

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

"THE PIDG TRUST"

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2006**

**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 2006

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 (“DONORS”)

The Austrian Development Agency (“ADA”)

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, is acting as current protector.

PROGRAMME MANAGEMENT UNIT

CA Legal

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

LEGAL AND ADMINISTRATIVE INFORMATION (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

AUDITORS

haysmacintyre
Fairfax House
15 Fulwood Place
London
WC1V 6AY

BANKERS

SG Hambros Bank 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 2006

The Trustees present the annual report and audited financial statements for the year ended 31 December 2006.

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 investments 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, project development costs and the Technical Assistance Facility ("TAF").

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 Donor/PIDG Programme Manager. In particular, for certain acts in relation to investment vehicles, the Trustees cannot act without the prior written permission of the Protector of the PIDG Trust

In particular, the Trustees act at the instruction of the PMU and in accordance with the Declaration of Trust.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

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 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 programmes in the year ended 31 December 2006

- The Emerging Africa Infrastructure Fund Limited ('EAIF')
- GuarantCo Limited (Mauritius) ('GuarantCo')
- AsPIFF Feasibility and Design Study ('AsPIFF')
- InfraCo Limited ('InfraCo')
- Technical Assistance Facility ('TAF')
- Currency Liquidity Facility Design Study ("CLF")

RESULTS

The results for the period and movement in accumulated funds are set out on page 9 within the Statement of Accumulated Funds.

AUDIT INFORMATION

So far as the Trustees are aware, there is no relevant audit information of which the Trust's auditors are unaware.

The Trustees have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the Trust's auditors are aware of that information.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

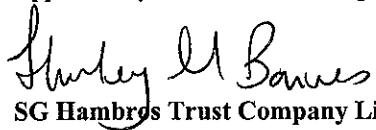

TRUSTEES' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

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

29 October 2007

**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 PIDG Trust for the year ended 31 December 2006 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 whether, in our opinion, the Trustees' Report is 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 2006 and of its results of operations and cash flows for the year then ended, have been properly prepared in accordance with applicable International Financial Reporting Standards and the Trustees' Report is consistent with the financial statements.



haysmacintyre
Chartered Accountants
Registered Auditors

29 October 2007

Fairfax House
15 Fulwood Place
London
WC1V 6AY

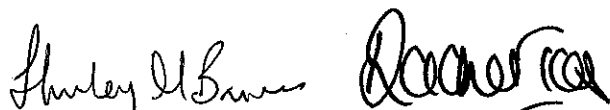
THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

BALANCE SHEET

AS AT 31ST DECEMBER 2006

	Note	2006		2005	
		US\$	US\$	US\$	US\$
Non-current assets					
Investments	2		119,749,525		121,966,862
Current assets					
Debtors	3	8,764,620		2,171,985	
Accrued contributions receivable		-			
Cash and cash equivalents	4	16,780,644		5,622,591	
			<u>25,545,264</u>	<u>7,794,576</u>	
TOTAL ASSETS			<u>\$145,294,789</u>		<u>\$129,761,438</u>
CAPITAL, FUNDS AND LIABILITIES					
Capital account					
			88,373,955		89,088,342
Accumulated funds	6		6,721,281		5,423,117
Capital and funds			<u>95,095,236</u>		<u>94,511,459</u>
Non-current liabilities					
Loans	5		49,800,000		35,000,000
Current liabilities					
Income tax provision		120,671		81,019	
Other payables		278,882		168,960	
			<u>399,553</u>	<u>249,979</u>	
TOTAL CAPITAL, FUNDS AND LIABILITIES			<u>\$145,294,789</u>		<u>\$129,761,438</u>

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


 SG Hambros Trust Company Limited

29 October 2007

The notes on pages 11 to 19 form part of these financial statements.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

CAPITAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

The following contributions were received from DFID:

	Note	2006 US\$	2005 US\$
Balance brought forward		89,088,342	58,589,085
Capital contributions received from DFID		3,624,431	25,608,239
		<u>92,712,773</u>	<u>84,197,324</u>
Improvement/(Impairment) of value of shareholdings	2a	(4,338,818)	4,891,018
Balance carried forward		<u><u>\$88,373,955</u></u>	<u><u>\$89,088,342</u></u>

The notes on pages 11 to 19 form part of these financial statements.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

