

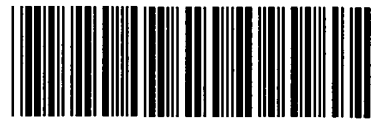
AES TEP Power II Investments Limited

Annual report and financial statements

Registered number 212618

31 MARCH 2016

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COMPANIES HOUSE

AES TEP Power II Investments Limited

CONTENTS

	Page
Officers and Professional Advisers	1
Directors' Report	2
Statement of Directors' Responsibilities	4
Independent Auditor's Report	5
Income statement	7
Statements of Total Other Comprehensive Income	8
Statement of Financial Position	9
Notes to the Financial Statements	10

OFFICERS AND PROFESSIONAL ADVISERS

Directors:

The following directors were in office during the financial year ended 31 March 2016 and subsequently, except where noted.

Roger Casement (appointed 27 March 2015)
Ian Luney (appointed 27 March 2015)
Mark Green (appointed 8 March 2016)
Julian Jose Nebreda Marquez (resigned 8 March 2016)

Registered Office:

21 ST Thomas Street
Bristol
United Kingdom
BS1 6JS

Auditors:

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

AES TEP Power II Investments Limited

DIRECTORS' REPORT Year Ended 31 March 2016

The Directors present their report and the financial statements for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The profit on ordinary activities after tax was \$759,311 (2015: \$5,933,978). The Company paid \$2,565,680 dividend in 2016 (2015: \$13,304,341).

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.

STRATEGIC REPORT

The directors have not prepared a strategic report as the company is entitled to the special provisions applicable to companies subject to the small companies' regime within Part 15 of the Companies Act 2006.

AES TEP Power II Investments Limited

DISCLOSURE OF INFORMATION TO AUDITORS

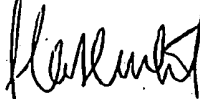
The directors who held office at the date of approval of this report confirms that:

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.

AUDITORS

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will, therefore, continue in office.

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



Roger Casement
Director
28 July 2016

**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 United Kingdom Generally Accepted practice (United Kingdom Accounting Standards and applicable law) including FRS 101 Reduced Disclosure Framework.

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 2016 set out on pages 7 to 17. 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) including FRS 101 Reduced Disclosure Framework.

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 auditor

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, and express an opinion on, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practices; 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.

Matter 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.
- The Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.


James Tracey (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

29 July 2016

AES TEP Power II Investments Limited
INCOME STATEMENT
Year Ended 31 March 2016

	Notes	2016 \$	2015 \$
Other income	(2)	906,805	981,748
Administrative expenses	(3)	(124,905)	(43,485)
Operating profit		781,900	938,263
Income from fixed asset investments		-	2,469,178
Foreign exchange losses		(20,995)	(54,934)
Interest (payable) and similar expenses	(4)	(1,594)	-
Profit on Ordinary Activities Before Taxation		759,311	3,352,507
Taxation on profit on ordinary activities	(6)	-	2,641,471
Profit for the financial Year		759,311	5,933,978

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

OTHER COMPREHENSIVE INCOME
Year Ended 31 March 2016

	Notes	2016 \$	2015 \$
Profit for the Financial year	(12)	759,311	5,933,978
Total comprehensive income for the year		759,311	5,933,978

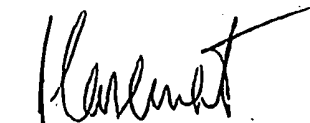
AES TEP Power II Investments Limited

STATEMENT OF FINANCIAL POSITION
31 March 2016

	Notes	2016 \$	2015 \$
FIXED ASSETS - Investment in subsidiary	(7)	16,802,028	17,657,364
CURRENT ASSETS			
DEBTORS - Amounts due after more than one year	(8)	7,105,364	8,125,404
CREDITORS - amounts due within one year	(9)	(60,550)	(131,369)
NET CURRENT ASSETS		7,044,814	7,994,035
TOTAL ASSETS LESS CURRENT LIABILITIES		23,846,842	25,651,399
PROVISIONS FOR LIABILITIES	(10)	(116,739)	(114,927)
NET ASSETS		23,730,103	25,536,472
CAPITAL AND RESERVES			
Share capital	(11)	1,665	1,665
Share premium	(12)	19,647,744	19,647,744
Foreign currency translation reserve	(12)	2,184,168	2,184,168
Profit and loss account	(12)	1,896,526	3,702,895
TOTAL EQUITY SHAREHOLDERS FUNDS		23,730,103	25,536,472

These financial statements were approved by the Board of Directors on 28. July 2016.

Signed on behalf of the Board of Directors.



Roger Casement
Director

Company No. 212618

AES TEP Power II Investments Limited
NOTES TO THE FINANCIAL STATEMENTS
Year Ended 31 March 2016

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

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied. The presentation currency of these financial statements is US Dollar.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has adopted FRS 101 for the first time.

In the transition to FRS 101, the company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the company is provided in note 17.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

AES TEP Power II Investments Limited

1. ACCOUNTING POLICIES (Continued)

a. Basis of preparation (Continued)

As the consolidated financial statements of the ultimate parent undertaking, AES Corporation, include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 31 December 2015 for the purposes of the transition to FRS 101 Adopted IFRSs.

