

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

"THE PIDG TRUST"

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2003**

**haysmacintyre
Chartered Accountants
Registered Auditors
London**

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

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THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

LEGAL AND ADMINISTRATIVE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2003

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

The Private Infrastructure Development Group (PIDG) is a multi-donor arrangement established and directed by the participating donors (details below). PIDG aims to facilitate the provision of infrastructure needed to eliminate poverty in developing countries by encouraging private investment. PIDG has established the Private Infrastructure Development Group Trust (PIDG Trust) as a vehicle for its activities.

TRUSTEES

SG Hambros Trust Company Limited – UK Resident Company
SG House
41 Tower Hill
London EC3N 4SG

MC Trust Limited – Mauritian Resident Company
10 Frère Felix de Valois Street
Port Louis
Mauritius

Minimax Limited – Mauritian Resident Company
10 Frère Felix de Valois Street
Port Louis
Mauritius

PARTICIPATING DONORS

The Government of the United Kingdom of Great Britain and Northern Ireland acting through Secretary of State at the Department for International Development (“DFID”)

Swiss State Secretariat for Economic Affairs of the Government of the Confederation of Switzerland (“SECO”)

The Netherlands Minister for Development Co-operation (“DGIS”)

The Government of Sweden represented by the Swedish International Development Co-operation Agency (“Sida”)

(“The World Bank”) International Bank for Reconstruction and Development.

ENFORCER

The Government of the United Kingdom of Great Britain and Northern Ireland acting through Secretary of State at the Department for International Development (“DFID”)

PROTECTOR

No protector has been appointed and therefore the PIDG Secretariat are acting as current protector. The PIDG Secretariat holding office is CA Legal as described under Legal Advisors and PIDG Secretariat.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

LEGAL AND ADMINISTRATIVE INFORMATION (continued)

FOR THE YEAR ENDED 31 DECEMBER 2003

AUDITORS

haysmacintyre
Fairfax House
15 Fulwood Place
London
WC1V 6AY

BANKERS

SG Hambros Bank and Trust Limited
SG House
41 Tower Hill
London EC3N 4SG

LEGAL ADVISORS AND PIDG SECRETARIAT

CA Legal
St Nicholas House
St Nicholas Road
Sutton
Surrey
SM1 1EL

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2003

The Trustees present the annual report and audited financial statements for the year ended 31 December 2003.

These financial statements have been prepared under the provisions of the Amended and Restated Declaration Trust described below and in accordance with applicable International Accounting Standards.

BACKGROUND SUMMARY

PIDG is a multi-donor arrangement established and directed by the Donors. PIDG aims to facilitate the provision of infrastructure needed to eliminate poverty in developing countries by encouraging private investment. PIDG has established, the PIDG Trust as a vehicle for its activities. In general, this provides a vehicle for Donors to pool, co-ordinate and administer funds in relation to all PIDG activities.

OBJECTS AND STRUCTURE

The PIDG Trust was established by a Declaration of Trust dated 1 December 2001 and an Amended and Restated Declaration of Trust dated 14 March 2003 (the "Amended and Restated Declaration of Trust"). The PIDG Trust has three trustees – two based in Mauritius and one in the United Kingdom. The trustees act jointly for and on behalf of the PIDG Trust. The PIDG Trust was established for the purposes of:

- i. facilitating the provision of the infrastructure needed to eliminate poverty in developing countries by encouraging private investment;
- ii. making investment in accordance with the investment plan adopted by the trustees;
- iii. exercising any rights of control and influence arising from its investments;
- iv. investing, applying or otherwise using its funds for the relief of poverty in developing countries in such manner as the trustees with the consent of the Protector but otherwise in their discretion think fit;
- v. administering and paying PIDG general administration costs and project development costs.

OPERATIONAL PROCEDURES

The Trustees carry out the following tasks in relation to the PIDG programmes:

- i. reviewing and executing grant & loan agreements;
- ii. reviewing and executing contracts for services with consultants;
- iii. co-ordinating and authorising payments under the grant loan and consultancy agreements executed and in the case of the Principal Trustee recording income and expenditure in the records of the PIDG Trust and creating and monitoring rolling expenditure forecasts for all programmes; and
- iv. acting as shareholder (as PIDG itself cannot); attending shareholder meetings and executing any documents relating to the PIDG Trust's capitalisation of investment vehicles.

