

**THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST**

**“THE PIDG TRUST”**

**REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2005**

**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 2005**

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## **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

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

Multiconsult Trustees Limited – Mauritian Resident Company (formerly MC Trust Limited)  
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 the Secretary of State for International Development at the Department for International Development (“DFID”)

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

The Netherlands Ministry for Foreign Affairs (“DGIS”)

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

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

### **ENFORCER**

DFID

### **PROTECTOR**

No protector has been appointed and therefore CA Legal, a division of the Crown Agents for Overseas Government & Administrations Limited, are acting as current protector.

### **PROGRAMME MANAGEMENT UNIT**

The PIDG appointed CA Legal as its Programme Management Unit (“PMU”) (formerly known as the PIDG Secretariat) with effect from 1<sup>st</sup> March 2005.

**THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST**

**LEGAL AND ADMINISTRATIVE INFORMATION (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2005**

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**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**

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 2005

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The Trustees present the annual report and audited financial statements for the year ended 31 December 2005.

These financial statements have been prepared under the provisions of the Amended and Restated Declaration Trust described below and in accordance with applicable International Financial Reporting 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 as amended by an Amended and Restated Declaration of Trust dated 14 March 2003 (the "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;
- iii. 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;
- iv. 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 PMU, 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 the PIDG 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 PMU and the relevant PIDG member / PIDG Programme Manager.

The Trustees act at the instruction of the PMU 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 2005

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### REPORTING RESPONSIBILITIES

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

### INVESTMENT POLICY

The PIDG 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 Declaration of Trust.

The PMU 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 funding the following PIDG programmes in the year ended 31 December 2005

- The Emerging Africa Infrastructure Fund Limited ('EAIF')
- GuarantCo Limited (UK) and GuarantCo Limited (Mauritius) ('GuarantCo')
- DevCo Principal Design Consultancy and Programme Manager ('DevCo')
- AsPIFF Task Manager ('AsPIFF')
- InfraCo Limited ('InfraCo')
- Technical Assistance Facility ('TAF')

### 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

18 October 2006

SG House  
41 Tower Hill  
London EC3N 4SG

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

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We have audited the non-consolidated financial statements of the Private Infrastructure Development Group Trust ('PIDG Trust') for the year ended 31 December 2005 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.

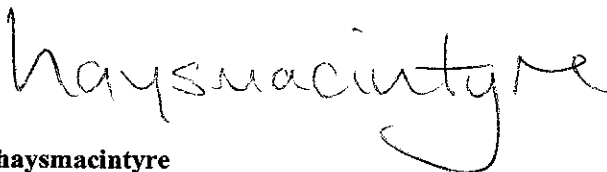
**Basis of audit opinion**

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 2005 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**

18 October 2006

**Fairfax House**  
**15 Fulwood Place**  
**London**  
**WC1V 6AY**

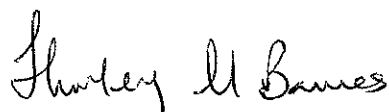
**THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST**

**BALANCE SHEET**

**AS AT 31ST DECEMBER 2005**

	Note	2005		2004	
		US\$	US\$	US\$	US\$
<b>Non-current assets</b>					
Investments	2		121,966,862		88,589,085
<b>Current assets</b>					
Debtors	3	2,171,985		-	
Accrued contributions receivable		-		37,226	
Cash and cash equivalents	4	5,622,591		6,211,108	
			<u>7,794,576</u>		<u>6,248,334</u>
<b>TOTAL ASSETS</b>			<u>\$129,761,438</u>		<u>\$94,837,419</u>
<b>CAPITAL, FUNDS AND LIABILITIES</b>					
<b>Capital account</b>					
			89,088,342		58,589,085
<b>Accumulated funds</b>	6		<u>5,423,117</u>		<u>6,048,484</u>
<b>Capital and funds</b>			94,511,459		64,637,569
<b>Non-current liabilities</b>					
Loans	5		35,000,000		30,000,000
<b>Current liabilities</b>					
Income tax provision		81,019		16,200	
Other payables		168,960		183,650	
			<u>249,979</u>		<u>199,850</u>
<b>TOTAL CAPITAL, FUNDS AND LIABILITIES</b>			<u>\$129,761,438</u>		<u>\$94,837,419</u>

