ICF Debt Pool LLP

Registered Number: OC348514

Annual Report and Financial Statements

30 September 2013

(expressed in US dollars)

ICF Debt Pool LLP

Registered Number: OC34851

Contents

Members

The members of the partnership ICF Debt Pool LLP from incorporation and up to the date of this report are:

KfW
Minimax Ltd.
Multiconsult Trustees Ltd. – designated member
SG Hambros Trust Co. Ltd. – designated member

9215-6975 Quebec Inc. became a member on 8 December 2009.

These members were in office during the year and up to the date of signing of the financial statements.

List of advisors

Legal Advisors	MDY Legal St. Nicholas House St. Nicholas Road Sutton, Surrey SM1 1EL United Kingdom	McCarthy Tétrault 1000 De La Gauchetière Street West Suite 2500 Montréal, Quebec Canada H3B 0A2
Independent Auditor	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT United Kingdom	
Banker	Toronto-Dominion Bank 100 Wellington Street West 26th Floor Toronto, Ontario Canada M5K 1A2	
Registered Office	St. Nicholas House St. Nicholas Road Sutton, Surrey SM1 1EL United Kingdom	

Members' Report

The members present their report and the financial statements for the year ended 30 September 2013.

Incorporation and commencement

ICF Debt Pool LLP (the "Partnership") was incorporated on 10 September 2009 and is expected to be dissolved on 30 September 2028.

Principal activity, business review and results

The Partnership is a facility established by the Private Infrastructure Development Group ("PIDG"), a coalition of public donors mobilising private sector investment to assist developing countries to provide infrastructure vital to boost their economic development and combat poverty.

The Partnership has a €500,000,000 commitment from the German institution KfW, acting on behalf of the Government of the Federal Republic of Germany, and US$10,000,000 funding from Private Infrastructure Development Group Trust using funds provided by KfW.

The investment activities of the Partnership consist primarily of parallel financing of projects presented by originating International Financial Institutions. The Partnership may also undertake other business with the unanimous consent of members. The Partnership is managed and administered by Cordiant Capital Inc.

The financial statements of the Partnership include only the assets, liabilities, revenues and expenses of the Partnership, and do not include the other assets, liabilities, revenues and expenses of the members. No provision for income taxes has been made in these financial statements since income is taxable only in the hands of the members.

The Partnership achieved an operating profit for the year of US$12,061,335. The members are satisfied that the loan commitments are in line with initial projections over the year from 1 October 2012 to 30 September 2013. The current year financial performance was affected by an allowance for credit losses of US$600,000. The Partnership's Board, based on information from Cordiant Capital Inc., has identified these impairments in the loans and taken action. The Partnership's Board continues to work to restructure these loans. At 30 September 2013, disbursed loans amounted to US$302,497,015, and commitments represented US$55,540,045. Further commitments and disbursements continue to be made after the balance sheet date.

Results and allocation to members

The results for the year are shown in the statement of comprehensive income (loss). Profits, if any, are shared among the members as governed by the amended and restated Limited Liability Partnership deed dated 8 December 2009.

Principal risks and uncertainties

The risks and uncertainties faced by the Partnership are those inherent within the financial services industry, and primarily include:

- Market risk – subject to market fluctuations and general economic conditions;
- Credit risk – exposed to counterparties not fulfilling their obligations;
- Liquidity risk – failing to meet cash requirements necessary to fund obligations;
- Operational risk – incurring losses resulting from inadequate or failed internal and external processes, systems and human error or from external events; and
- Regulatory risk – subject to the effects of changes in the laws, regulations, policies and interpretations and any accounting standards in the markets in which it operates.

Policy for members' drawings, subscriptions and repayments of members' capital

Policies for members' drawings, subscriptions and repayments of members' capital are governed by the Partnership deed.

Additional contributions by members to the Partnership were permitted until 8 December 2012. No member is entitled to be paid interest in respect of its contributions. A member is not entitled to the return of any part of its contribution. Each member shall be entitled to withdraw its share in the net profit of the Partnership at the close of each financial year-end. No new members may be admitted to the Partnership after 8 December 2012.

In summary, all net operating profits or losses are allocated amongst the members in proportion to their respective cash contributions.

Statement of members' responsibilities in respect of the Annual Report and the financial statements

The members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations") requires the members to prepare financial statements for each financial period. Under that law, the members have elected to prepare the financial statements in accordance with International Financial Reporting Standards (as adopted by the European Union).