In addition and in conjunction with the PIDG Secretariat, the PIDG Trust is responsible for the updating and monitoring of the budgets for general administration costs, concept development costs and project development costs.

The Trustees are obliged to operate by unanimity, whether signing a grant agreement with a PIDG member for the provision of funds, or signing a payment instruction for the payment of a consultant's invoice out of Trust funds.

Before acting, whether signing a grant agreement with a PIDG member or making a payment to a consultant, the Trustees require the approval of the PIDG Secretariat and the relevant PIDG member / PIDG Programme Manager.

The Trustees act at the instruction of the PIDG Secretariat and in accordance with the Declaration of Trust.

For certain acts in relation to investment vehicles, the trustees cannot act without the prior written permission of the Protector of the PIDG Trust.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2003

REPORTING RESPONSIBILITIES

The Amended and Restated Declaration of Trust requires that the Trustees provide the Protector of the PIDG Trust with the following information:

- i. within 45 days after the end of each quarter unaudited financial statements for each quarter in respect of the funds it has held or holds;
- ii. within 45 days of the end of each quarter, progress reports on the status of the activities of all entities which the Trustees support and in the case of EAIF, any special reports relating to the investments of EAIF in such form and detail as PIDG may require but in any event confirming that all EAIF investments during that quarter were made in compliance with the EAIF investment policy;
- iii. reports on the activities of the PIDG Trust;
- iv. an annual management assertion, together with an attestation from the Trustees' external auditors of the satisfactory performance of the procedures and controls used by the Trustees in administering the funds it holds;
- v. annual audited accounts of the PIDG Trust and of each investment vehicle prepared in accordance with international accounting standards; and
- vi. any legal opinions & advice received by the trustees.

The PIDG Secretariat co-ordinates the provision of ii) and iii) from PIDG task managers and the management of investment vehicles. The PIDG Secretariat circulates all the above reports to PIDG members.

INVESTMENT POLICY

The Trust can only apply funds to an investment which is consistent with the "Ethical Policies" of the PIDG Trust as set out in Schedule 2 of the Amended and Restated Declaration of Trust.

The PIDG Secretariat and/or the task managers of the PIDG programmes are responsible for confirming that an investment is consistent with the Ethical Policies.

REVIEW OF ACTIVITIES

The PIDG Trust was involved in the following PIDG programmes in the year ended 31 December 2003

- The Emerging Africa Infrastructure Fund Limited ('EAIF')
- GuarantCo Limited ('GuarantCo')
- DevCo Principal Design Consultancy ('DevCo')

RESULTS

The results for the period and movement in accumulated funds are set out on page 8 within the Statement of Accumulated Funds.

AUDITORS

Messrs haysmacintyre have expressed their willingness to continue in office as auditors.

Approved by the trustees and signed on their behalf:


SG Hambros Trust Company Limited

17 June 2004

SG House
41 Tower Hill
London EC3N 4SG

**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF
THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST**

We have audited the non-consolidated financial statements of the Private Infrastructure Development Group Trust ('PIDG Trust') for the year ended 31 December 2003 which comprise the Balance Sheet, the Capital Account, the Statement of Accumulated Funds, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Trustees as a body. Our audit work has been undertaken so that we might state to the Trustees 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 PIDG Trust and the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described in the Trustees' Report the Trustees are responsible for the preparation of the non-consolidated financial statements in accordance with applicable law and applicable International Financial Reporting Standards.

Our responsibility is to audit the non-consolidated financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with applicable International Financial Reporting Standards. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the PIDG Trust has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

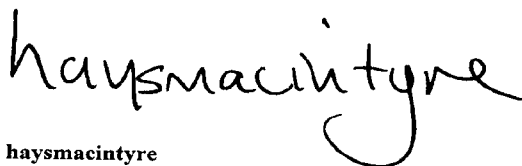
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the PIDG Trust's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the non-consolidated financial statements.

