

AES TEP Power II Investments Limited

Annual Report and Financial Statements
31 March 2018

THURSDAY



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ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

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AES TEP Power II Investments Limited

COMPANY INFORMATION

DIRECTORS

The following directors were in office throughout the financial year ended 31 March 2018 and subsequently except where noted:

	Appointed	Resigned
Roger Casement	27 March 2015	18 April 2018
Ian Robert Luney	27 March 2015	
Mark Green	03 May 2016	10 July 2018
James Tim McCullough	18 April 2018	
Paul Hutchinson	18 April 2018	

REGISTERED OFFICE

First Floor Templeback
10 Temple Back
Bristol
BS1 6FL

AUDITORS

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

BANKERS

Barclays Bank PL
1 Churchill Place,
Canary Wharf
London
E14,5HP

AES TEP Power II Investments Limited

DIRECTORS' REPORT

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

RESULTS AND DIVIDENDS

The company's results for 2018 showed a profit after taxation of \$701,393 (2017: profit after taxation \$731,628).

The Company paid \$2,962,186 dividend in 2018 (2017: \$6,255,855).

ACTIVITIES, REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

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

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

The directors are not expecting a change in the principal activity of the company in the foreseeable future.

EVENTS SINCE THE BALANCE SHEET DATE

In June 2018 AES TEP Power Investments II Limited paid dividends in amount of \$323,925 to its parent AES TEP Power Investments Limited.

GOING CONCERN

The directors believe that the company can manage its business risks as it has sufficient financial resources. After making enquiries, the directors have a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

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 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.

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.

STRATEGIC REPORT

The directors have not prepared a strategic report as the company is entitled to the exemption in section 414B of the Companies Act 2006.

AES TEP Power II Investments Limited

DIRECTORS' REPORT (CONTINUED)

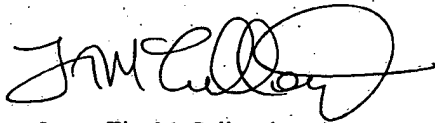
STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

So far as each of the directors in office at the date of approval of these financial statements is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

On 15 January 2018, prior year auditors KPMG LLP resigned as auditors of the company. Ernst & Young LLP is appointed. Pursuant to Section 485 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



James Tim McCullough
Director
23 July 2018

Company Registration No. 00212618

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for that period. In preparing these 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; and
- 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.

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

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

Opinion

We have audited the financial statements of AES TEP Power II Investments Limited for the year ended 31 March 2018 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 17, 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 101 "Reduced Disclosure Framework (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 March 2018 and of its profit 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 Auditor's 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 auditor's 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 AUDITOR'S REPORT TO THE MEMBERS OF AES POWER INVESTMENTS II 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirements to prepare a strategic report.

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.

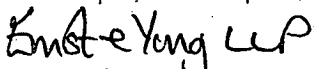
Auditor's responsibilities for the audit of the financial statements

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 (Senior statutory auditor)

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

Belfast

Date

27th of July 2018

AES TEP Power II Investments Limited

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2018

	Notes	2018 \$	2017 \$
Other income	6	787,851	797,149
Administrative expenses	7	(70,065)	(81,509)
Other expenses		-	(390)
OPERATING PROFIT		717,786	715,250
Foreign exchange (losses) /gains		(16,393)	16,378
PROFIT BEFORE TAXATION		701,393	731,628
Taxation on profit on ordinary activities	8	-	-
PROFIT FOR THE FINANCIAL YEAR		701,393	731,628
Other Comprehensive Income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		701,393	731,628

All of the results relate to continuing operations in both the current and previous year.

AES TEP Power II Investments Limited


STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 \$	2017 \$
FIXED ASSETS			
Investments	9	<u>16,801,416</u>	<u>16,801,416</u>
CURRENT ASSETS			
DEBTORS: amounts falling due within one year	10	176,962	1,647,359
CASH at bank		<u>37</u>	<u>-</u>
		<u>176,999</u>	<u>1,647,359</u>
CREDITORS: amounts falling due within one year	11	<u>(974,570)</u>	<u>(145,707)</u>
NET CURRENT ASSETS		<u>(797,571)</u>	<u>1,501,652</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,003,845</u>	<u>18,303,068</u>
PROVISIONS FOR LIABILITIES	12	<u>(58,762)</u>	<u>(97,192)</u>
NET ASSETS		<u><u>15,945,083</u></u>	<u><u>18,205,876</u></u>
CAPITAL AND RESERVES			
Share capital	14	1,665	1,665
Share premium account		6,338,810	6,338,810
Foreign currency translation reserve	14	2,184,168	2,184,168
Profit and loss account		<u>7,420,440</u>	<u>9,681,233</u>
TOTAL SHAREHOLDER'S FUNDS		<u><u>15,945,083</u></u>	<u><u>18,205,876</u></u>

These financial statements were approved by the Board of Directors on 23 July 2018.

