$131,918,000 (2017: \$131,918,000).

15 Financial instruments

The carrying amounts of the financial assets and liabilities include:

	2018 USD'000	2017 USD'000
Assets measured at amortised cost	10,189	11,667
Liabilities measured at amortised cost	<u>94,105</u>	<u>115,320</u>

Details of the assets amounts owed by group undertakings are disclosed in note 11. Details of the liabilities amounts falling due within one year and loans owed by group undertakings are disclosed in notes 12 and 13.

AES Ballylumford Holdings Limited

Notes to the financial statements for year ended 31 December 2018

16 Dividends

	2018 USD'000	2017 USD'000
Declared and paid during the year:	-	122,376
	-	122,376
Total		
Interim paid – May 2017: \$ 735,137.19 per share		
Interim paid – June 2017: \$ 324,124.80 per share		
Interim paid – September 2017: \$ 23,713.27 per share		

17 Currency translation reserve

The currency translation reserve represents the cumulative gains and losses arising on the revaluation of all assets and liabilities from GBP to USD as from 1st January 2016.

18 Ultimate parent company and parent company of larger group

The company is controlled by its immediate parent undertaking, AES UK Holdings Limited, a company incorporated in England and Wales.

The ultimate parent and controlling party is AES Corporation, a company incorporated in the State of Delaware, USA.

The company is a subsidiary undertaking of AES Corporation which is the ultimate parent undertaking.

The largest and smallest group in which the results of the company are controlled is that headed by AES Corporation. 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.

19 Events subsequent to balance sheet date

In February 2019 the loan between the company and AES Ballylumford Limited was terminated and the Company will no longer be entitled to the receivable of the outstanding balance of principal and interest.

In February 2019 the Forward Subscription Agreement (FSA) between AES Barry Operations Limited and AES Ballylumford Holdings Limited was also terminated. The company received a dividend from AES Barry Operations Limited which was offset with the existing interest liability.

On April 9, 2019, AES Ballylumford Holdings Limited entered into an agreement to sell its entire 100% interest in AES Ballylumford Limited. The sale and purchase agreement was approved by the EU Merger Regulator on 5th of June 2019 and the sale was completed on 12 June 2019.

The company has substantially repaid its inter-company loan payable in July 2019 from the proceeds of the sales of AES Ballylumford Ltd.