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



SG Hambros Trust Company Limited

18 October 2006

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 2005**

The following contributions were received from DFID:

	<b>Note</b>	<b>2005 US\$</b>	<b>2004 US\$</b>
<b>Balance brought forward</b>		58,589,085	56,756,204
Capital contributions received from DFID		25,608,239	296,191
		<u>84,197,324</u>	<u>57,052,395</u>
Improvement/(Impairment) of value of shareholdings	2a	4,891,018	1,536,690
<b>Balance carried forward</b>		<u><u>\$89,088,342</u></u>	<u><u>\$58,589,085</u></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 2005**

	Note	Year ended 31 December		Period ended 31 December	
		2005 US\$	2005 US\$	2004 US\$	2004 US\$
<b>Income</b>					
Contributions receivable to cover costs and fees			1,971,572		6,989,163
Gain/(Loss) on foreign currency exchange			-		10,899
Gross bank deposit interest		190,516		41,319	
Income tax provision		(81,019)		(16,200)	
			109,497		25,119
<b>Net income receivable</b>	6		2,081,069		7,025,181
<b>Expenditure</b>					
SG Hambros Trust Company Limited Annual Management fee		101,910		111,105	
Multiconsult Trustees Management fee		10,435		10,150	
Minimax Management fee		10,435		10,150	
Consultancy fees	6 b (g)	1,867,551		1,059,343	
Directors fees		-		13,750	
Legal fees	6 b (g)	-		376,700	
Audit fee		20,017		21,505	
Accountancy fees		-		-	
Grants made		577,537		-	
Other expenses		53,746		14,204	
Gain/(Loss) on foreign currency exchange		64,805		-	
<b>Total expenditure</b>	6		(2,706,436)		(1,616,907)
<b>Retained (deficit)/surplus for the year transferred to accumulated funds</b>	6		(625,367)		5,408,274
<b>Accumulated funds brought forward</b>	6		6,048,484		640,210
<b>Accumulated funds carried forward</b>	6		\$5,423,117		\$6,048,484

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 2005**

	NOTES	Year ended 31 December 2005 US\$	Period ended 31 December 2004 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Retained surplus for the year		(625,367)	5,408,274
Adjustments for:			
Interest income		(190,516)	(41,319)
Decrease/(increase) in contributions receivable		37,226	250,774
Decrease/(increase) in other debtors		(50,505)	
(Decrease)/increase in income tax provision		64,819	(8,484)
(Decrease)/increase in other payables		(14,690)	(150,656)
<i>Cash generated from operations</i>		<u>(779,033)</u>	<u>5,458,589</u>
<i>Net cash from operating activities</i>		(779,033)	5,458,589
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of shares in EAIF	2	(9,000,000)	-
Acquisition of shares in GuarantCo (Mauritius)	2	(15,693,159)	-
Acquisition of shares in InfraCo	2	(5,915,080)	(296,191)
Interest received		190,516	41,319
<i>Net cash from investing activities</i>		<u>(30,417,723)</u>	<u>(254,872)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from long term borrowings	5	5,000,000	-
Proceeds from contributions to capital account		25,608,239	296,191
<i>Net cash from financing activities</i>		<u>30,608,239</u>	<u>296,191</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>		(588,517)	5,499,908
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<u>6,211,108</u>	<u>711,200</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	4	<u>\$5,622,591</u>	<u>\$6,211,108</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 2005

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### 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.

IAS 27 states that consolidated financial statements should include all subsidiaries of the parent undertaking.

