

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

"THE PIDG TRUST"

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2007**

**haysmacintyre
Chartered Accountants
Registered Auditors
London**

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

CONTENTS	Page
Legal and administrative information	1 - 2
Trustees' report	3 - 5
Auditors' report	6
Balance sheet	7
Capital account	8
Statement of accumulated funds	9
Cash Flow statement	10
Notes forming part of the financial statements	11 - 20

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

LEGAL AND ADMINISTRATIVE INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2007

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”)

The Minister for Foreign Affairs of Ireland (“Irish Aid”)

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 (“PMU”)

CA Legal

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

LEGAL AND ADMINISTRATIVE INFORMATION (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

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 2007

The Trustees present the annual report and audited financial statements for the year ended 31 December 2007.

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 2007

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 staff 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 2007

- The Emerging Africa Infrastructure Fund Limited ('EAIF')
- GuarantCo Limited (Mauritius) ('GuarantCo')
- InfraCo Asia (formerly AsPIFF Feasibility and Design Study) ('InfraCo Asia')
- 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 2007

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

20 August 2008

**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 2007 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 International Auditing Standards (UK and Ireland).

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.

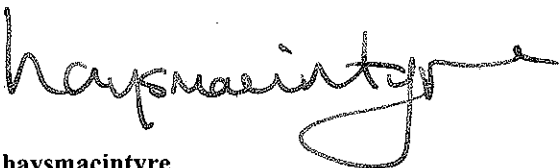
Basis of audit opinion

We conducted our audit in accordance with International Auditing Standards (UK and Ireland) 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 2007 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

20 August 2008

Fairfax House
15 Fulwood Place
London
WC1V 6AY

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

BALANCE SHEET

AS AT 31ST DECEMBER 2007

	Note	2007		2006	
		US\$	US\$	US\$	US\$
Non-current assets					
Investments	2		140,709,522		119,749,525
Current assets					
Debtors	3	14,842,318		8,764,620	
Cash and cash equivalents	4	7,930,985		16,780,644	
			<u>22,773,303</u>		<u>25,545,264</u>
TOTAL ASSETS			<u>\$163,482,825</u>		<u>\$145,294,789</u>
CAPITAL, FUNDS AND LIABILITIES					
Capital account			85,784,335		88,373,955
Accumulated funds	6		12,138,682		6,721,281
Capital and funds			<u>97,923,017</u>		<u>95,095,236</u>
Non-current liabilities					
Loans	5		65,000,000		49,800,000
Current liabilities					
Income tax provision		117,997		120,671	
Other payables		441,811		278,882	
			<u>559,808</u>		<u>399,553</u>
TOTAL CAPITAL, FUNDS AND LIABILITIES			<u>\$163,482,825</u>		<u>\$145,294,789</u>

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


SG Hambros Trust Company Limited

20 August 2008

The notes on pages 11 to 20 form part of these financial statements.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

CAPITAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2007

The following contributions were received from DFID:

	Note	2007 US\$	2006 US\$
Balance brought forward		88,373,955	89,088,342
Capital contributions received from DFID		5,072,743	3,624,431
		<u>93,446,698</u>	<u>92,712,773</u>
Impairment of value of shareholdings	2a	(7,662,363)	(4,338,818)
Balance carried forward		<u><u>\$85,784,335</u></u>	<u><u>\$88,373,955</u></u>

The notes on pages 11 to 20 form part of these financial statements.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