Under company law as applied to limited liability partnerships, the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Partnership and of the profit or loss of the Partnership for that period.

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In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (as adopted by the European Union) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Partnership will continue in business.

The members confirm that they have complied with the above requirements in preparing the financial statements.

The members are responsible for keeping proper accounting records that are sufficient to show and explain the Partnership's transactions and disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Regulations. They are also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the members,

FOR AND ON BEHALF OF
SG HAMBROS TRUST COMPANY LIMITED

RACHEL ILES

Director
CHRISTINE ROSS

ICF Debt Pool LLP

Registered Number: OC34851

Statement of Comprehensive Income (Loss)

For the year ended 30 September 2013

	Note	2013 US$	2012 US$
Revenue	4	18,274,943	21,147,209
Administrative expenses		(420,191)	(342,661)
Management fees		(1,697,025)	(1,572,929)
Allowance for credit losses	3	(600,000)	(25,487,218)
Foreign exchange loss		(3,496,392)	(3,784,384)
Operating profit (loss)		12,061,335	(10,039,983)
Finance costs		(5,053,886)	(4,175,549)
Profit (loss) for the financial year available for division among members		7,007,449	(14,215,532)
Other comprehensive income		-	-
Total comprehensive income (loss) for the year available for division among members		7,007,449	(14,215,532)

All activities derive from continuing operations.

The notes on pages 1 to 16 are an integral part of these financial statements.

ICF Debt Pool LLP

Registered Number: OC34851

Balance Sheet

As at 30 September 2013

	Note	2013 US$	2012 US$
Non-current assets			
Loan investments	5	274,142,085	276,267,844
Current assets			
Accrued interest income and other receivables	7	2,735,397	4,061,436
Short-term investments		873,000	914,913
Cash and cash equivalents		51,523,767	10,417,746
		55,132,164	15,394,095
Total assets		329,274,249	291,661,939
Current liabilities			
Payables	8	55,122	149,689
Accrued interest payable on loans and fees due to members		958,074	845,642
Loans due to members	9, 10	27,500,000	10,000,000
		28,513,196	10,995,331
Non-current liabilities			
Loans due to members	10	306,135,830	293,048,834
Total liabilities		334,649,026	304,044,165
Net assets		(5,374,777)	(12,382,226)
Equity (deficiency)			
Members' capital classified as equity	11	1,000,004	1,000,004
Other reserves (deficit)	11	(6,374,781)	(13,382,230)
Total deficiency		(5,374,777)	(12,382,226)
Total members' interests			
Loans and other debts due to members within one year			
Accrued interest payable on loans and fees due to members		958,074	845,642
Loans	9, 10	27,500,000	10,000,000
		28,458,074	10,845,642
Loans due to members in more than one year			
Loans	10	306,135,830	293,048,834
Members' other interests – Equity (deficiency)			
Members' capital classified as equity	11	1,000,004	1,000,004
Other deficit	11	(6,374,781)	(13,382,230)
		(5,374,777)	(12,382,226)
Total members' interests	11	329,219,127	291,512,250

The notes on pages 1 to 16 are an integral part of these financial statements.

FOR AND ON BEHALF OF
SG HAMBROS TRUST COMPANY LIMITED

RACHEL ILES

Director
CHRISTINE ROSS

ICF Debt Pool LLP

Registered Number: OC34851

Statement of Cash Flows

For the year ended 30 September 2013

	Note	2013 US$	2012 US$
Cash flows from operating activities			
Cash generated from operations	12	14,353,981	13,768,302
Cash flows from investing activities			
Loan issuance		(56,704,070)	(123,482,142)
Loan repayments		60,445,931	18,537,130
Commitment, up-front and other fees received		2,826,961	2,954,427
		6,568,822	(101,990,585)
Cash flows from financing activities			
Members' capital contributions		24,383,896	89,971,034
Interest paid to members		(4,941,453)	(3,973,957)
		19,442,443	85,997,077
Net increase (decrease) in cash and cash equivalents		40,365,246	(2,225,206)
Cash and cash equivalents – Beginning of year		10,417,746	12,670,256
Exchange gains (losses) on cash and cash equivalents		740,775	(27,304)
Cash and cash equivalents – End of year		51,523,767	10,417,746

The notes on pages 1 to 16 are an integral part of these financial statements.

1 Establishment of the Partnership and nature of activities

The Partnership was incorporated on 10 September 2009 and is expected to be dissolved on 30 September 2028.

