

Registered in England and Wales, No.212618

AES TEP Power II Investments Limited

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2012

TUESDAY



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AES TEP Power II Investments Limited

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AES TEP Power II Investments Limited

OFFICERS AND PROFESSIONAL ADVISERS

Directors:

The following directors were in office during the financial year ended 31 March 2012 and subsequently, except where noted

Donald Lehman
Julian Jose Nebreda Marquez

Company's Secretary

Donald Lehman

Registered Office

37-39 Kew Foot Road
Richmond
Surrey
TW9 2SS

Auditors:

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

DIRECTORS' REPORT
Year Ended 31 March 2012

The Directors present their report and the financial statements for the year ended 31 March 2012

PRINCIPAL ACTIVITIES

The Company is an intermediary holding company for an overseas subsidiary engaged in building and operating a power plant in Mexico

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Company has interest receivable on a US Dollar denominated loan to a Mexican Subsidiary

The profit on ordinary activities after tax was £1,089,088 (2011: £2,068,065) The Company didn't pay a dividend in 2012 (2011: £5,408,550).

PRINCIPLE RISKS AND UNCERTAINTIES FACING THE BUSINESS

The Company's investment in AES TEG II Mexican Holdings, S. de R L de C.V continues to be a key risk to the business in terms of its carrying value and dividend policy The financial performance of the business is therefore exposed to the underlying performance of the subsidiary

The Company remains exposed to fluctuations in the rate of exchange between the US Dollar and British Pound This risk arises due to transactions and associated balances being recognised in a currency that is different to the Company's functional currency

DIRECTORS

The membership of the Board is shown on page 1

AES TEP Power II Investments Limited

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this report confirms that:

1. So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- 2 The directors have taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Approved by the Board of directors
And signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'D. Lehman', with a long horizontal stroke extending to the right.

Donald Lehman
Director
15 June 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK 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 of the profit or loss of the company for that period. In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business -

The directors are responsible for keeping 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AES TEP POWER II INVESTMENTS LIMITED

We have audited the financial statements of AES TEP Power II Investments Limited for the year ended 31 March 2012 set out on pages 7 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 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. 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

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

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 March 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with UK 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

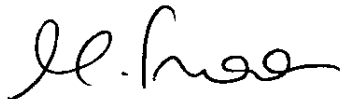
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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:

AES TEP Power II Investments Limited

- 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



M. Froom (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

20 June 2012

AES TEP Power II Investments Limited

PROFIT & LOSS ACCOUNT Year Ended 31 March 2012

	Notes	2012 £	2011 £
Other income	(2)	650,158	685,752
Administrative expenses	(3)	(22,683)	(58,975)
Operating profit		627,475	626,777
Foreign exchange losses		84	(121,259)
Interest receivable and similar income	(4)	840,437	2,380,166
Profit on Ordinary Activities Before Taxation		1,467,996	2,885,684
Tax on profit on ordinary activities	(6)	(378,908)	(817,619)
Profit for the financial year		<u>1,089,088</u>	<u>2,068,065</u>

All activities derive from continuing operations.

A reconciliation of the movement in reserves is shown in note 12. There is no difference between the results reported above and those prepared on a historical cost basis.

AES TEP Power II Investments Limited

STATEMENTS OF TOTAL RECOGNISED GAINS AND LOSSES
Year Ended 31 March 2012

	Notes	2012 £	2011 £
Profit for the financial year	(12)	1,089,088	2,068,065
Exchange movements	(12)	39,636	(1,843,180)
Total recognised losses and gains		1,128,724	224,885

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BALANCE SHEET

31 March 2012

	Notes	2012 £	2011 £
FIXED ASSETS – Investment in subsidiary	(7)	19,153,575	22,222,149
CURRENT ASSETS			
DEBTORS - Amounts due after more than one year	(8)	10,074,514	5,888,335
CREDITORS - Amounts due within one year	(9)	(19,218)	(12,337)
NET CURRENT ASSETS		10,055,296	5,875,998
TOTAL ASSETS LESS CURRENT LIABILITIES		29,208,871	28,098,147
PROVISIONS FOR LIABILITIES AND CHARGES	(10)	(102,000)	(120,000)
NET ASSETS		29,106,871	27,978,147
CAPITAL AND RESERVES			
Share capital	(11)	1,001	1,001
Share premium	(12)	21,810,259	21,810,259
Profit and loss account	(12)	7,295,611	6,166,887
TOTAL EQUITY SHAREHOLDERS FUNDS		29,106,871	27,978,147

These financial statements were approved by the Board of Directors on 15 June 2012

Signed on behalf of the Board of Directors



Donald Lehman
Director

Company No. 212618

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 March 2012

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statement

a. Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Under Financial Reporting Standard 1 (revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the group in its own published consolidated financial statements

Consolidated financial statements have not been presented on the basis of the exemption under Section 400 of the Companies Act 2006 that the Company is a wholly owned subsidiary of AES Corporation, which is incorporated in the USA. These financial statements disclose information about the Company as an individual undertaking, and not about its group

Related parties

As the Company is ultimately a wholly owned subsidiary of AES Corporation, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Going concern

The directors have reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing these financial statements

b. Functional currency

The directors have decided to present the financial statements in sterling. However the Company's functional currency is US Dollar. The reporting and functional currencies are both consistent with the prior year. In accordance with the provisions of FRS 23, translation differences arising on conversion to the reporting currency are included in the statement of total recognised gains and losses.

