

**ICF Debt Pool LLP**

Registered Number: OC348514

Annual Report and Financial Statements  
**30 September 2014**  
(expressed in US dollars)

## ICF Debt Pool LLP

Registered Number: OC348514

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### 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 6 <sup>th</sup> Floor Toronto, Ontario Canada M5K 1A2	
Registered Office	St. Nicholas House St. Nicholas Road Sutton, Surrey SM1 1EL United Kingdom	

## **ICF Debt Pool LLP**

Registered Number: OC348514

### **Members' Report**

**The members present their report and the financial statements for the year ended 30 September 2014.**

#### **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 euros 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\$13,491,991. The members are satisfied that the loan commitments are in line with initial projections over the year from 1 October 2013 to 30 September 2014. The current year financial performance was affected by an allowance for credit losses of US\$300,000. The Partnership's Board, based on information from Cordiant Capital Inc., has identified these impairments in the loans and taken action. At 30 September 2014, disbursed loans amounted to US\$299,517,456, and commitments represented US\$17,632,307. Further commitments and disbursements continue to be made after the balance sheet date.

FOR AND ON BEHALF OF  
SG HAMBROS TRUST COMPANY LIMITED

**Director**

## **ICF Debt Pool LLP**

Registered Number: OC348514

### **Results and allocation to members**

The results for the year are shown in the statement of comprehensive income. 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.

## ICF Debt Pool LLP

Registered Number: OC348514

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

- select suitable accounting policies and then apply them consistently;
- make judgements 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.

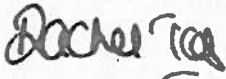
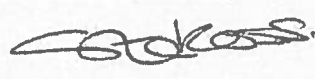
The members confirm that they have complied with the above requirements in preparing the financial statements.

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 THE PARTNERSHIP

CELEBRAS TRUST COMPANY LIMITED

Director

19 December 2014  
Date

# ***Independent auditors' report to the members of ICF Debt Pool LLP***

## **Report on the financial statements**

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### **Our opinion**

In our opinion, ICF Debt Pool LLP's financial statements (the "financial statements"):

- give a true and fair view of the state of the limited liability partnership's affairs as at 30 September 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

### **What we have audited**

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ICF Debt Pool LLP's financial statements comprise:

- the Balance Sheet as at 30 September 2014;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the members have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

## **Other matters on which we are required to report by exception**

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### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 as applicable to limited liability partnerships we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## **Responsibilities for the financial statements and the audit**

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### **Our responsibilities and those of the members**

As explained more fully in the Statement of members' responsibilities set out on page 3, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose. We do not, in



giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the limited liability partnership's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the designated members; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the members' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



David Parkinson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

15 January 2015

**ICF Debt Pool LLP**

Registered Number: OC348514

**Statement of Comprehensive Income****For the year ended 30 September 2014**

	<b>Note</b>	<b>2014 US\$</b>	<b>2013 US\$</b>
<b>Revenue</b>	<b>5</b>	<b>17,737,430</b>	<b>18,274,943</b>
Administrative expenses		(593,879)	(420,191)
Management fees		(2,170,199)	(1,697,025)
Allowance for credit losses	<b>4</b>	(300,000)	(600,000)
Foreign exchange loss		(1,181,361)	(3,496,392)
<b>Operating profit</b>		<b>13,491,991</b>	<b>12,061,335</b>
Finance costs		(5,234,983)	(5,053,886)
<b>Profit for the financial year available for division among members</b>		<b>8,257,008</b>	<b>7,007,449</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year available for division among members</b>		<b>8,257,008</b>	<b>7,007,449</b>

All activities derive from continuing operations.

The notes on pages 1 to 18 are an integral part of these financial statements.



# ICF Debt Pool LLP

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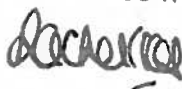
Balance Sheet