Opinion

In our opinion the non-consolidated financial statements give a true and fair view of the state of the PIDG Trust's affairs as at 31 December 2003 and of its results of operations and cash flows for the year then ended and have been properly prepared in accordance with applicable International Financial Reporting Standards.



haysmacintyre
Chartered Accountants
Registered Auditors

17 June 2004

Fairfax House
15 Fulwood Place
London
WC1V 6AY

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

BALANCE SHEET

AS AT 31ST DECEMBER 2003

	Note	2003		2002	
		US\$	US\$	US\$	US\$
Non-current assets					
Investments	2		86,756,204		50,194,945
Current assets					
Accrued contributions receivable		288,000		47,895	
Cash and cash equivalents	3	711,200		71,906	
			999,200		119,801
TOTAL ASSETS			\$87,755,404		\$50,314,746
CAPITAL, FUNDS AND LIABILITIES					
Capital account					
			56,756,204		50,194,945
Accumulated funds					
	5		640,210		-
Capital and funds			57,396,414		50,194,945
Non-current liabilities					
Loans	4		30,000,000		-
Current liabilities					
Income tax provision		24,684		24,577	
Other payables		334,306		95,224	
			358,990		119,801
TOTAL CAPITAL, FUNDS AND LIABILITIES			\$87,755,404		\$50,314,746

The balance sheet was approved by the trustees and signed on their behalf:



SG Hambros Trust Company Limited

17 June 2004

The notes on pages 10 to 18 form part of these financial statements.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

CAPITAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2003

The following contributions were received from the Government of the United Kingdom of Great Britain and Northern Ireland acting through the Department for International Development (DFID):

	2003 US\$	2002 US\$
Balance brought forward	50,194,945	-
Capital contributions received from DFID	9,743,250	56,000,000
	<u>59,938,195</u>	<u>56,000,000</u>
Impairment of value of shareholding of EAIF	(3,181,991)	(5,805,055)
Balance carried forward	<u>\$56,756,204</u>	<u>\$50,194,945</u>

The notes on pages 10 to 18 form part of these financial statements.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

STATEMENT OF ACCUMULATED FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	Year ended 31 December		Period ended 31 December	
		2003	2003	2002	2002
		US\$	US\$	US\$	US\$
Income					
Contributions receivable to cover costs and fees	5		1,208,694		47,895
Gain on foreign currency exchange			59,164		-
Gross bank deposit interest		3,031		72,385	
Income tax provision		(107)		(24,577)	
			2,924		47,808
Net income receivable			1,270,782		95,703
Expenditure					
SG Hambros Trust Company Limited					
Establishment fee		-		19,012	
Annual Management fee		52,085		47,529	
MC Trust Management fee		3,400		1,100	
Minimax Management fee		3,400		1,100	
Consultancy fees		497,708		-	
Directors fees		17,480		-	
Legal fees		22,894		-	
Audit fee		31,346		26,483	
Accountancy fees		2,161		-	
Other expenses		98		479	
Total expenditure	5		(630,572)		(95,703)
Retained surplus for the year transferred to accumulated funds	5		640,210		-
Accumulated funds brought forward	5		-		-
Accumulated funds carried forward	5		\$640,210		\$ -

The notes on pages 10 to 18 form part of these financial statements.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2003

	NOTES	Year ended 31 December 2003 US\$	Period ended 31 December 2002 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Retained surplus for the year		640,210	-
Adjustments for:			
Interest income		(3,031)	(72,385)
Increase in contributions receivable		(240,105)	(47,895)
Increase in income tax provision		107	24,577
Increase in other payables		239,082	95,224
<i>Cash generated from operations</i>		<u>636,263</u>	<u>(479)</u>
<i>Net cash from operating activities</i>		636,263	(479)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of shares in EAIF	6	(30,000,000)	(56,000,000)
Acquisition of shares in GuarantCo	6	(9,743,250)	-
Interest received		3,031	72,385
<i>Net cash from investing activities</i>		<u>(39,740,219)</u>	<u>(55,927,615)</u>
FINANCING ACTIVITIES			
Proceeds from long term borrowings	4	30,000,000	-
Proceeds from contributions to capital account		9,743,250	56,000,000
<i>Net cash from financing activities</i>		<u>39,743,250</u>	<u>56,000,000</u>
INCREASE IN CASH AND CASH EQUIVALENTS		639,294	71,906
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>71,906</u>	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	3	<u><u>\$711,200</u></u>	<u><u>\$71,906</u></u>

The notes on pages 10 to 18 form part of these financial statements.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2003

1 ACCOUNTING POLICIES

(a) Basis of preparation

The non-consolidated financial statements have been prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards.