The investment activities of the Partnership consist primarily of parallel financing of projects presented by originating International Financial Institutions ("IFI"). The Partnership may also undertake other business with the unanimous consent of members.

The financial statements of the Partnership include only the assets, liabilities, revenues and expenses of the Partnership, and do not include the other assets, liabilities, revenues and expenses of the members. No provision for income taxes has been made in these financial statements since income is taxable only in the hands of the members.

The Partnership is controlled by its members. KfW has significant influence over the Partnership, as defined in International Accounting Standard ("IAS") 24, Related Party Disclosures, as it provides most of the Partnership's financing. For accounting purposes, KfW is considered to be the ultimate controlling party of the Partnership.

The Partnership's registered office is St. Nicholas House, St. Nicholas Road, Sutton, Surrey SM1 1EL, United Kingdom.

These financial statements were authorized for use by the Members on 20 December 2013.

2 Accounting policies

The principal accounting policies, which have been consistently applied throughout the year, are set out below.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations, as adopted by the European Union as at 30 September 2013, and with those parts of the Companies Act 2006 applicable to limited liability partnerships (LLPs) reporting under IFRS.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Partnership makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The principal estimates and judgements that could have a significant effect upon the Partnership's financial results relate to the assessment of whether there is objective evidence that a loan investment is impaired. Details of estimates and judgements are set out in each of the relevant accounting policies and detailed notes to the financial statements.

Loan investments

Loan investments are mainly parallel financings of projects with an originating IFI. In cases where the syndicating IFI remains the lender of record, loans are structured to enable the Partnership to benefit from the IFI's preferred creditor status. Exceptionally, other lenders of record may have the preferential status of an export credit agency, or may be bilateral development finance institutions and thus enjoy a de facto preferred creditor status formally recognised by many developing countries.

Loans are recognised initially at fair value, which is the cash consideration to originate the loan net of unearned commitment and up-front fees, and are measured subsequently at amortised cost using the effective interest rate method. In the case of an impairment, the impairment loss is reported as a deduction of the carrying value of the loan and recognised in the statement of comprehensive income (loss).

Interest income is recorded using the effective interest rate method on an accrual basis.

Fees related to loan origination, commitment and up-front fees are considered adjustments to loan yield and are deferred and amortised to "Commitment and other fee income from loan investments" over the estimated term of such loans (note 4).

Impairment of loan investments

Cordiant Capital Inc. (the "Manager") assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are recorded only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Manager uses to determine that there is objective evidence of an impairment loss include:

a) significant financial difficulty of the issuer or obligor;

b) a breach of contract, such as a default or delinquency in interest or principal payments;

c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

d) the probability that the borrower will enter bankruptcy or other financial reorganisation;

e) the disappearance of an active market for that financial asset because of financial difficulties; or

f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
   - adverse changes in the payment status of borrowers in the portfolio; and
   - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by the Manager. In general, the periods used vary between three and twelve months; in exceptional cases, longer periods are warranted.

The Manager first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Manager determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount, including accrued interest, and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income (loss). If a loan investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Manager's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based, and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Manager to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Impairment charges relating to loan investments are recorded in allowance for credit losses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance for loan impairment account. The amount of the reversal is recognised in the statement of comprehensive income (loss).

Foreign currency translation

The Partnership has prepared the financial statements in US dollars, which is the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions in which the Partnership operates (the functional currency). Foreign currency transactions are translated at the rates in effect at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. The resulting gains and losses, realised and unrealised, are recognised in the statement of comprehensive income (loss).

Cash and cash equivalents

Cash and cash equivalents consist of cash held with banks and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition.

Loans due to members

Loans due to members are recognised initially at fair value, net of transaction costs incurred. Loans due to members are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income (loss) over the period of the loans using the effective interest method.

Administrative expenses

Administrative expenditures are accounted for on an accrual basis.

Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that the Partnership would receive or pay to settle a financial asset or financial liability as at the reporting date.

Fair value is based on market prices where there is an active market. Otherwise, fair value is estimated by using valuation techniques or models that incorporate current market prices and the contractual prices of the underlying instruments, the time value of money, yield curves and volatility factors.

The Partnership considers that the carrying values of receivables, short-term investments and cash and cash equivalents approximate their fair values.

Future requirements

New and amended standards adopted by the Partnership

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 October 2012 that would be expected to have a material impact on the Partnership.