Signed on behalf of the Board of Directors



James Tim McCullough
Director

23 July 2018

AES TEP Power II Investments Limited

STATEMENT OF CHANGES IN EQUITY
At 31 March 2018

	Called up share capital	Share premium	Revaluation reserve	Profit and loss account	Total
	\$	\$	\$	\$	\$
Balance at 1 April 2016	1,665	19,647,744	2,184,168	1,896,526	23,730,103
Dividends paid	-	-	-	(6,255,855)	(6,255,855)
Share premium redemption	-	(13,308,934)	-	13,308,934	-
Total comprehensive income for the year	-	-	-	731,628	731,628
Balance at 31 March 2017	1,665	6,338,810	2,184,168	9,681,233	18,205,876

	Called up share capital	Share premium	Revaluation reserve	Profit and loss account	Total
	\$	\$	\$	\$	\$
Balance at 1 April 2017	1,665	6,338,810	2,184,168	9,681,233	18,205,876
Dividends paid	-	-	-	(2,962,186)	(2,962,186)
Total comprehensive income for the year	-	-	-	701,393	701,393
Balance at 31 March 2018	1,665	6,338,810	2,184,168	7,420,440	15,945,083

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

These financial statements were prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101 Reduced Disclosure Framework, "*The Financial Reporting Standard*" applicable in the UK and Republic of Ireland ("FRS 101"). The presentation currency of these financial statements is US dollars.

The company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes allowed by FRS 101.8(h);
- Comparative period reconciliations for share capital and tangible fixed assets allowed by FRS 101.8(a);
- Disclosures in respect of transactions with wholly owned subsidiaries allowed by FRS 101.8(k);
- Disclosures in respect of capital management allowed by FRS 101.8(g);
- The effects of new but not yet effective IFRSs allowed by FRS 101.8(i);
- Disclosures in respect of the compensation of Key Management Personnel allowed by FRS 101.8(j).

As the consolidated financial statements of 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 allowed by FRS 101.8(a);
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets allowed by FRS 101.8(l);
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations allowed by FRS 101.8(c);
- 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 allowed by FRS 101.8(b); and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures allowed by FRS 101.8(d) and FRS 101.8(e).

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

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of AES Corporation. The results of AES Overseas Holdings Limited are included in the consolidated financial statements of AES Corporation which can be obtained from the Securities and Exchange Commission, 450 5th Street NW, Washington DC 20549, USA.

2. ACCOUNTING POLICIES

Going concern

The Company has considerable financial resources. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

2. ACCOUNTING POLICIES (CONTINUED)

Foreign 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.

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.

Investment

Investments held as fixed assets are stated at cost less provision for any impairment in value. At each balance sheet date, the company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the investment is estimated in order to determine the extent of the impairment loss (if any).

Impairment of 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 an 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.

Revenue

As the company is a holding company, dividends received are recognised as dividend income in the financial statements. Dividend income from investments is recognised when the shareholder's right to receive the payment is established.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

2. ACCOUNTING POLICIES (CONTINUED)

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, [associates, branch, joint ventures] 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 provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

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.

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 determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

3. INFORMATION REGARDING DIRECTORS

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

4. INFORMATION REGARDING EMPLOYEES

The average number of persons employed by the Company (excluding directors) during the year was Zero (2017: Zero).

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

5. AUDITOR'S REMUNERATION

The auditor's remuneration for the audit of the company's annual financial statements amounted to £5,500 (2017: £6,500).

AES TEP Power II Investments Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2018

6. 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", \$736,332 (2017: \$792,746) in accordance with the Guarantee agreement between both signed 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 2018 is \$139,947,436 (2017: \$151,198,930).