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Transactions not undertaken in the functional currency are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities not denominated in the functional currency are translated using the contracted rate or the rate of exchange ruling at the balance sheet date, and the gains or losses on translation are included in the profit and loss account.

c. Fixed asset investments

Investments held as fixed assets are stated at cost less provision for any impairment.

d. Taxation

Taxation on profit on ordinary activities is that which has become or becomes payable in respect of the profits of the period, and takes into account taxation deferred because of timing differences between the treatments of certain items for taxation and accounting purposes.

e. Dividends

Dividends payable are accounted in the Company's Financial Statements when the Company declares the payment of the dividend and it is no longer at the discretion of the Company. Dividends receivable are accounted for when approved.

2. OTHER INCOME

Other income item is a guarantee collecting fee in respect of Banco Nacional de México, S.A., Business trust 111076-2 "TEG II Trust", in accordance with the Guarantee agreement between both on 27 December 2007. The Company guarantees the punctual and irrevocable payment of all principal and interest from time to time payable by the TEG II Trust to Lenders. The maximum exposure of the Company under the guarantee at 31 March 2012 is £123,814,737.

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3. ADMINISTRATIVE EXPENSES

Administrative expenses are stated after charging:

	2012 £	2011 £
Auditors' remuneration – Audit of these financial statements	6,278	6,215

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2012 £	2011 £
Interest receivable on loan to subsidiary undertaking	840,437	2,380,166

5. STAFF NUMBERS AND COSTS

The average number of persons employed by the Company (excluding directors) during the year was zero (2011 Zero)

No employee (including directors) received any emoluments or pension contribution during the year.

6. TAXATION

Analysis of charge in the current year

	2012 £	2011 £
Current Tax		
UK corporation tax credit on profit for the	378,908	817,619
Double taxation relief	-	-
	378,908	817,619
Adjustments in respect of prior years	-	-
Total tax charge for the year	378,908	817,619

Factors affecting tax charge for the current year

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax of 26% (2011: 28%) to the loss before tax is as follows.

	2012 £	2011 £
Profit on Ordinary Activities Before Taxation	1,467,996	2,885,684
Tax on group profit on ordinary activities at Standard UK corporation tax rate of 26% (2011 28%)	381,679	807,992
Effect of:		
Non-deductible expenses	(2,771)	9,627
Group relief claimed for no consideration	-	-
Adjustments in respect of prior years	-	-
Total tax charge for the year	378,908	817,619

A reduction to the main rate of UK corporation tax to 25% was substantively enacted on 19 July 2011. The Chancellor of the Exchequer announced in the 2012 Budget that the corporation tax rate effective from 1 April 2012 will be 24%, which was 1% lower than initially planned, and further phased reductions of 1% per annum would subsequently be enacted and that effective 1 April 2014 the main rate of UK corporation tax will be 22%.

The phased reduction to the main rate of UK corporation tax is expected to have an impact on the future income statement tax charge of the company as a lower tax rate is applied to taxable profits.

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7. FIXED ASSET INVESTMENTS

	2012	2011
	£	£
Shares in subsidiary undertaking		
Balance brought forward	9,891,092	10,453,894
Foreign exchange revaluation loss	30,327	(562,802)
Balance carried forward	9,921,419	9,891,092
Loans to subsidiary undertaking		
Balance brought forward	12,331,057	15,680,841
Loan principal repayment	(3,136,710)	(2,505,582)
Foreign exchange revaluation	37,809	(844,202)
Balance carried forward	9,232,156	12,331,057
Total	19,153,575	22,222,149

The investment represents 99.97% of the issued share capital in AES TEG II Mexican Holdings, S de R.L. de C V a company that is registered and operates in Mexico. Interest accrues on the loan at a rate of 11.765% per annum.

8. DEBTORS

	2012	2011
	£	£
Amounts due from parent company	4,491,168	834,323
Amounts due from subsidiary for interest on loan	5,425,438	4,984,235
Amounts due from subsidiary other than interest	157,908	69,777
Total	10,074,514	5,888,335

Of the amounts due from parent company above, £10,074,514 (2011: £5,888,355) falls due after more than one year.

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9. CREDITORS

	2012	2011
	£	£
Accruals	19,218	12,337
Total	19,218	12,337

10. PROVISIONS

	2012	2011
	£	£
At start of period	120,000	97,790
(Released)/ charged to profit and loss account	(18,000)	22,210
At end of period	102,000	120,000

In 1970's the Company operated as GEC Machines Limited which has been involved in damage lawsuit arising out of industrial deafness claims. As at 31 March 2012 the Company has provided for 100% of the estimated costs of settlement with the claimants, which are expected to be utilised, on an ongoing basis, within the next 5 years.

11. SHARE CAPITAL

	2012	2011
	£	£
Authorised 10,000 ordinary, equity shares of £1 each	10,000	10,000
Allotted called up and fully paid 1,001 ordinary, equity shares of £1 each	1,001	1,001

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	Issued Share capital £	Share premium £	Profit and Loss account £	Total £
At 1 April 2011	1,001	21,810,259	6,166,887	27,978,147
Exchange movements	-	-	39,636	39,636
Dividends paid	-	-	-	-
Profit for the year	-	-	1,089,088	1,089,088
At 31 March 2012	1,001	21,810,259	7,295,611	29,106,871

13. PARENT UNDERTAKINGS

The Company's immediate parent undertaking is AES TEP Power Investments Limited, a company incorporated in England

The Company's ultimate parent undertaking and ultimate controlling party, is the AES Corporation, a company incorporated in the State of Delaware, USA

The largest and smallest group in which the results of the Company are consolidated 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, USA