(b) Reporting currency

The financial statements are presented in United States Dollars. The majority of the funds received and transactions carried out by the Trustees are in US Dollars and therefore reporting in US Dollars better reflects the economic substance of the underlying events and circumstances of the PIDG Trust.

(c) Foreign currency exchange differences

Translations in currencies other than the reporting currency are translated at the exchange rates ruling at the date of such transactions. Monetary assets and liabilities denominated in currencies other than the reporting currency are retranslated at exchange rates ruling at the balance sheet date. All differences are dealt with in the fund from which they arose and therefore are included in the Statement of Accumulated Funds.

(d) Investments in Undertakings

Investments in undertakings are stated at cost less provision for impairment in value of investments. It is the Trustees' policy to write the cost of investments down to the value of the net assets of the special purpose companies held at each balance sheet date. Impairment provisions are charged to the capital account on the basis that capital has been invested for the purpose of acquiring share capital of special purpose companies.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on deposit with the PIDG Trust's bankers.

(f) Capital account

The capital account represents funds received from donors on a non-refundable basis together with the impairment in value of special purpose companies established by the PIDG Trust in the furtherance of its objects.

(g) Accumulated funds

The accumulated fund comprises general unrestricted and restricted funds. Restricted funds are those which have been set aside by the Trustees for a particular purpose in accordance with donors' conditions.

(h) Income and expenditure included in the Core Trust Administration Fund

Income and expenditure is accounted for on an accruals basis. The Core Trust Administration Fund for General Administration Costs exists in order to fund the administration and operating expenses of the PIDG. Under agreement dated 1 December 2001, DFID had undertaken to make available contributions to cover any shortfall which would otherwise arise from the excess of expenses over interest receivable. Where amounts are receivable with certainty at the year end, these are credited to "Contributions receivable to cover costs and fees".

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST
NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2003

2	INVESTMENTS	EAIF US\$	GuarantCo US\$	2003 US\$
(a)	Shares in PIDG special purpose companies at cost			
	As at 1 January 2003	56,000,000	-	56,000,000
	Additions at cost	30,000,000	9,743,250	39,743,250
	As at 31 December 2003	<u>86,000,000</u>	<u>9,743,250</u>	<u>95,743,250</u>
	Impairment in value			
	As at 1 January 2003	5,805,055	-	5,805,055
	Impairment in year	3,181,991	-	3,181,991
	As at 31 December 2003	<u>8,987,046</u>	<u>-</u>	<u>8,987,046</u>
	Net book value			
	As at 31 December 2003	<u>\$77,012,954</u>	<u>\$9,743,250</u>	<u>\$86,756,204</u>
	As at 31 December 2002	<u>\$50,194,945</u>	<u>\$ -</u>	<u>\$50,194,945</u>

The above investments represent 8,600,000 Ordinary \$10 shares, being the entire share capital of EAIF and 5,500,000 Ordinary £1 shares, being the entire share capital of GuarantCo.

Consolidated accounts are not prepared. The PIDG Trust invests in special purpose companies in order to further its international development objectives. These carry on activities distinct from PIDG Trust and the trustees consider that the consolidation of these special purpose companies would be misleading.

(b) The Emerging Africa Infrastructure Fund Limited

Constitution

The company was incorporated with limited liability in the Republic of Mauritius on 18 December 2001. The principal activity of the company is that of providing long-term financing to private sector infrastructure projects in sub-Saharan Africa.

As at 31 December 2003, EAIF reported net assets of US\$77,012,954 and a loss for the year to 31 December 2003 of US\$3,181,991.