STATEMENT OF ACCUMULATED FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	Year ended 31 December		Period ended 31 December	
		2006 US\$	2006 US\$	2005 US\$	2005 US\$
Income					
Contributions receivable to cover costs and fees			4,900,034		1,971,572
Gain/(Loss) on foreign currency exchange			-		
Gross bank deposit interest		286,519		190,516	
Income tax provision		(120,671)		(81,019)	
			165,848		109,497
Net income receivable	6		<u>5,065,882</u>		<u>2,081,069</u>
Expenditure					
SG Hambros Trust Company Limited Annual Management fee		113,773		101,910	
Multiconsult Trustees Management fee		10,400		10,435	
Minimax Management fee		10,400		10,435	
Consultancy fees	6 b (g)	3,542,758		1,867,551	
Directors fees		-		-	
Legal fees		-		-	
Audit fee		29,364		20,017	
Accountancy fees		-		-	
Grants made				577,537	
Other expenses		122,204		53,746	
Gain/Loss on foreign currency exchange		(61,181)		64,805	
Total expenditure	6		<u>(3,767,718)</u>		<u>(2,706,436)</u>
Retained (deficit)/surplus for the year transferred to accumulated funds	6		1,298,164		(625,367)
Accumulated funds brought forward	6		5,423,117		6,048,484
Accumulated funds carried forward	6		<u>\$6,721,281</u>		<u>\$5,423,117</u>

The notes on pages 11 to 19 form part of these financial statements.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	NOTES	Year ended 31 December 2006 US\$	Period ended 31 December 2005 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Retained surplus for the year		1,298,164	(625,367)
Adjustments for:			
Interest income		(285,519)	(190,516)
Decrease/(increase) in contributions receivable		(60,000)	37,226
Decrease/(increase) in other debtors		(31,755)	(50,505)
(Decrease)/increase in income tax provision		39,652	64,819
(Decrease)/increase in other payables		109,921	(14,690)
<i>Cash generated from operations</i>		<u>1,069,463</u>	<u>(779,033)</u>
<i>Net cash from operating activities</i>		1,069,463	(779,033)
CASH FLOWS FROM INVESTING ACTIVITIES			
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	(8,622,360)	(5,915,080)
Interest received		286,519	190,516
<i>Net cash from investing activities</i>		<u>(8,335,841)</u>	<u>(30,417,723)</u>
FINANCING ACTIVITIES			
Proceeds from long term borrowings	5	14,800,000	5,000,000
Proceeds from contributions to capital account		3,624,431	25,608,239
<i>Net cash from financing activities</i>		<u>18,424,431</u>	<u>30,608,239</u>
INCREASE IN CASH AND CASH EQUIVALENTS		11,158,053	(588,517)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		5,622,591	6,211,108
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	<u>\$16,780,644</u>	<u>\$5,622,591</u>

The notes on pages 11 to 19 form part of these financial statements.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

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 2006

2. INVESTMENTS	EAIF US\$	GuarantCo UK US\$	GuarantCo Mauritius US\$	InfraCo US\$	2006 Total US\$
(a) Shares in PIDG special purpose companies at cost					
As at 1 January 2006	95,000,000	9,743,250	24,554,140	4,089,791	133,387,181
Additions at cost	-	-	356,102	2,121,480	2,477,582
As at 31 December 2006	95,000,000	9,743,250	24,910,242	6,211,271	135,864,763
Improvement/(Impairment) in value					
As at 1 January 2006	(27,010)	(9,429,504)	(72,313)	(1,891,491)	(11,420,318)
Increase/(decrease) in value in respect of increase/(decrease) of % share of net assets	27,010	42,356	(88,404)	(4,319,780)	(4,338,818)
Transfer of funds to GuarantCo Mauritius on liquidation	-	(356,102)	-	-	(356,102)
As at 31 December 2006	-	(9,743,250)	(160,717)	(6,211,271)	(16,115,238)
Net book value					
As at 31 December 2006	\$95,000,000	\$ -	\$24,749,525	\$ -	\$119,749,525
As at 31 December 2005	\$94,972,990	\$ 313,746	\$24,481,826	\$2,198,300	\$121,966,862

The above investments represent 9,500,000 Ordinary \$10 shares, being the entire share capital of EAIF, 24,910,242 Ordinary \$1 shares, being 62.4% of the share capital of GuarantCo Mauritius and 3,367,000 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 2006, EAIF reported net assets of US\$ 99,350,564 (2005: US\$ 94,972,990) and a profit for the year to 31 December 2006 of US\$2,935,745 (2005: US\$5,478,353). Therefore the investment in EAIF as at 31 December 2006 is included in the accounts at US\$95,000,000, representing the lower of cost and share of net asset value.