As at 30 September 2014

	Note	2014 US\$	2013 US\$
<b>Non-current assets</b>			
Loan investments	6	270,988,554	274,142,085
<b>Current assets</b>			
Accrued interest income and other receivables	8	3,690,956	2,735,397
Short-term investments		803,880	873,000
Cash and cash equivalents		39,196,342	51,523,767
Other assets		3,000,018	-
		46,691,196	55,132,164
<b>Total assets</b>		317,679,750	329,274,249
<b>Current liabilities</b>			
Payables	9	607,288	55,122
Accrued interest payable on loans and fees due to members		916,513	958,074
Loans due to members	10, 11	30,000,000	27,500,000
		31,523,781	28,513,196
<b>Non-current liabilities</b>			
Loans due to members	11	283,273,738	306,135,830
<b>Total liabilities</b>		314,797,519	334,649,026
<b>Net assets (liabilities)</b>		2,882,231	(5,374,777)
<b>Equity (deficiency)</b>			
Members' capital classified as equity	12	1,000,004	1,000,004
Other reserves (deficit)	12	1,882,227	(6,374,781)
<b>Total equity (deficiency)</b>		2,882,231	(5,374,777)
<b>Total members' interests</b>			
<b>Loans and other debts due to members within one year</b>			
Accrued interest payable on loans and fees due to members		916,513	958,074
Loans	10, 11	30,000,000	27,500,000
		30,916,513	28,458,074
<b>Loans due to members in more than one year</b>			
Loans	11	283,273,738	306,135,830
<b>Members' other interests – Equity (deficiency)</b>			
Members' capital classified as equity	12	1,000,004	1,000,004
Other reserves (deficit)	12	1,882,227	(6,374,781)
		2,882,231	(5,374,777)
<b>Total members' interests</b>	12	317,072,482	329,219,127

The notes on pages 1 to 18 are an integral part of these financial statements.

FOUNDER & CHAIRMAN OF  
ICF DEBT POOL TRUST COMPANY LIMITED



Director

**ICF Debt Pool LLP**

Registered Number: OC348514

**Statement of Cash Flows****For the year ended 30 September 2014**

	<b>Note</b>	<b>2014 US\$</b>	<b>2013 US\$</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	13	7,035,346	14,353,981
<b>Cash flows from investing activities</b>			
Loan issuance		(36,896,787)	(56,704,070)
Loan repayments		36,863,938	60,445,931
Commitment, up-front and other fees received		1,137,699	2,826,961
		<u>1,104,850</u>	<u>6,568,822</u>
<b>Cash flows from financing activities</b>			
Members' capital contributions		(12,029,292)	24,383,896
Interest paid to members		(5,276,544)	(4,941,453)
		<u>(17,305,836)</u>	<u>19,442,443</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(9,165,640)</b>	<b>40,365,246</b>
<b>Cash and cash equivalents – Beginning of year</b>		<b>51,523,767</b>	<b>10,417,746</b>
<b>Exchange gains (losses) on cash and cash equivalents</b>		<b>(3,161,785)</b>	<b>740,775</b>
<b>Cash and cash equivalents – End of year</b>		<b><u>39,196,342</u></b>	<b><u>51,523,767</u></b>

The notes on pages 1 to 18 are an integral part of these financial statements.

# ICF Debt Pool LLP

## Notes to Financial Statements

30 September 2014

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### 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 authorised for use by the Members on 19<sup>th</sup> December 2014.

### 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 2014, 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.

## **ICF Debt Pool LLP**

### **Notes to Financial Statements**

**30 September 2014**

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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.

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 5).

#### **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

## ICF Debt Pool LLP

### Notes to Financial Statements

30 September 2014

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- 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. 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.

## **ICF Debt Pool LLP**

### **Notes to Financial Statements**

**30 September 2014**

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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.

#### **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.

#### **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 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.



## **ICF Debt Pool LLP**

### **Notes to Financial Statements**

**30 September 2014**

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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, cash and cash equivalents and other assets approximate their fair values.

#### **Changes in accounting policy and disclosures**

##### **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 2013 that have a material impact on the Partnership, except as follows.

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.

##### **New standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 October 2014 and have not been applied in preparing these financial statements. None of them is expected to have a significant effect on the financial statements of the Partnership.

The final version of IFRS 9, Financial Instruments, was issued by the International Accounting Standards Board in July 2014 and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Partnership is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.



## **ICF Debt Pool LLP**

### **Notes to Financial Statements**

**30 September 2014**

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IFRS 15, Revenue from Contracts with Customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of goods or a service and thus has the ability to direct the use and obtain the benefits from the goods or service. The standard replaces IAS 18, Revenue, and IAS 11, Construction Contracts, and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017, and earlier application is permitted. The Partnership is assessing the impact of IFRS 15.

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

### **3 Financial instruments**

Financial assets and financial liabilities are recognised when the Partnership becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or been transferred and the Partnership has transferred substantially all the risks and rewards of ownership.