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Partnership.

IFRS 13, Fair Value Measurement, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS.

IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39, Financial Instruments: Recognition and Measurement, that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income ("OCI") rather than in income, unless this creates an accounting mismatch.

IFRS 10, Consolidated Financial Statements, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Partnership intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12, Disclosure of Interests in Other Entities, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special-purpose vehicles and other off-balance sheet vehicles. The Partnership intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

There are no other IFRS or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Partnership.

3 Risk management

The financial instruments of the Partnership and the nature of risks to which they may be subject are as follows:

			Market risk	
	Credit risk	Liquidity risk	Currency	Interest rate
Measured at amortised cost				
Loan investments	X		X	X
Accrued interest income and other receivables	X	X	X	
Payables		X		
Loans and other debts due to members		X	X	X
Measured at fair value				
Short-term investments	X			
Cash and cash equivalents	X			

Credit risk

The Partnership is exposed to credit risk resulting from the possibility that parties may default on their financial obligations, or from a concentration of transactions carried out with the same party, or from a concentration of financial obligations which have similar economic characteristics and could be affected similarly by changes in economic conditions. The Partnership does not directly hold any physical collateral as security for its financial assets.

The Partnership makes loan investments which may be rated below investment grade or unrated. These loan investments may be subject to a greater loss of principal and interest than higher-rated loan investments. All of the Partnership's loan investments are in emerging markets. Investing in emerging markets involves additional credit risk and special considerations not typically associated with investing in other more established economies or credit markets. Such risks may include greater social, economic and political uncertainty; increased risk of nationalisation or expropriation of assets or confiscatory taxation; greater dependence on international trade; less liquidity, less capitalisation and less extensive regulation of the credit markets; greater volatility in currency exchange rates; greater risk of inflation; greater controls on foreign investment and limitations on the realisation of investments, repatriation of invested capital and the ability to exchange local currencies for US dollars; and less developed corporate laws.

Aggregate credit risk associated with loan investments and accrued interest income and other fees is mitigated, and concentration risk is minimized, by the Partnership's diverse customer base covering many business sectors in a number of emerging markets. The Partnership follows a programme of credit evaluations of borrowers and has also established credit limits by counterparty and by country.

Financial forecasts, budgets and borrowers' actual results are monitored on a regular basis, as are news releases about industrial sectors and economic and political conditions.

The Partnership believes that these policies and the borrowers' credit quality limit the credit risk.

The Partnership must make estimates in respect of the allowance for credit losses. Current economic conditions, historical information, reasons for an account to be past due and the borrowers' industrial sector of activity are all considered in determining when to allow for past due accounts. The same factors are considered when determining whether to write off amounts charged to the allowance account against the loan receivable. The allowance for credit losses is calculated on a specific loan basis.

Impaired loans

	2013 US$	2012 US$
Neither past due nor impaired	275,828,630	273,382,351
Individually impaired	26,668,385	34,889,939
Gross	302,497,015	308,272,290
Allowance for credit losses	(22,087,873)	(25,487,218)
Unearned up-front fees and commitment fees	(6,267,057)	(6,517,228)
Net	274,142,085	276,267,844

A loan is considered past due if the payment of principal or interest has not been received by the contractual due date.

As at 30 September 2013, two impaired loans have been written down to their estimated realizable value (2012 – two).

The following table summarises the allowance for credit losses made on these loans:

	2013 US$	2012 US$
Specific allowance – Beginning of year	25,487,218	-
Offset of accrued interest on non-performing loans against allowance for credit losses	(3,999,345)	-
Allowance for credit losses	600,000	25,487,218
Specific allowance – End of year	22,087,873	25,487,218

The Partnership's maximum exposure to credit risk as at 30 September is as follows:

	Note	2013 US$	2012 US$
Loan investments	5	280,409,142	282,785,072
Accrued interest income and other receivables		2,735,397	4,061,436
Short-term investments		873,000	914,913
Cash and cash equivalents		51,523,767	10,417,746
		335,541,306	298,179,167

The Partnership offsets credit risk by depositing its cash and cash equivalents, including short-term investments, with high-credit quality financial institutions. Credit risk associated with cash and cash equivalents is minimised by investing these in one of the largest Canadian Schedule I banks.

Liquidity risk

Liquidity risk is risk that the Partnership will not be able to meet a demand for cash or fund its obligations as they come due.