	2018	2017
	\$	\$
Guarantee fee	736,332	792,746
Contingent Legal Reserves and Accruals Reversal	50,909	4,403
Payables write off	610	-
	<u>787,851</u>	<u>797,149</u>

7. ADMINISTRATIVE EXPENSES

	2018	2017
	\$	\$
Audit services	5,064	10,429
Tax services	13,999	6,526
Consulting services	51,002	64,554
	<u>70,065</u>	<u>81,509</u>

8. TAXATION ON PROFIT

	2018	2017
	\$	\$
Current tax		
UK corporation tax for the period	-	-
	<u>-</u>	<u>-</u>
Total current tax charge	-	-

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 before tax is as follows:

	2018	2017
	\$	\$
Profit before tax	<u>701,393</u>	<u>731,628</u>
Tax charge at standard		
UK corporation tax rate of 20% (2017: 20%)	133,265	146,326
Effect of:		
Permanent differences	2,388	9,069
Transfer pricing adjustment	2,715	14,705
Group relief	(138,368)	(170,100)
	<u>-</u>	<u>-</u>
Current tax credit for the period	-	-

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 16 September 2016 respectively. Any deferred tax balance at 31 March 2018 has been calculated based on these rates.

AES TEP Power II Investments Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

8. TAXATION ON PROFIT (CONTINUED)

A deferred tax asset of \$121 (2017: \$121) in respect of capital losses 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 capital gains in the future.

9. FIXED ASSET INVESTMENTS

	Share in group undertaking \$	Investment in associates \$	Total \$
At 1 April 2017	15,864,826	936,590	16,801,416
Repayments			
At 31 March 2018	15,864,826	936,590	16,801,416

The investment of \$15,864,826 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. Details of the investments in which the company held as at 31 March 2018 were as follows:

Name of company	Country of incorporation	Holding	Portion of voting rights and shares held	Nature of business
Subsidiary undertakings:				
AES TEG II Mexican Holdings, S. de R.L. de C.V.	Mexico	Ordinary shares	99.97 %	Holding company
AES Ecotek Europe Holdings BV	Ordinary shares	Ordinary shares	43.5%	Holding company

10. DEBTORS

	2018 \$	2017 \$
Amounts due from subsidiary	176,962	1,647,359
Total	176,962	1,647,359

11. CREDITORS

	2018 \$	2017 \$
Amount owed to group undertaking	959,148	129,143
Accruals	15,422	16,564
	974,570	145,707

AES TEP Power II Investments Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

12. PROVISIONS

	2018	2017
	\$	\$
At start of the year	97,192	116,739
Released to profit and loss account	(38,430)	(19,547)
At the end of the year	<u>58,762</u>	<u>97,192</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 2018 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. The impact of discounting is considered insignificant, therefore the effect of discounting is not recognized in the financial statements.

13. CONTINGENT LIABILITIES

The company is aware of claims and potential claims which involve or may involve legal proceedings against the company in respect of current and former employees, and contractors in respect of industrial illness and injury.

The directors are of the opinion, having regard to the legal advice received that it is unlikely that the matters referred to above will, in aggregate, have a material effect on the Company's financial position.

14. SHARE CAPITAL AND RESERVES

	2018	2017
	\$	\$
Authorised		
10,000 ordinary, equity shares of £1 each	<u>16,636</u>	<u>16,636</u>
Allotted called up and fully paid		
1,001 ordinary, equity shares of £1 each	<u>1,665</u>	<u>1,665</u>

Foreign Currency Translation Reserve

On 1 April 2015 the directors decided to change the presentation currency from Pound sterling to US Dollar. Translation differences arising on conversion are recognised in foreign currency translation reserve of an amount \$2,184,168.

Share Premium Account

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

AES TEP Power II Investments Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

15. DIVIDENDS

	2018 \$	2017 \$
Dividends on ordinary shares		
Declared and paid interim dividends during the year (2018: \$296.22 per share; 2017: \$625.59 per share)	2,962,186	6,255,855
	<u>2,962,186</u>	<u>6,255,855</u>

On 27 June 2018 it is proposed and approved by shareholders to be paid dividends that are disclosed in Note 17.

16. ULTIMATE PARENT COMPANY

The immediate parent company is AES TEP Power Investments Limited, a company incorporated in England.

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

17. EVENTS SINCE THE BALANCE SHEET DATE

In June 2018 AES TEP Power Investments II Limited paid dividends in amount of \$323,925 to its parent AES TEP Power Investments Limited.