Additional Funding

DFID made an arrangement to make available to the PIDG Trust a contribution not exceeding US\$100,000,000. Under the terms of the agreement this contribution was to support an African Private Infrastructure Financing Facility operated through a special purpose company called The Emerging Africa Infrastructure Fund Limited. The monies are intended to be used to purchase equity in the EAIF as follows:-

		US\$
December	2001	21,000,000
March	2002	17,500,000
September	2002	17,500,000
March	2003	15,000,000
September	2003	15,000,000
March	2004	14,000,000
		<u>\$100,000,000</u>

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2003

2 INVESTMENTS (continued)

Additional Funding (continued)

Subsequent share contributions up to the maximum amounts shown depend on various factors which are assessed before each due date.

(c) GuarantCo Limited

Constitution

The company was incorporated in London on 18th September 2003. The principal activity of the company is in support of the establishment and operation of a local currency guarantee facility for infrastructure investments in developing countries.

As at 31 December 2003, GuarantCo had remained dormant since incorporation.

The GuarantCo concept involves the establishment of a company that will offer partial guarantees on issues of paper (note and bonds) by private sector infrastructure companies and municipal entities, in lower income developing countries. GuarantCo's primary aim is to keep institutional funds within these markets, which cannot at the moment be accessed by infrastructure projects.

A "Market Assessment & Financial Feasibility Review" with respect to the GuarantCo concept was completed in May 2003 and a Synthesis Report on the findings was presented to the PIDG.

The Design and Implementation Phase is to be financed in two stages. The first stage, the Start-up Phase, will fund the immediate tasks and certain business planning and operational tasks.

DFID and Sida have provided funding for the start up phase with equal contributions not exceeding £200,000 each (in aggregate US\$650,220).

Additional Funding

DFID made an arrangement to make available to the PIDG Trust a contribution not exceeding US\$25,000,000 at ruling rates of foreign exchange.

The monies are intended to be used to purchase equity in GuarantCo as follows:-

	US\$
2003/4	9,000,000
2004/5	8,000,000
2005/6	8,000,000
	<hr/>
	\$25,000,000
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THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2003

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2003	2002
	US\$	US\$
Cash on hand and balances at bank	711,200	71,906
Cash and cash equivalents	<u>\$711,200</u>	<u>\$71,906</u>

4 CONDITIONAL LOAN AGREEMENTS

- (a) Sida, (as the lender) has entered into an agreement with the PIDG Trust (as Borrower) on 14th March 2003 to lend a maximum total amount of US\$20,000,000 as a contribution to the financing of and the establishment and operation of the EAIF or such other purpose of the PIDG as may be agreed by the Lenders with the PIDG.
- (b) SECO, (as the lender) has entered into an agreement with the PIDG Trust (as Borrower) on 14th March 2003 to lend a maximum total amount of US\$10,000,000 on similar terms as above.
- (c) DGIS (as the lender) has entered into an agreement with the PIDG Trust (as Borrower) on 13th May 2003 to lend a maximum total amount of US\$20,000,000 on similar terms as above.

During the year ended 31 December 2003, the Trust received the following loan advances as contributions to the financing, establishment of and the operations of EAIF.

	2003
	US\$
Sida Received on 14 March 2003:	15,000,000
SECO Received on 14 March 2003:	10,000,000
DGIS Received on 13 May 2003:	5,000,000
	<u>\$30,000,000</u>

The above loans have no fixed repayment terms and shall bear no interest.

The US\$30,000,000 received was invested in a further 3,000,000 Ordinary \$10 shares in EAIF (See note 2).