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 101 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).

AES TEP Power II Investments Limited

1. ACCOUNTING POLICIES (Continued)

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 Company's functional currency is US Dollar. 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. 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.

c. Presentation currency

On 1 April 2015 the directors have decided to change the presentation currency from Pound sterling to US Dollar.

d. Fixed asset investments

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

e. 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.

f. 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.

AES TEP Power II Investments Limited

2. OTHER INCOME

Included in other income is a guarantee collecting fee in respect of Banco Nacional de México, S.A., Business trust 111076-2 "TEG II Trust", \$ 848,194 (2015: \$886,071) 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 2016 is \$161,756,774 (2015: \$171,663,731). Additional item included in other income is contingent legal reserves and accruals.

	2016	2015
	\$	\$
Guarantee fee	848,194	886,071
Contingent Legal Reserves and Accruals Reversal	58,611	95,677
Total	906,805	981,748

3. ADMINISTRATIVE EXPENSES

Administrative expenses are stated after charging:

	2016	2015
	\$	\$
Auditor's remuneration – Audit of these financial statements	19,514	10,298
Tax Services	20,985	-
Other Consultants	84,405	33,188
Total	124,904	43,486

4. NET INTEREST PAYABLE

	2016	2015
	\$	\$
Interest payable	(1,594)	-
Total	(1,594)	-

AES TEP Power II Investments Limited

5. STAFF NUMBERS AND COSTS

The average number of persons employed by the Company (excluding directors) during the year was Zero (2015: Zero).

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

6. TAXATION

Analysis of charge in the current year

	2016 \$	2015 \$
Current tax:		
Adjustments in respect of previous periods	-	(2,641,471)
Total current tax (charge) / credit	<u>-</u>	<u>(2,641,471)</u>
Total tax	<u>-</u>	<u>(2,641,471)</u>

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 profit / (loss) before tax is as follows:

	2016 \$	2015 \$
Profit before taxation	<u>759,310</u>	<u>3,352,507</u>
 Profit on ordinary activities at the standard UK corporation tax rate of 20% (2015: 21%)	 151,862	 704,025
 Effect of:		
(Expenses not deductible for tax purposes)/Income not taxable	5,159	(567,534)
Group relief	(157,021)	(136,491)
Adjustments in respect of prior years	-	(2,641,471)
Total tax (credit) / charge for the period	<u>-</u>	<u>(2,641,471)</u>

AES TEP Power II Investments Limited

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. Any deferred tax balance at 31 March 2016 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly and reduce any deferred tax balance accordingly.

A deferred tax asset of \$nil (2015: \$48,449) in respect of other timing differences has not been recognised as there is insufficient evidence that the assets will be recovered. The assets would be recovered should the company make suitable taxable profits in the future.

7. FIXED ASSET INVESTMENTS

	Share in group undertaking	Investment in associates	Total
		\$	\$
At 1 April 2015	15,864,826	1,792,538	17,657,364
Repayments	-	(855,336)	(855,336)
At 31 March 2016	15,864,826	937,202	16,802,028

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.

In December 2015, the Company reduced the share capital in AES Ecotek Europe Holdings BV by \$855,336.

8. DEBTORS

	2016	2015
	\$	\$
Amounts due from parent company	6,255,855	6,289,498
Amounts due from subsidiary	849,509	1,835,906
Total	7,105,364	8,125,404

Of the amounts due above \$7,105,364 (2015: \$8,125,404) falls due after more than one year.

AES TEP Power II Investments Limited

9. CREDITORS

	2016	2015
	\$	\$
Amount owed to group undertaking	33,050	87,274
Accruals	27,501	44,095
Total	<u>60,550</u>	<u>131,369</u>

10. PROVISIONS

	2016	2015
	\$	\$
At start of the year	114,927	237,444
Charged/ (Released) to profit and loss		
Account	1,812	(122,517)
At end of year	<u>116,739</u>	<u>114,927</u>

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 2016 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

	2015	2016
	\$	\$
Authorised		
10,000 ordinary, equity shares of £1 each	<u>16,636</u>	<u>16,636</u>
Alotted called up and fully paid		
1,001 ordinary, equity shares of £1 each	<u>1,665</u>	<u>1,665</u>

AES TEP Power II Investments Limited

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	Issued Share Capital	Share Premium	Foreign Currency Translation Reserve	Profit and Loss account	Total
	\$	\$	\$	\$	\$
At 1 April 2015	1,665	19,647,744	2,184,168	3,702,895	25,536,472
Dividends paid	-	-	-	(2,565,680)	(2,565,680)
Total comprehensive income for the year	-	-	-	759,311	759,311
At 31 March 2016	1,665	19,647,744	2,184,168	1,896,526	23,730,103

On 22 December 2015 the Company declared dividends of an amount \$2,565,680 to AES TEP Power Investments Limited.

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.

14. Explanation of transition to FRS 101 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016, the comparative information presented in these financial statements for the year ended 31 March 2015 and in the preparation of an opening FRS 101 balance sheet at 1 April 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has made no adjustments to amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). As such no further disclosure is required in this regard.