Additional Funding

The Trustees received funds from DGIS of US\$5,000,000 on 27 December 2006. This share subscription was paid to EAIF on 8 January 2007.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

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 15th September 2005. GuarantCo Limited (UK) was dissolved on 28 May 2007.

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.

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

During the year ended 31 December 2006 GuarantCo Limited (UK) transferred £356,102 to GuarantCo Limited (Mauritius) on liquidation.

(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 15th 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 2006, GuarantCo Limited (Mauritius) reported net assets of US\$41,254,910 (2005: US\$24,481,827) and a profit for the year to 31 December 2006 of US\$1,416,981 (2005: US\$72,313 loss). Therefore the investment in GuarantCo Limited (Mauritius) as at 31 December 2006 is included in the accounts at US\$24,749,525, representing the lower of cost and share of net asset value.

Additional Funding

The Trustees of the PIDG Trust received funds from SECO of US\$4,800,000 on 28 December 2006. This share subscription was paid to GuarantCo on 18 January 2007.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

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.

By a letter dated 6 March 2006 between DGIS and the PMU, DGIS agreed to facilitate the subscription by the PIDG Trust for shares in InfraCo for up to US\$10,000,000 in two tranches. This represented the reallocation of an approved but unpaid allocation by DGIS of US\$10,000,000 for EAIF.

As at 31 December 2006, InfraCo reported net liabilities of £439,398 or US\$860,838 (2005: US\$2,198,300 net assets) and a loss for the period to 31 December 2006 of £2,767,511 or US\$5,100,384 (2005: US\$1,891,491). Therefore the investment in InfraCo as at 31 December 2006 is included in the accounts at US\$nil, representing the lower of cost and share of net asset value.

Additional Funding

The Trustees made a share subscription of £2,831,257 (US\$5,000,000) to InfraCo on 5 April 2006 in return for 2,831,257 ordinary £1 shares in InfraCo.

The Trustees made a share subscription of £1,900,000 to InfraCo (US\$3,622,360) on 8 November 2006 in return for 1,900,000 ordinary £1 shares in InfraCo.

Share certificates for the above subscriptions were 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

	2006	2005
	US\$	US\$
Advances in lieu of share subscriptions	8,622,360	2,121,480
Contribution due from Donor	60,000	-
PMU cost to be reimbursed	82,260	50,505
	<u>\$8,764,620</u>	<u>\$2,171,985</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:

	2006	2005
	US\$	US\$
Balances at bank	16,780,644	5,622,591
Cash and cash equivalents	<u>\$16,780,644</u>	<u>\$5,622,591</u>

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

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.

Sida, (as the lender) has entered into a further agreement with the PIDG Trust (as Borrower) on 23rd November 2006 to lend a maximum total amount of US\$15,000,000 as a contribution to the financing of and the establishment and operation of the GuarantCo 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

SECO, (as the lender) has entered into a further agreement with the PIDG Trust (as Borrower) on 23rd November 2006 to lend a maximum total amount of US\$8,000,000 as a contribution to the financing of and the establishment and operation of the GuarantCo or such other purpose of the PIDG as may be agreed by the Lenders with the PIDG.

- (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.

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

The below is a summary of the total loans outstanding as at 31 December 2006:

Donor	Amount	Purpose
	US\$	
SECO	10,000,000	EAIF
SIDA	20,000,000	EAIF
DGIS	10,000,000	EAIF
DGIS	5,000,000	InfraCo
SECO	4,800,000	GuarantCo (Mauritius)
Total	<u>US\$ 49,800,000</u>	