STATEMENT OF ACCUMULATED FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Year ended 31 December		Period ended 31 December	
		2007	2007	2006	2006
		US\$	US\$	US\$	US\$
Income					
Contributions receivable to cover costs and fees			10,046,007		4,900,034
Gross bank deposit interest		302,533		286,519	
Income tax provision		(122,343)		(120,671)	
			180,190		165,848
Net income receivable	6		10,226,197		5,065,882
Expenditure					
SG Hambros Trust Company Limited Annual Management fee		118,478		113,773	
Multiconsult Trustees Management fee		11,211		10,400	
Minimax Management fee		11,211		10,400	
PIDG Programme management (PMU)		686,874		-	
Consultancy fees	6	3,839,432		3,542,758	
Audit fee		20,662		29,364	
Other expenses		166,385		122,204	
Gain/Loss on foreign currency exchange		(45,457)		(61,181)	
Total expenditure	6		(4,808,796)		(3,767,718)
Retained (deficit)/surplus for the year transferred to accumulated funds	6		5,417,401		1,298,164
Accumulated funds brought forward	6		6,721,281		5,423,117
Accumulated funds carried forward	6		\$12,138,682		\$6,721,281

The notes on pages 11 to 20 form part of these financial statements.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTES	Year ended 31 December 2007 US\$	Period ended 31 December 2006 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Retained surplus for the year		5,417,401	1,298,164
Adjustments for:			
Interest income		(302,533)	(285,519)
Increase in contributions receivable		(5,170,784)	(60,000)
Decrease/(increase) in other debtors		82,260	(31,755)
(Decrease)/increase in income tax provision		(2,674)	39,652
Increase in other payables		162,929	109,921
<i>Cash generated from operations</i>		<u>186,599</u>	<u>1,069,463</u>
<i>Net cash from operating activities</i>		186,599	1,069,463
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of shares in EAIF	2	(5,000,000)	-
Acquisition of shares in GuarantCo (Mauritius)	2	(15,000,000)	-
Acquisition of shares in InfraCo	2	(9,611,534)	(8,622,360)
Interest received		302,533	286,519
<i>Net cash from investing activities</i>		<u>(29,309,001)</u>	<u>(8,335,841)</u>
FINANCING ACTIVITIES			
Proceeds from long term borrowings	5	15,200,000	14,800,000
Proceeds from contributions to capital account		5,072,743	3,624,431
<i>Net cash from financing activities</i>		<u>20,272,743</u>	<u>18,424,431</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(8,849,659)	11,158,053
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>16,780,644</u>	<u>5,622,591</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	<u>\$7,930,985</u>	<u>\$16,780,644</u>

The notes on pages 11 to 20 form part of these financial statements.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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 2007

2. INVESTMENTS	EAIF US\$	GuarantCo Mauritius US\$	InfraCo US\$	2007 Total US\$
(a) Shares in PIDG special purpose companies at cost				
As at 1 January 2007	95,000,000	24,910,242	6,211,271	126,121,513
Additions at cost	<u>5,000,000</u>	<u>15,000,000</u>	<u>8,622,360</u>	<u>28,622,360</u>
As at 31 December 2007	100,000,000	39,910,242	14,833,631	154,743,873
Improvement/(Impairment) in value				
As at 1 January 2007	-	(160,717)	(6,211,271)	(6,317,988)
Increase/(decrease) in value in respect of increase/(decrease) of % share of net assets	<u>-</u>	<u>160,717</u>	<u>(7,823,080)</u>	<u>(7,662,363)</u>
As at 31 December 2007	-	-	(14,034,351)	(14,034,351)
Net book value				
As at 31 December 2007	<u>\$100,000,000</u>	<u>\$39,910,242</u>	<u>\$799,280</u>	<u>\$140,709,522</u>
As at 31 December 2006	<u>\$95,000,000</u>	<u>\$24,749,525</u>	<u>\$-</u>	<u>\$119,749,525</u>

The above investments represent 10,000,000 Ordinary \$10 shares, being the entire share capital of EAIF, 40,000,000 Ordinary \$1 shares, being 63.5% of the share capital of GuarantCo Mauritius and 8,098,257 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 2007, EAIF reported net assets of US\$ 107,368,836 (2006: US\$ 99,350,564) and a profit for the year to 31 December 2007 of US\$6,454,601 (2006: US\$2,935,745). Therefore the investment in EAIF as at 31 December 2007 is included in the accounts at US\$100,000,000, representing the lower of cost and share of net asset value.