The Partnership has concluded arrangements for cash drawdowns with its investors that match the requirements for cash by its borrowers.

The following tables present financial liabilities and credit instruments as at 30 September by remaining contractual maturity:

2013	Under 1 year US$	1 to 5 years US$	Over 5 years US$	Total US$
Payables	55,122	-	-	55,122
Accrued interest payable on loans and fees	958,074	-	-	958,074
Loans due to members	27,500,000	122,831,840	185,513,527	335,845,367

2012	Under 1 year US$	1 to 5 years US$	Over 5 years US$	Total US$
Payables	149,689	-	-	149,689
Accrued interest payable on loans and fees	845,642	-	-	845,642
Loans due to members	10,000,000	112,122,200	182,475,800	304,598,000

At year-end, loan commitments represent an amount of US$55,540,045 (2012 – US$86,445,153). The loan disbursement timing is not determinable.

Market risk

The Partnership is exposed to market risk through the fluctuation of financial instrument fair values arising from changes in market prices. The significant market risks to which the Partnership is exposed are currency risk and interest rate risk.

Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the US dollar due to changes in foreign exchange rates.

The functional currency of the Partnership is the US dollar. The Partnership also transacts in euros, Indian rupees, pounds sterling and Canadian dollars.

The foreign exchange loss account in the statement of comprehensive income (loss) includes a loss of US$4,087,205 (2012 – US$3,609,535) calculated on the revaluation of the loan denominated in Indian rupees to US dollars as at 30 September 2013.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The interest rate exposure of the Partnership arises from its interest-bearing assets and accrued interest thereon.

The Partnership's cash and cash equivalents include amounts on deposit with financial institutions and earn interest at market rates. The Partnership manages its cash exposure to interest rate risk by maximising the interest income earned on excess funds while maintaining the minimum liquidity necessary to conduct day-to-day operations. Fluctuations in market rates of interest on cash and cash equivalents do not have a significant impact on the Partnership's results of operations.

As at 30 September 2013, the Partnership had US$302,497,015 (2012 – US$304,272,945) in loan investments exposed to interest rate risk. The interest rate risk is partially mitigated by the fact that borrowings are at lower fixed rates than loan investments, which are made, as much as possible, at fixed rates.

As at 30 September 2013, the Partnership had US$137,065,081 (2012 – US$157,963,300) in loan investments bearing floating interest rates, the most significant of which was LIBOR. Based on the balance outstanding as at 30 September 2013, an increase of 0.5% in LIBOR would increase net investment income by US$685,325 and a decrease of 0.5% in LIBOR would decrease net investment income by the same amount (2012 – increase or decrease of US$754,658).

4 Revenue

Fees represent income derived from the origination of loans.

	2013 US$	2012 US$
Interest income from loan investments	15,453,501	15,706,666
Up-front fee income from loan investments	1,264,237	585,054
Commitment and other fee income from loan investments	1,557,205	336,751
Other income	-	4,518,738
Total	18,274,943	21,147,209

Interest income from loan investments includes no interest income accrued on impaired financial assets for the year ended 30 September 2013. In 2012, interest income from loan investments included US$3,999,345 of interest income accrued on impaired financial assets. This represented the unwinding of discounting in accordance with IAS 39.

5 Loan investments

Loan	Country	Industry	Maturity date	Book value in foreign currency	Book value US$	Portfolio %
						2013
Cai Lan Port	Vietnam	Port infrastructure	15 December 2021		26,738,090	8.84
Ethiopian Airlines	Ethiopia	Industrial leasing	25 October 2019		5,357,143	1.77
Ethiopian Airlines	Ethiopia	Industrial leasing	30 October 2019		2,678,571	0.89
Ethiopian Airlines	Ethiopia	Industrial leasing	14 November 2019		2,678,571	0.89
Ethiopian Airlines	Ethiopia	Industrial leasing	30 July 2020		3,000,000	0.99
Power Grid Corporation	India	Electricity	15 March 2027		50,000,000	16.53
RVR Rift Valley Railways	Kenya	Transport infrastructure	30 September 2025		11,512,195	3.81
SSIT (Cai Mep)	Vietnam	Port infrastructure	15 December 2022		4,365,125	1.44
Takoradi	Ghana	Electricity	23 July 2027		21,088,967	6.97
Zain – Iraq	Iraq	Mobile telecommunications	30 January 2018		37,490,000	12.39
					164,908,662	54.52
Euro loans[1]						
Addax Bioenergy	Sierra Leone	Alternative energy	15 December 2023	17,880,833	24,187,403	8.00
Aéroport Internationale Blaise Diagne	Senegal	Transport infrastructure	5 September 2025	16,011,747	21,659,090	7.16
INA Industrija	Croatia	Oil and gas producers	17 August 2017	33,333,333	45,090,000	14.90
SA Taxi	South Africa	Transportation vehicle leasing	15 June 2017	18,000,000	24,348,600	8.05
				85,225,913	115,285,093	38.11
Indian rupee loans[2]						
Vinca-Ackruti	India	Real estate	15 December 2014	1,395,000,000	22,303,260	7.37
					302,497,015	100.00
Allowance for credit losses					(22,087,873)	
					280,409,142	
Unearned up-front fees and commitment fees					(6,267,057)	
					274,142,085	