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

#### (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 an 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 up to June 2004. Under the Constitution of the PIDG, after June 2004, General Administration Costs will be born by all the donors in equal amounts. 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 2005**

2. INVESTMENTS	EAIF US\$	GuarantCo UK US\$	GuarantCo Mauritius US\$	InfraCo US\$	2005 Total US\$
<b>(a) Shares in PIDG special purpose companies at cost</b>					
As at 1 January 2005	86,000,000	9,743,250	-	296,191	96,039,441
Additions at cost	9,000,000	-	24,554,139	3,793,600	37,347,739
As at 31 December 2005	95,000,000	9,743,250	24,554,139	4,089,791	133,387,180
<b>Improvement/(Impairment) in value</b>					
As at 1 January 2005	(7,450,356)	-	-	-	(7,450,356)
Increase/(decrease) in value in respect of increase/(decrease) of net assets	7,423,346	(568,524)	(72,313)	(1,891,491)	4,891,018
Transfer of funds to GuarantCo Mauritius on liquidation	-	(8,860,980)	-	-	(8,860,980)
As at 31 December 2005	(27,010)	(9,429,504)	(72,313)	(1,891,491)	(11,420,318)
<b>Net book value</b>					
As at 31 December 2005	\$94,972,990	\$ 313,746	\$24,481,826	\$2,198,300	\$121,966,862
As at 31 December 2004	\$78,549,644	\$9,743,250	\$ -	\$296,191	\$88,589,085

The above investments represent 9,500,000 Ordinary \$10 shares, being the entire share capital of EAIF, 24,824,139.80 Ordinary \$1 shares, being the entire share capital of GuarantCo Mauritius and 2,167,000 Ordinary £1 shares, being the entire share capital of InfraCo.

**(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 2005, EAIF reported net assets of US\$ 94,972,990 (2004: US\$ 78,549,644) and a profit for the year to 31 December 2005 of US\$5,478,353 which, after allowing for the revaluation of one of the company's assets, resulted in an increase in its net assets, and therefore carrying value, of US\$7,423,346 (2004: US\$499,699).

**Additional Funding**

The Trustees of the PIDG Trust made a share subscription of US\$5,000,000 to EAIF on 7 October 2005 and a share subscription of US\$4,000,000 on 25 November 2005. This share subscription was part of a share subscription of US\$14,000,000 that was originally due on 31 March 2004 but which was waived by EAIF and its lenders.

The outstanding share subscription of US\$5,000,000 is due by 31 December 2006. In the event that this further subscription is made DGIS will make available such funds to the PIDG Trust for this purpose.

## THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

### NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

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#### 2. INVESTMENTS (continued)

##### (c) GuarantCo Limited (UK)

###### Constitution

The company was incorporated in London on 18th September 2003 but transferred its business to GuarantCo Limited (Mauritius) on 15<sup>th</sup> September 2005. GuarantCo Limited (UK) is now in liquidation.

The principal activity of the company was support of the establishment and operation of a local currency guarantee facility for infrastructure investments in developing countries.

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.

DFID made an arrangement to make available to the PIDG Trust a contribution not exceeding £15,600,000 at ruling rates of foreign exchange.

On 31 December 2003 a contribution of £5,500,000 (US\$9,743,250) was received from DFID and invested by the PIDG Trust in the equity share capital of GuarantCo Limited (UK).

As at 31 December 2005, GuarantCo Limited (UK) had net assets of £177,438 or US\$313,746. This is represented by cash of US\$346,801 and accruals of US\$33,055.

##### (d) GuarantCo Limited (Mauritius)

###### Constitution

The company was incorporated in the Republic of Mauritius on 25 August 2005. GuarantCo Limited (UK) transferred its business to GuarantCo Limited (Mauritius) on 15<sup>th</sup> September 2005.

The principal activity of the company is support of the establishment and operation of a local currency guarantee facility for infrastructure investments in developing countries.

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.

As at 31 December 2005, GuarantCo Limited (Mauritius) reported net assets of US\$24,481,827 and a loss for the period to 31 December 2005 of US\$72,313.

###### Additional Funding

On 14 November 2005 the PIDG Trust made a share subscription of US\$8,860,980 to GuarantCo Limited (Mauritius) via the liquidator of GuarantCo Limited (UK).

On 16 December 2005 the PIDG Trust made a share subscription of £9,146,200 (US\$15,693,158.80) to GuarantCo Limited (Mauritius), using the remainder of DFID's commitment.

# THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2005

#### 2. INVESTMENTS (continued)

##### (e) InfraCo Limited

###### Constitution

The company was incorporated in England on 4 August 2004. The principal activity of the company is to develop projects in the infrastructure sector of the poorer developing countries and endeavour to sell on the implementation of these projects to private investors.