Additional Funding

The Trustees received funds from DGIS of US\$5,000,000 in 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 2007

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 for GuarantCo Limited (UK). 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).

During the years ended 31 December 2005 and 2006 GuarantCo Limited (UK) transferred US\$9,217,082 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 2007, GuarantCo Limited (Mauritius) reported net assets of US\$65,294,617 (2006: US\$41,254,910) and a profit for the year to 31 December 2007 of US\$1,039,707 (2006: US\$1,416,981). Therefore the investment in GuarantCo Limited (Mauritius) as at 31 December 2007 is included in the accounts at US\$39,910,242, 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 in 2006. This share subscription was paid to GuarantCo on 18 January 2007.

In addition, the Trustees of the PIDG Trust received further funds from SECO of US\$3,200,000 and US\$7,000,000 from Sida in December 2007. These share subscriptions were paid to GuarantCo in December 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 2007, InfraCo reported net assets of £400,178 or US\$799,280 (2006: US\$860,838 net loss) and a loss for the period to 31 December 2007 of £3,891,681 or US\$7,772,893 (2006: US\$5,100,384 loss). Therefore the investment in InfraCo as at 31 December 2007 is included in the accounts at US\$799,280, representing the lower of cost and share of net asset value.

Additional Funding

The Trustees made a share subscription of £2,508,899 (US\$5,000,000) to InfraCo on 27 July 2007 in return for 2,439,000 ordinary £1 shares in InfraCo.

A share certificate for the above 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	2007 US\$	2006 US\$
Advances in lieu of share subscriptions	5,000,000	8,622,360
Contributions due from Donors	4,730,784	60,000
Amounts due from InfraCo	5,111,534	-
PMU cost to be reimbursed	-	82,260
	<u>\$14,842,318</u>	<u>\$8,764,620</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:

	2007 US\$	2006 US\$
Balances at bank	7,930,985	16,780,644
Cash and cash equivalents	<u>\$7,930,985</u>	<u>\$16,780,644</u>

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

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 EAIF or such other purpose of the PIDG as may be agreed by the Lender 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 GuarantCo or such other purpose of the PIDG as may be agreed by the Lender 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 as a contribution to the financing of and the establishment and operation of EAIF or such other purpose of the PIDG as may be agreed by the lender with PIDG.

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 GuarantCo or such other purpose of the PIDG as may be agreed by the Lender 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 as a contribution to the financing of and the establishment and operation of EAIF or such other purpose of the PIDG as may be agreed by the Lender with PIDG.

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 2007:

Donor	Amount US\$	Purpose
SECO	10,000,000	EAIF
SIDA	20,000,000	EAIF
DGIS	10,000,000	EAIF
DGIS	10,000,000	InfraCo
SECO	8,000,000	GuarantCo (Mauritius)
SIDA	7,000,000	GuarantCo (Mauritius)
Total	<u>US\$ 65,000,000</u>	