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2003

5	ACCUMULATED FUNDS	2003 GuarantCo Start-up Fund US\$	2003 Concept Development Fund US\$	2003 DevCo Project Development Fund US\$	2003 General Administration Fund US\$	2003 Total Accu'd Funds US\$
	Income					
	Contributions receivable to cover costs and fees					
	DFID	314,160	70,000	166,369	2,105	552,634
	DGIS	-	70,000	-	12,000	82,000
	SECO	-	70,000	-	12,000	82,000
	Sida	336,060	70,000	-	12,000	418,060
	The World Bank	-	70,000	-	4,000	74,000
	Currency movement	54,337	-	4,827	-	59,164
	Gross bank deposit	-	-	-	-	-
	Interest receivable	-	-	-	3,031	3,031
	Income tax provision	-	-	-	(107)	(107)
	Net income receivable	<u>704,557</u>	<u>350,000</u>	<u>171,196</u>	<u>45,029</u>	<u>1,270,782</u>
	Expenditure					
	S G Hambros Trust Company Limited					
	Annual Management fee	-	-	-	52,085	52,085
	MC Trust Mgmt Fee	-	-	-	3,400	3,400
	Minimax Mgmt fee	-	-	-	3,400	3,400
	Consultancy fees	359,688	22,751	115,269	-	497,708
	Directors fees	17,480	-	-	-	17,480
	Legal fees	-	20,594	-	2,300	22,894
	Audit fees	-	-	-	31,346	31,346
	Accountancy fees	-	-	-	2,161	2,161
	Other expenses	38	-	-	60	98
	Total expenditure	<u>377,206</u>	<u>43,345</u>	<u>115,269</u>	<u>94,752</u>	<u>630,572</u>
	Retained surplus/ (deficit) for the year	327,351	306,655	55,927	(49,723)	640,210
	Accumulated funds brought forward	-	-	-	-	-
	Accumulated funds carried forward	<u>\$327,351</u>	<u>\$306,655</u>	<u>\$55,927</u>	<u>\$(49,723)</u>	<u>\$640,210</u>

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2003

5 ACCUMULATED FUNDS (Continued)

(a) GuarantCo Start Up Fund

A "Market Assessment & Financial Feasibility Review" with respect to the GuarantCo concept was completed in May 2003 and a Synthesis Report on the findings was presented to the PIDG.

The Design and Implementation Phase is to be financed in two stages. The first stage, the Start-up Phase, will fund the immediate tasks and certain business planning and operational tasks.

DFID and Sida have provided funding for the start up phase with equal contributions not exceeding £200,000 each (in aggregate US\$650,220).

(b) Concept Development Fund

PIDG have agreed to make contributions to Concept Development Costs to cover the costs incurred in developing proposals for activities and projects to a stage at which PIDG may reasonably consider investing in them, including consultants' fees and reimbursable expenses incurred with the prior unanimous agreement of the PIDG donors.

(c) DevCo Project Development Fund

Programme Manager

DFID made an arrangement on 29th April 2003 to make available to the PIDG Trust a grant not exceeding (£73,203) US\$128,413 for the purpose of financing the engagement of the Development Company Programme Manager. The funds are to investigate the potential for establishing a Project Development Company (DevCo) to address the need for local currency guarantees and the high upfront cost of project preparation, together with assessing potential for an additional private sector option. A Project Manager was appointed to co-ordinate the DevCo initiative.

Principal Design Consultant

DFID made an arrangement on August 2003 to make available a grant not exceeding \$193,856 (£109,000) to undertake the design study for the development of DevCo Principal.

The Purpose of this study is to prepare a detailed design and implementation plan for the pilot phase of DevCo Principal for consideration by the PIDG and the other potential sponsors.

(d) General Administration Fund

General Administration Costs will include the following:-

- (a) Secretariat fees and reimbursable expenses;
- (b) Trustee's fees and reimbursable expenses and any fees and expenses properly due to the Protector and Enforcer under the Declaration of Trust;
- (c) Ad-hoc legal advice to PIDG;
- (d) All reasonable costs relating to hosting PIDG meetings, but excluding travel and accommodation costs of donors' representatives ("Meeting Costs");
- (e) Any shortfall in EAIF funds available for the payment of the fees of PIDG Trust-nominated directors of EAIF; and
- (f) Any other administration costs approved by PIDG from time to time.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2003

5 ACCUMULATED FUNDS (Continued)

(d) General Administration Fund (Continued)

Until 30 June 2004, DFID has agreed to bear the following:-

- (a) Secretariat fees and expenses (up to a maximum sum of US\$134,700 for the period June 2002 –June 2004);
- (b) Shortfall in funds available for Trustees' fees and expenses in relation to EAIF (up to US\$50,000 in 2003 and US\$25,000 in 2004);
- (c) Meeting Costs (up to a sum of US\$1,000 in 2003);and
- (d) Shortfall in funds available for the payment of the PIDG Trust nominated Directors of EAIF.