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

6. ACCUMULATED FUNDS

	2006 GuarantCo/ InfraCo US\$	2006 Project Development Fund US\$	2006 DevCo Project Development Fund US\$	2006 Technical Assistance Facility US\$	2006 AsPIFF Development Fund US\$	2006 General Administration Fund US\$	2006 Total Accu'd Funds US\$
Income							
Contributions receivable to cover costs and fees							
DFID	-	200,141	-	1,639,400	500,493	220,000	2,560,034
DGIS	-	-	-	-	-	180,000	180,000
SECO	-	-	-	-	-	180,000	180,000
Sida	-	-	-	-	-	180,000	180,000
ADA	-	-	-	-	-	60,000	60,000
The World Bank	-	-	-	1,740,000	-	-	1,740,000
Interest receivable	-	-	-	-	-	286,519	286,519
Income Tax provision	-	-	-	-	-	(120,671)	(120,671)
Net income receivable	-	200,141	-	3,379,400	500,493	985,848	5,065,882
Expenditure							
Annual Management fee:- SG Hambros Trust Co	-	-	-	-	-	(113,773)	(113,773)
Multiconsult Trustees	-	-	-	-	-	(10,400)	(10,400)
Minimax	-	-	-	-	-	(10,400)	(10,400)
Consultancy fees	-	(231,275)	-	(2,391,294)	(309,319)	(610,870)	(3,542,758)
Directors fees	-	-	-	-	-	-	-
Legal fees	-	-	-	-	-	-	-
Audit fees	-	-	-	-	-	-	-
Other expenses	-	(297)	-	(543)	(92)	(29,364)	(29,364)
Currency movement	(245)	-	18,922	-	40,294	(121,272)	(122,204)
Total expenditure	(245)	(231,572)	18,922	(2,391,837)	(269,117)	(893,869)	(3,767,718)
Retained surplus/ (deficit) for the year	(245)	(31,431)	18,922	987,563	231,376	91,979	1,298,164
Transfer between funds	-	-	-	(180,000)	-	180,000	-
Accumulated funds brought forward	-	250,948	5,846	4,872,214	14,979	279,130	5,423,117
Accumulated funds carried forward	(245)	\$219,517	\$24,768	\$5,679,777	\$246,355	\$551,109	\$6,721,281

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

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 and technical 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 2006 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 entered into two arrangements with the PIDG Trust 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. Both DFID and The World Bank entered into two arrangements with the PIDG Trust on 7 February 2006 and 10 April 2006 respectively to make available US\$1,639,400 and US\$1,740,000 respectively.

The TAF executed seven TAF grants to PIDG initiatives during 2005 totalling US\$3,210,570. As at 31 December 2006, US\$899,365 (2005: US\$891,820) has been disbursed. A further seven TAF grants to PIDG initiatives were made during 2006 totalling US\$2,655,010. At 31 December 2006, US\$2,270,010 has been disbursed.

(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 in 2006 to carry out the phase of the Design Study which is funded by DFID, through the PIDG Trust, who contributed a further £286,615 (US\$500,493) on 27 February 2006.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

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 2006 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 2006

Transactions with the Trustees of the Trust:

Fees Charged		2006	2005
		US\$	US\$
SG Hambros Trust Company Ltd	Annual Management fee	113,773	101,910
Multiconsult Trustees Ltd	Annual Management fee	10,400	10,435
Minimax Ltd	Annual Management fee	10,400	10,435

Amounts owed at the year end

SG Hambros Trust Company Ltd	57,521	-
Multiconsult Trustees Ltd	5,400	-
Minimax Ltd	5,400	-

Transactions with the Protector and PMU/Adhoc Legal CA Legal

Fees Charged:	CA Legal (Jan/Feb 2006)	79,774	18,151
	PMU (Fixed fee element)	416,418	322,500
	PMU (Variable costs)	31,755	76,368
	PMU (VAT)	86,834	69,802

Year end debtor / (creditor):

Amounts owed at the year end to The PIDG Trust	31,755	50,505
Amounts owed at the year end to CA Legal	(46,867)	(46,867)

Control

The PIDG Trust is controlled jointly by the three Trustees, who act in consultation with the PMU and the relevant Donors. DFID is the Enforcer of the PIDG Trust and CA Legal is acting as Protector of the PIDG Trust.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

9. SUBSEQUENT EVENTS

Except as noted earlier, subsequent to 31 December 2006, the PIDG Trust has undertaken the following material transactions: -

Movements on Capital Account

None.

Projects

On 16 January 2007, DFID made a contribution towards the CLF of £200,000 (in aggregate \$388,319).

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.