

Registered in England and Wales, No. 212618

AES TEP Power II Investments Limited

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2010



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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 2010 and subsequently, except where noted

Neil Hopkins (resigned 30 April 2009)

John McLaren (resigned 1 September 2009)

Donald Lehman (appointed 30 April 2009)

Julian Jose Nebreda Marquez (appointed 1 September 2009)

Company's Secretary

Neil Hopkins (resigned 30 April 2009)

Donald Lehman (appointed 30 April 2009)

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 2010

The Directors present their report and the financial statements for the year ended 31 March 2010.

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 £2,402,777 (2009: £2,191,775)
The Company paid a dividend of £3,485,700 (2009: £nil)

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

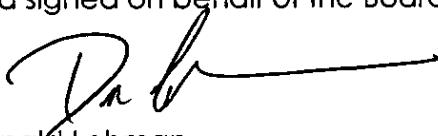
The membership of the Board is shown on page 1

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
6 August 2010

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

United Kingdom 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)

The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures being 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that its 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.

AES TEP Power II Investments Limited

INDEPENDENT AUDITORS' 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 2010 set out on pages 7 to 15. 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 auditors' 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/UKNP.

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 2010 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



Graham Neale (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

6 August 2010

PROFIT & LOSS ACCOUNT
Year Ended 31 March 2010

	Notes	2010 £	2009 £
Other income	(2)	682,966	687,251
Administrative expenses	(3)	<u>(29,390)</u>	<u>(103,917)</u>
Operating profit		653,576	583,334
Foreign exchange losses		(8,324)	(194,564)
Interest receivable and similar income	(4)	<u>2,251,017</u>	<u>2,121,182</u>
Profit on Ordinary Activities Before Taxation		2,896,269	2,509,952
Tax on profit on ordinary activities	(6)	<u>(493,492)</u>	<u>(318,177)</u>
Profit for the financial year		<u>2,402,777</u>	<u>2,191,775</u>

All activities derive from continuing operations

A reconciliation of the movement in reserves is shown in note 13. There is no difference between the results reported above and those prepared on a historical cost basis.

STATEMENTS OF TOTAL RECOGNISED GAINS AND LOSSES
Year Ended 31 March 2010

	Notes	2010 £	2009 £
Profit for the financial year	(13)	2,402,777	2,191,775
Exchange movements	(13)	<u>(1,834,586)</u>	<u>9,767,992</u>
Total recognised gains and losses		<u>568,191</u>	<u>11,959,767</u>

BALANCE SHEET

31 March 2010

	Notes	2010 £	2009 £
FIXED ASSETS – Investment in subsidiary	(8)	26,134,735	27,659,307
CURRENT ASSETS			
DEBTORS – including £Nil (2009 £Nil) due after more than one year	(9)	7,152,238	8,534,765
CREDITORS – amounts due within one year	(10)	(27,371)	(14,751)
NET CURRENT ASSETS		7,124,867	8,520,014
TOTAL ASSETS LESS CURRENT LIABILITIES		33,259,602	36,179,321
PROVISIONS FOR LIABILITIES AND CHARGES	(11)	(97,790)	(100,000)
NET ASSETS		33,161,812	36,079,321
CAPITAL AND RESERVES			
Share capital	(12)	1,001	1,001
Share premium	(13)	21,810,259	21,810,259
Profit and loss account	(13)	11,350,552	14,268,061
TOTAL EQUITY SHAREHOLDERS FUNDS		33,161,812	36,079,321

These financial statements were approved by the Board of Directors on 6 August 2010

Signed on behalf of the Board of Directors.



Donald Lehman
Director

Company No 212618

NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 March 2010

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

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 on a cash accounting basis

2. OTHER INCOME

Other income item is a guarantee fee collecting to 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 2010 is £141,650,843

3. ADMINISTRATIVE EXPENSES

Administrative expenses are stated after charging:

	2010 £	2009 £
Auditors' remuneration – Audit of these financial statements	3,917	3,917
Consulting fees	22,473	
Legal dispute	3,000	100,000
	<u>29,390</u>	<u>103,917</u>

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2010 £	2009 £
Interest receivable on loan to subsidiary undertaking	2,251,017	2,121,182

5. STAFF NUMBERS AND COSTS

The average number of persons employed by the Company (excluding directors) during the year was zero (2009: Zero)

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

6. TAXATION

Analysis of charge in the current year

	2010 £	2009 £
Current tax charge	811,669	636,354
Double taxation relief	-	(318,177)
	<u>811,669</u>	
Adjustments in respect of prior years	(318,177)	
	<u>493,492</u>	<u>318,177</u>

Factors affecting tax charge for the current year

The tax charge for the year is higher (2009: lower) than the standard rate of corporation tax in the UK of 28% (2009: 28%). The difference is due to the expenses that are disallowable for tax, and group relief obtained

The tax charge is based on the profit for the year and comprises

	2010 £	2009 £
Profit on Ordinary Activities Before Taxation	<u>2,896,269</u>	<u>2,509,952</u>
Expected tax charge at 28% (2009: 28%)	810,955	702,787
Effect of:		
Non-deductible expenses	714	28,000
Group relief claimed for no consideration	-	(412,610)
Adjustments in respect of prior years	<u>(318,177)</u>	
Total tax charge for the year	<u>493,492</u>	<u>318,177</u>

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011. This will reduce the Company's future current tax charge accordingly.

8. FIXED ASSET INVESTMENTS

	2010 £	2009 £
Shares in subsidiary undertaking		
Balance brought forward	11,063,723	7,977,570
Foreign exchange revaluation profit / (loss)	<u>(609,829)</u>	<u>3,086,153</u>
Balance carried forward	<u>10,453,894</u>	<u>11,063,723</u>
Loans to subsidiary undertaking		
Balance brought forward	16,595,584	11,966,356
Foreign exchange revaluation profit / (loss)	<u>(914,743)</u>	<u>4,629,228</u>
Balance carried forward	<u>15,680,841</u>	<u>16,595,584</u>
Total	<u>26,134,735</u>	<u>27,659,307</u>

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.

9. DEBTORS

	2010 £	2009 £
Amounts due from parent company	1,562,713	4,557,115
Amounts due from subsidiary for interest on loan	5,072,229	3,788,388
Amounts due from subsidiary other than interest	517,296	189,262
Total	7,152,238	8,534,765

Of the amounts due from parent company above, £Nil (2009 £Nil) falls due after more than one year.

10. CREDITORS

	2010 £	2009 £
Accruals	27,371	14,751
Total	27,371	14,751

11. PROVISIONS

	2010 £	2009 £
At start of period	100,000	-
(Released)/charged to profit and loss account	(2,210)	100,000
At end of period	97,790	100,000

In 1970's the Company operated as GEC Machines Limited which has been involved in damage lawsuit arising out of the personnel development of industrial deafness. In 2009 the Company's lawyers and management have provided for 100% of the estimated costs of settlement with the damaged personnel.

12. SHARE CAPITAL

	2010 £	2009 £
Authorised 10,000 ordinary, equity shares of £1 each	10,000	10,000
Alotted, called up and fully paid 1,001 ordinary, equity shares of £1 each	1,001	1,001

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	Issued Share capital £	Share Premium £	Profit and Loss account £	Total £
At 1 April 2009	1,001	21,810,259	14,268,061	36,079,321
Exchange movements	-	-	(1,834,586)	(1,834,586)
Dividends paid	-	-	(3,485,700)	(3,485,700)
Profit for the year	-	-	2,402,777	2,402,777
At 31 March 2010	1,001	21,810,259	11,350,552	33,161,812

14. 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