After 30th June 2004, all other General Administration Costs, will be born by all of the Donors in equal amounts.

6 ACQUISITION OF EAIF AND GUARANTCO

During the year, the PIDG Trust acquired Ordinary share capital in EAIF and GuarantCo. The share capital was newly allotted capital and as such the cash flow on acquisition was purely consideration paid of \$30,000,000 and \$9,743,250 respectively.

7 TAXATION

For taxation purposes, the PIDG Trust is treated as resident in the UK. Accordingly, provision for income tax payable in respect of non-exempt income is made at current rates of taxation in force.

8 RELATED PARTY TRANSACTIONS

During the period under review, the following related party transactions occurred and balances were outstanding as at 31 December 2003:

Transactions with the Trustees of the Trust:

Fees Charged		2003	2002
		US\$	US\$
SG Hambros Trust Company Limited	Establishment fee	-	19,012
SG Hambros Trust Company Limited	Annual Management fee	52,085	47,529
MC Trust Ltd	Annual Management fee	3,400	1,100
Minimax Ltd	Annual Management fee	3,400	1,100

Amounts owed at the year end

SG Hambros Trust Company Limited	54,246	66,541
MC Trust Ltd	4,500	1,100
Minimax Ltd	4,500	1,100

Transactions with the Protector and PIDG secretariat:

CA Legal

Fees Charged	114,687	-
Amounts owed at the year end	48,196	-

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2003

8 RELATED PARTY TRANSACTIONS (Continued)

Transactions with special purpose companies:

During the year, the PIDG Trust has acquired a further 3,000,000 Ordinary \$10 shares of Emerging Africa Infrastructure Fund Limited (EAIF), its wholly owned special purpose company and 5,500,000 Ordinary £1 shares of GuarantCo Limited. These investments are both wholly owned by the PIDG Trust.

Control

The PIDG Trust is controlled jointly by the three Trustees, who act in consultation with the PIDG Secretariat and the relevant PIDG members.

9 SUBSEQUENT EVENTS

Subsequent to 31 December 2003, the PIDG Trust has undertaken the following material transactions: -

Movements on Capital Account

On 31 March 2004 the PIDG Trust was due to receive an amount of US\$14,000,000 from the Donors to purchase further equity in EAIF.

Of the US\$86,000,000 Equity of EAIF only US\$42,000,000 will have been used for Investments by 31 December 2003. The Share Subscription of US\$14,000,000 is not required by EAIF on the 31 March 2004 to meet its obligations under the Master Agreement and was therefore waived.

Projects

Technical Assistance Facility

On 5 February 2004 the PIDG Trust received an amount of US\$3,700,000 from The World Bank. The purpose of this grant was to support capacity building, technical assistance, studies and training to facilitate in-country development and/or implementation of short term and medium term projects to be financed or guaranteed by one or more of the PIDG Trust investment vehicles.

AsPIFF

On 11 March 2004 the PIDG Trust received the sum of US\$10,000 from DFID. This was for the purpose of investigating the need for donor assistance to promote increased private investment in to the infrastructure of the poorer countries of Asia and the need to establish a dedicated Asia Private Infrastructure Financing Facility.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2003

10 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

Fair Values

The PIDG Trust's financial assets include non-current investments which are reviewed for impairment each year end.

The PIDG Trust's current financial assets and liabilities include accrued contributions receivable, cash and cash equivalents and other payables. All of these financial assets and liabilities are realised or settled within a short time period and therefore the carrying amount of these assets and liabilities approximate to fair values.

The PIDG Trust's financial liabilities include non-current loan balances from donors. These loan balances do not attract interest and have no fixed repayment terms, therefore the principal amounts owing at the balance sheet date approximate to fair values.

Associated Risks

The PIDG Trust's activities expose it to various types of risk in the normal course of its operations. The Trustees consider the risks to be minimal since no payments are made, or expenses incurred in advance of contributions, or commitments to cover such payments or expenditure having been received.