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

6. ACCUMULATED FUNDS

	2007 GuarantCo/ InfraCo US\$	2007 Project Development Fund US\$	2007 DevCo Project Development Fund US\$	2007 Technical Assistance Facility US\$	2007 AsPIFF Development Fund US\$	2007 General Administration Fund US\$	2007 Total Accu'd Funds US\$
Income							
Contributions receivable to cover costs and fees							
DFID	-	388,319	-	3,894,700	451,264	265,000	4,999,283
DGIS	-	-	-	-	-	180,000	180,000
SECO	-	-	-	-	-	180,000	180,000
Sida	-	-	-	500,000	-	180,000	680,000
ADA	-	-	-	2,209,285	-	152,465	2,361,750
The World Bank	-	-	-	-	-	180,000	180,000
Irish Aid	-	-	-	1,464,974	-	-	1,464,974
Interest receivable	-	-	-	-	-	302,533	302,533
Income Tax provision	-	-	-	-	-	(122,343)	(122,343)
Net income receivable	-	388,319	-	8,068,959	451,264	1,317,655	10,226,197
Expenditure							
Annual Management fee:-							
SG Hambros Trust Co	-	-	-	-	-	118,478	118,478
Multiconsult Trustees	-	-	-	-	-	11,211	11,211
Minimax	-	-	-	-	-	11,211	11,211
PMU	-	-	-	-	-	686,874	686,874
Consultancy fees	-	345,543	-	2,856,341	242,054	395,494	3,839,432
Audit fees	-	-	-	-	-	20,662	20,662
Other expenses	-	-	-	-	-	166,385	166,385
Currency movement	-	(12,751)	-	-	(34,887)	2,181	(45,457)
Total expenditure	-	332,792	-	2,856,341	207,167	1,412,496	4,808,796
Retained surplus/ (deficit) for the year	-	55,527	-	5,212,618	244,097	(94,841)	5,417,401
Transfer between funds	245	-	-	-	-	(245)	-
Accumulated funds brought forward	(245)	219,517	24,768	5,679,777	246,355	551,109	6,721,281
Accumulated funds carried forward	-	\$275,044	\$24,768	\$10,892,395	\$490,452	\$456,023	\$12,138,682

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

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; and
- (f) Any other administration costs approved by PIDG from time to time.

(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 project has been split into three:

- Window 1 General Technical assistance
- Window 2 Capital Markets Development
- Window 3 Output Based Aid

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. DFID and The World Bank entered into 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. On 15 March 2007 a Memorandum of Understanding between DFID and the PIDG Trust increased the contribution by £2,000,000 which was received in 2007.

Irish Aid entered into an arrangement with the PIDG Trust in support of "Window 3" to make available €8,000,000 from 15 November 2007 for a period not exceeding 4 years. An initial contribution of €1,000,000 was received in 2007.

Sida entered into an arrangement with the PIDG Trust on 30 October 2007 to make available US\$2,000,000 over a period of four years in support of "Window 2". US\$500,000 was due in 2007. This has been accounted for as income in the year ended 31 December 2007. Any unspent amounts as at the end of 2010 are repayable to SIDA.

ADA entered into two arrangements with the PIDG Trust in 2007 to support "Window 3" to make available €1,000,000 and €500,000.

The TAF executed 9 TAF grants to PIDG initiatives during 2007 totalling US\$2,856,341

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

(d) InfraCo Asia (formerly 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 retained the services of CEPA in 2007 to carry out the Feasibility and Design Study, funded by DFID through the Project Development Fund of the PIDG Trust. DFID contributed a further £286,615 (US\$500,493) in 2006 and £220,000 (US\$451,264) in 2007.

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 200 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.

THE PRIVATE INFRASTRUCTURE DEVELOPMENT GROUP TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

8. RELATED PARTY TRANSACTIONS

During the period under review, the following related party transactions occurred and balances were outstanding as at 31 December 2007

Transactions with the Trustees of the Trust:

Fees Charged		2007	2006
		US\$	US\$
SG Hambros Trust Company Ltd	Annual Management fee	118,478	113,773
Multiconsult Trustees Ltd	Annual Management fee	11,211	10,400
Minimax Ltd	Annual Management fee	11,211	10,400

Amounts owed at the year end

SG Hambros Trust Company Ltd	58,671	57,521
Multiconsult Trustees Ltd	5,833	5,400
Minimax Ltd	5,833	5,400

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

Fees Charged:

PMU (Fixed fee element)	416,418
PMU (Variable costs)	31,755
PMU (VAT)	86,834

Year end debtor / (creditor):

Amounts owed at the year end to The PIDG Trust		
Amounts owed at the year end to CA Legal	59,257	(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 2007

9. SUBSEQUENT EVENTS

Except as noted elsewhere, subsequent to 31 December 2007, the PIDG Trust has not undertaken any following material transactions.

Debtors include \$5,111,534 due from InfraCo. Since the year end the PIDG Trust and InfraCo have entered into a deed making a grant of these funds to InfraCo Asia. This grant will be recognised in the 2008 accounts.

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.