1 Euro loans converted at EUR/US$ exchange rate of 1.3527
2 Indian rupee loans converted at INR/US$ exchange rate of .015988

Loan	Country	Industry	Maturity date	Book value in foreign currency	Book value US$	Portfolio %
						2012
Cai Lan Port	Vietnam	Port infrastructure	15 December 2021		19,801,204	6.42
Calidda	Peru	Natural gas distribution	15 October 2019		32,812,500	10.64
Power Grid Corporation	India	Electricity	15 March 2027		50,000,000	16.22
RVR Rift Valley Railways	Kenya	Transport infrastructure	30 September 2025		5,987,805	1.94
SSIT (Cai Mep)	Vietnam	Port infrastructure	15 December 2022		4,500,129	1.46
Zain – Iraq	Iraq	Mobile telecommunications	30 January 2018		45,830,000	14.88
					158,931,638	51.56
Euro loans[1]						
Addax Bioenergy	Sierra Leone	Alternative energy	15 December 2023	15,660,100	20,138,889	6.53
Aéroport Internationale Blaise Diagne	Senegal	Transport infrastructure	5 September 2025	12,370,000	15,907,820	5.16
INA Industrija	Croatia	Oil and gas producers	17 August 2017	41,666,667	53,583,333	17.38
SA Taxi	South Africa	Transportation vehicle leasing	15 June 2017	22,800,000	29,320,800	9.51
				92,496,767	118,950,842	38.58
Indian rupee loans[2]						
Vinca-Ackruti	India	Real estate	15 December 2014	1,606,405,384	30,389,810	9.86
					308,272,290	100.00
Allowance for credit losses					(25,487,218)	
					282,785,072	
Unearned up-front fees and commitment fees					(6,517,228)	
					276,267,844	

1 Euro loans converted at EUR/US$ exchange rate of 1.2860
2 Indian rupee loans converted at INR/US$ exchange rate of .01891789632

The fair value for loan investments approximates US$295,000,000 (2012 – US$293,700,000). Fair value is determined as follows:

- For loans for which there is a liquid market – market price is used.
- For loans to borrowers that have international bonds – market yields are used to determine the fair market value of future cash flows, with adjustments considering loan specificities.
- Loans to other borrowers (currently comprise all loans disbursed) – a discounted future cash flow calculation is used, considering also the market interest rate, sovereign risk, borrower credit risk, any change in construction risk and any change in sponsor support, among other factors.

6 Members' remuneration

A member's share in the profit or loss for the year is accounted for as an allocation. During the year, there were no drawings by, nor was any remuneration paid to, members.

	2013 US$	2012 US$
Profit for the financial year available for allocation among members	7,007,449	-
Profit affecting member with highest entitlement during the year	7,007,449	-

The average monthly number of members during the year was five (2012 – five).

7 Accrued interest income and other receivables

	2013 US$	2012 US$
Accrued interest income – loan investments	2,600,934	3,671,375
Accrued income – fees	116,735	372,425
Value-added tax recoverable	1,828	1,732
Prepaid insurance premiums	15,900	15,904
	2,735,397	4,061,436

8 Payables

Amounts falling due within one year:

	2013 US$	2012 US$
Amounts due to PIDG	-	91,750
Sundry	55,122	57,939
	55,122	149,689

9 Loans due to members within one year

The Partnership has a US$10,000,000 subordinated non-interest-bearing loan (2012 – US$10,000,000) from Private Infrastructure Development Group Trust payable on demand.