DFID made an arrangement to make available to the PIDG Trust a contribution not exceeding £5,900,000 at ruling rates of foreign exchange for the purpose of funding InfraCo.

On 9 September 2004 a contribution of £167,000 (US\$296,191) was received from DFID and was invested in the equity share capital of InfraCo.

As at 31 December 2005, InfraCo reported net assets of £1,128,113 or US\$2,198,300 (2004: US\$296,191) and a loss for the period to 31 December 2005 of £ 1,038,887 or US\$1,891,491.

###### Additional Funding

The Trustees made a share subscription of £2,000,000 (US\$3,793,600) to InfraCo on 24 February 2005 in return for 2,000,000 ordinary £1 shares in InfraCo.

The Trustees made a share subscription of £1,200,000 to InfraCo (US\$2,121,480) on 29 September 2005 in return for 1,200,000 ordinary £1 shares in InfraCo. The share certificate for this subscription was not actually issued until after the year end. Therefore this balance is included within debtors rather than as an investment within these accounts.

#### 3. DEBTORS

	2005 US\$	2004 US\$
Advances in lieu of share subscriptions	2,121,480	-
PMU cost to be reimbursed	50,505	-
	<u>\$2,171,985</u>	<u>\$-</u>

#### 4. 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:

	2005 US\$	2004 US\$
Balances at bank	5,622,591	688,723
Short term cash deposits	-	5,522,385
	<u>\$5,622,591</u>	<u>\$6,211,108</u>

**THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2005**

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**5. 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. Within 2003 US\$15,000,000 was received and invested in the equity share capital of EAIF.

During the year ended 31 December 2005, the Trust received a further loan advance contribution from Sida of US\$5,000,000 to the financing, establishment of and the operations of EAIF.

- (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. Within 2003 US\$10,000,000 was received and invested in the equity share capital of EAIF.
- (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. Within 2003 US\$5,000,000 was received and invested in the equity share capital of EAIF.

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



**THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2005**

**6. ACCUMULATED FUNDS**

	2005 GuarantCo US\$	2005 Project Development Fund US\$	2005 DevCo Project Development Fund US\$	2005 Technical Assistance Facility US\$	2005 AsPIFF Development Fund US\$	2005 General Administration Fund US\$	2005 Total Accu'd Funds US\$
<b>Income</b>							
Contributions receivable to cover costs and fees							
DFID	532,200	50,000	-	-	519,372	180,000	1,281,572
DGIS	-	50,000	-	-	-	180,000	230,000
SECO	-	50,000	-	-	-	180,000	230,000
Sida	-	50,000	-	-	-	180,000	230,000
The World Bank	-	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	190,516	190,516
Income tax provision	-	-	-	-	-	(81,019)	(81,019)
<b>Net income receivable</b>	<u>532,200</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>519,372</u>	<u>829,497</u>	<u>2,081,069</u>
<b>Expenditure</b>							
Annual management fee:-							
SG Hambros Trust Co	-	-	-	-	-	(101,910)	(101,910)
MC Trust	-	-	-	-	-	(10,435)	(10,435)
Minimax	-	-	-	-	-	(10,435)	(10,435)
Consultancy fees	-	(52,192)	(1,146)	(897,950)	(479,947)	(436,316)	(1,867,551)
Directors fees	-	-	-	-	-	-	-
Legal fees	-	-	-	-	-	-	-
Audit fees	-	-	-	-	-	(20,017)	(20,017)
Grants made	(577,537)	-	-	-	-	-	(577,537)
Other expenses	-	(7,381)	(4,853)	(7,724)	-	(33,788)	(53,746)
Currency movement	(1,212)	(4,758)	(363)	-	(43,220)	(15,252)	(64,805)
<b>Total expenditure</b>	<u>(578,749)</u>	<u>(64,331)</u>	<u>(6,362)</u>	<u>(905,674)</u>	<u>(523,167)</u>	<u>(628,153)</u>	<u>(2,706,436)</u>
<b>Retained surplus/ (deficit) for the year</b>	(46,549)	135,669	(6,362)	(905,674)	(3,795)	201,344	(625,367)
<b>Transfer between funds</b>	-	50,000 *	-	(230,000)	-	180,000	-
<b>Accumulated funds brought forward</b>	<u>46,549</u>	<u>65,279</u>	<u>12,208</u>	<u>6,007,888</u>	<u>18,774</u>	<u>(102,214)</u>	<u>6,048,484</u>
<b>Accumulated funds carried forward</b>	<u>\$-</u>	<u>\$250,948</u>	<u>\$5,846</u>	<u>\$4,872,214</u>	<u>\$14,979</u>	<u>\$279,130</u>	<u>\$5,423,117</u>