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

#### **Financial assets whose fair value approximates their carrying value**

The carrying value of certain financial assets corresponds to a reasonable approximation of fair value. The Partnership considers that the carrying values of accrued interest income and other receivables, cash and cash equivalents, other assets, accounts payable and accrued liabilities, and distributions and redemptions payable approximate their fair values.

#### **Loan investments carried at amortised cost on the balance sheet**

As at 30 September 2014, the fair value of loan investments approximates US\$299,400,000 (2013 – US\$295,000,000). Fair value of the loan investments is determined as follows:

- A discounted future cash flow calculation is used, also taking into consideration the market interest rate, sovereign risk, borrower credit risk, any change in construction risk and any change in sponsor support, among other factors.

#### **Loans due to members carried at amortised cost on the balance sheet**

The loans due to members are carried at amortised cost on the balance sheet. The fair value of the loans due to members has been disclosed in notes 10 and 11. The fair value of the loans due to members is estimated as the net present value of expected future cash flows using current market interest rates for similar loans.

**ICF Debt Pool LLP**  
**Notes to Financial Statements**  
**30 September 2014**

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**Determination of the fair value hierarchy**

All financial instruments have been analysed using a fair value hierarchy that reflects the significance of the inputs used in valuing those instruments. The fair value hierarchy is based on the following levels:

- **Level 1:** Fair values measured using unadjusted quoted prices in active markets for identical assets or liabilities;
- **Level 2:** Fair values measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- **Level 3:** Fair values measured using inputs that are not based on observable market data (unobservable inputs).

All loan investments are classified in the fair value hierarchy as Level 3 because they are valued using a discounted cash flow method which uses unobservable inputs. As at 30 September 2014, the most significant unobservable input used to determine fair value is the discount rate, which differs for each loan investment. Each loan investment is internally rated, and the discount rate used reflects this rating as well as the applicable sovereign rating. Discount rates vary from 5% to 25% depending on the maturity of the investment, the investment risk and the country risk.

The loans due to members have been classified as Level 2 because they are valued using current interest rates for similar loans that are observable on the market.

**4 Risk management**

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

	Credit risk	Liquidity risk	Market risk	
			Currency	Interest rate
<b>Measured at amortised cost</b>				
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
<b>Measured at fair value</b>				
Short-term investments	X		X	
Cash and cash equivalents	X		X	
Other assets	X			

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#### **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 minimised, 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.

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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

	2014 US\$	2013 US\$
Neither past due nor impaired	271,335,600	275,828,630
Individually impaired	28,181,856	26,668,385
Gross	299,517,456	302,497,015
Allowance for credit losses	(22,387,873)	(22,087,873)
Unearned up-front fees and commitment fees	(6,141,029)	(6,267,057)
Net	270,988,554	274,142,085

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 2014, two impaired loans have been written down to their estimated realizable value (2013 – two).

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

	2014 US\$	2013 US\$
Specific allowance – Beginning of year	22,087,873	25,487,218
Offset of accrued interest on non-performing loans against allowance for credit losses	-	(3,999,345)
Allowance for credit losses	300,000	600,000
Specific allowance – End of year	22,387,873	22,087,873

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

	Note	2014 US\$	2013 US\$
Loan investments	6	277,129,583	280,409,142
Accrued interest income and other receivables		3,690,956	2,735,397
Short-term investments		803,880	873,000
Cash and cash equivalents		39,196,342	51,523,767
Other assets		3,000,018	-
		<u>323,820,779</u>	<u>335,541,306</u>

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:

	2014			
	Under 1 year US\$	1 to 5 years US\$	Over 5 years US\$	Total US\$
Payables	607,268	-	-	607,268
Accrued interest payable on loans and fees	916,513	-	-	916,513
Loans due to members	30,000,000	127,015,497	158,997,070	316,012,567
	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

At year-end, loan commitments represent an amount of US\$17,632,307 (2013 – US\$55,540,045). The loan disbursement timing is not determinable.

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#### **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 loans denominated in foreign currencies are disclosed in note 6.

The foreign exchange loss account in the statement of comprehensive income includes a profit of US\$227,385 (2013 – US\$4,087,205) calculated on the revaluation of the loan denominated in Indian rupees to US dollars as at 30 September 2014.