10 Loans due to members in more than one year

	2013 US$	2012 US$
Loans due to KfW	325,845,367	294,598,000
Fees	(2,209,537)	(1,549,166)
	323,635,830	293,048,834
Current portion of loans due to KfW	(17,500,000)	-
Net	306,135,830	293,048,834

The Partnership has:

- A US$50,000,000 (2012 – US$50,000,000) loan from KfW at annual interest of 2.69%, repayable in equal semi-annual payments of US$2,500,000 (2012 – US$2,500,000) starting in June 2015 (the fair value of this loan estimated using current interest rates for similar loans is US$48,120,000);
- A US$50,000,000 (2012 – US$50,000,000) loan from KfW at annual interest of 1.92%, repayable in equal semi-annual payments of US$2,632,000 (2012 – US$2,632,000) starting in September 2016 (the fair value of this loan estimated using current interest rates for similar loans is US$42,426,000);
- A US$70,000,000 (2012 – US$70,000,000) loan from KfW at annual interest of 0.19%, repayable in equal semi-annual payments of US$8,750,000 (2012 – US$8,750,000) starting in March 2014 (the fair value of this loan estimated using current interest rates for similar loans is US$67,362,000);
- A €74,000,000 (2012 – €74,000,000) loan from KfW at annual interest of 1.53%, repayable in equal semi-annual payments of €3,700,000 (2012 – €3,700,000) starting in December 2015 (the fair value of this loan estimated using current interest rates for similar loans is €69,187,000);
- A €19,000,000 (2012 – €19,000,000) loan from KfW at annual interest of 1.49%, repayable in equal semi-annual payments of €950,000 (2012 – €950,000) starting in March 2017 (the fair value of this loan estimated using current interest rates for similar loans is €17,264,000); and
- A US$30,044,267 (2012 – US$5,000,000) loan from KfW at annual interest of 1.63%, repayable in equal semi-annual payments of US$1,502,213 (2012 – US$250,000) starting in June 2017 (the fair value of this loan estimated using current interest rates for similar loans is US$24,771,000).

11 Total members' interests

	Members' capital classified as equity US$	Other reserves (deficit) US$	Total US$	Loans and other debts due to members US$	Total members' interest US$
Members' interests as at 30 September 2011 (unaudited)	1,000,004	833,302	1,833,306	217,659,550	219,492,856
Members' contributions	-	-	-	86,234,926	86,234,926
Loss for the year available for discretionary payment to members	-	(14,215,532)	(14,215,532)	-	(14,215,532)
Members' interests as at 30 September 2012	1,000,004	(13,382,230)	(12,382,226)	303,894,476	291,512,250
Members' contributions	-	-	-	30,699,428	30,699,428
Income for the year available for discretionary payment to members	-	7,007,449	7,007,449	-	7,007,449
Members' interests as at 30 September 2013	1,000,004	(6,374,781)	(5,374,777)	334,593,904	329,219,127

The Partnership defines capital as the total members' interest. This capital is not subject to externally imposed requirements.

The Partnership's objectives when managing capital are to draw down cash against members' committed interest sufficient to meet known demands received for loan disbursements.

12 Cash generated from operations

	2013 US$	2012 US$
Total comprehensive income (loss) for the year	7,007,449	(14,215,532)
Adjustments for		
Finance costs	5,053,886	4,175,549
Amortisation of commitment and up-front fees	(2,821,440)	(855,809)
Foreign exchange losses on loans	3,496,392	3,784,384
Accrued commitment and up-front fees	(255,691)	(618,961)
Allowance for credit losses	600,000	25,487,218
Interest income accrued on impaired loans	-	(3,999,345)
Changes in non-cash balances		
Receivables	1,326,039	191,460
Foreign exchange losses on short-term investments	41,913	(56,298)
Payables	(94,567)	(124,364)
	14,353,981	13,768,302

13 Auditor's remuneration

	2013 US$	2012 US$
Auditor's fees	65,309	44,805
Auditor's fees for non-audit services	13,414	14,565
	78,723	59,370

14 Related parties

The Manager is the sole shareholder of 9215-6975 Quebec Inc., the special member of the Partnership. During the year ended 30 September 2013, in the ordinary course of business, management fees of US$1,605,275 (2012 – US$1,222,679) were paid to the Manager. Management fees of US$91,750 (2012 – US$350,250) were also paid to Private Infrastructure Development Group Trust. These transactions were recorded at the exchange amount, which is the amount of consideration established and agreed to by the parties.

The Partnership has no employees.