\* Funds still to be transferred internally from the Technical Assistance bank account to the Project Development Costs bank account.

**THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2005**

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**6. ACCUMULATED FUNDS (Continued)**

**(a) Project Development Fund (formerly Concept Development Fund)**

PIDG have agreed to make contributions to the Project Development Fund 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.

**(b) General Administration Fund**

General Administration Costs will include the following:-

- (a) PMU's 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;
- (f) Any other administration costs approved by PIDG from time to time; and
- (g) Legal fees have not been incurred in 2005 as these are included within the PMU Consultancy Contract.

**(c) Technical Assistance Facility**

PIDG have established the TAF to support capacity building, technical assistance, studies and training to facilitate in-country development. Assistance will be provided to both the public and private sectors in support of the planning and implementation of projects and programmes of any of the facilities and funds undertaken under the PIDG umbrella on a "challenge fund" basis.

The World Bank made two arrangements on 22 October 2003 and 22 September 2004 to make available US\$3,700,000 and US\$3,000,000 respectively. These funds were received in 2004.

The TAF executed seven TAF grants to PIDG initiatives during 2005 totalling US\$3,210,570. At 31 December 2005, US\$891,820 has been disbursed.

An extension was granted by The World Bank for any funds not disbursed within the year 2005 to 31 July 2006.

**(d) AsPIFF**

In 2005 the PIDG in partnership with the Asian Development Bank, embarked on a detailed examination on how it might help alleviate constraints to private sector development in poorer Asian countries by establishing a facility which both brings together other existing PIDG facilities under an Asian focus and builds upon these as necessary to meet other identified constraints.

The PIDG Trust has retained the services of CEPA to carry out a Feasibility and Design Study which is funded by DFID, through the PIDG Trust, who contributed a further £270,000 (US\$519,372) on 7 March 2005.

# THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2005

#### 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. As at 6 April 2005 the current rates of taxation in force is still 40%. Tax is paid out of interest earned by the PIDG Trust on its bank accounts.

#### 8. RELATED PARTY TRANSACTIONS

During the period under review, the following related party transactions occurred and balances were outstanding as at 31 December 2005

##### Transactions with the Trustees of the Trust:

Fees Charged		2005	2004
		US\$	US\$
SG Hambros Trust Company Limited	Annual Management fee	101,910	111,105
MC Trust Ltd	Annual Management fee	10,435	10,150
Minimax Ltd	Annual Management fee	10,435	10,150

##### Amounts owed at the year end

SG Hambros Trust Company Limited	-	56,517
MC Trust Ltd	-	-
Minimax Ltd	-	-

##### Transactions with the Protector and PMU/Adhoc Legal CA Legal

Fees Charged:	CA Legal (Jan/Feb 2005)	18,151	122,567
	PMU (Fixed fee element)	322,500	-
	PMU (Variable costs)	76,368	-
	PMU (VAT)	69,802	-

##### Year end debtor / (creditor):

Amounts owed at the year end to The PIDG Trust	50,505	-
Amounts owed at the year end to CA Legal	(46,867)	(54,320)

#### Control

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

**THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2005**

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**9. SUBSEQUENT EVENTS**

Subsequent to 31 December 2005, the PIDG Trust has undertaken the following material transactions: -

**Movements on Capital Account**

On 5 April 2006 a conditional loan of £2,831,257.08 (in aggregate US\$5,000,000) was made by DGIS that related to a share subscription to InfraCo.

**Projects**

On 27 March 2006, DFID made a contribution into the Technical Assistance Facility for US\$1,639,400.

**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.