#### **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 2014, the Partnership had US\$299,517,456 (2013 – US\$302,497,015) in loan investments exposed to interest rate risk. The interest rate risk is partially mitigated by the fact that borrowings which finance these investments are at lower fixed rates than loan investments, which are made, as much as possible, at fixed rates.

As at 30 September 2014, the Partnership had US\$139,180,064 (2013 – US\$137,065,081) in loan investments bearing floating interest rates, the most significant of which was LIBOR. Based on the balance outstanding as at 30 September 2014, an increase of 0.5% in LIBOR would increase net investment income by US\$695,900 and a decrease of 0.5% in LIBOR would decrease net investment income by the same amount (2013 – increase or decrease of US\$685,325).

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#### 5 Revenue

Fees represent income derived from the origination of loans.

	2014 US\$	2013 US\$
Interest income from loan investments	16,566,790	15,453,501
Up-front fee income from loan investments	624,686	1,264,237
Commitment and other fee income from loan investments	545,954	1,557,205
Total	<u>17,737,430</u>	<u>18,274,943</u>



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### 6 Loan investments

						2014
Loan	Country	Industry	Maturity date	Book value in foreign currency	Book value US\$	Portfolio %
<b>US dollar loans</b>						
Cai Lan Port	Vietnam	Port infrastructure	15 December 2021		25,019,400	8.39
Ethiopian Airlines	Ethiopia	Industrial leasing	25 October 2019		4,500,000	1.51
Ethiopian Airlines	Ethiopia	Industrial leasing	30 October 2019		2,250,000	0.75
Ethiopian Airlines	Ethiopia	Industrial leasing	14 November 2019		2,250,000	0.75
Ethiopian Airlines	Ethiopia	Industrial leasing	30 July 2020		2,571,430	0.87
Ethiopian Airlines	Ethiopia	Industrial leasing	5 May 2021		2,892,857	0.97
Ethiopian Airlines	Ethiopia	Industrial leasing	5 May 2021		2,892,857	0.97
Ethiopian Airlines	Ethiopia	Industrial leasing	26 June 2021		3,000,000	1.01
Ethiopian Airlines	Ethiopia	Industrial leasing	1 August 2021		3,000,000	1.01
Power Grid Corporation	India	Electricity	15 March 2027		50,000,000	16.77
RVR Rift Valley Railways	Kenya	Transport infrastructure	30 September 2025		20,000,000	6.71
SSIT (Cai Mep)	Vietnam	Port infrastructure	15 December 2022		4,365,125	1.46
Takoradi	Ghana	Electricity	23 July 2027		26,409,772	8.86
Zain – Iraq	Iraq	Mobile telecommunications	30 January 2018		29,150,000	9.77
					<u>178,301,441</u>	<u>59.80</u>
<b>Euro loans<sup>1</sup></b>						
Addax Bioenergy	Sierra Leone	Alternative energy	15 December 2025	22,505,210	28,426,331	9.53
Aéroport Internationale Blaise Diagne	Senegal	Transport infrastructure	5 September 2025	16,406,081	20,722,533	6.95
INA Industrija SA Taxi	Croatia	Oil and gas producers	17 August 2017	25,000,000	31,577,500	10.58
	South Africa	Transportation vehicle leasing	15 June 2017	13,200,000	16,672,920	5.59
				77,111,301	<u>97,399,284</u>	<u>32.65</u>
<b>Indian rupee loans<sup>2</sup></b>						
Vinca-Ackrutl	India	Real estate	15 December 2014	1,474,628,877	23,816,731	7.55
					299,517,456	<u>100.00</u>
Allowance for credit losses					<u>(22,387,873)</u>	
					277,129,583	
Unearned up-front fees and commitment fees					<u>(6,141,029)</u>	
					<u>270,988,554</u>	

<sup>1</sup> Euro loans converted at EUR/USD exchange rate of 1.2631

<sup>2</sup> Indian rupee loans converted at INR/USD exchange rate of .016151

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						2013
Loan	Country	Industry	Maturity date	Book value in foreign currency	Book value US\$	Portfolio %
<b>US dollar loans</b>						
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
					<u>164,908,662</u>	<u>54.52</u>
<b>Euro loans<sup>1</sup></b>						
Addax Bloenergy Aéroport	Sierra Leone	Alternative energy	15 December 2023	17,880,833	24,187,403	8.00
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	<u>115,285,093</u>	<u>38.11</u>
<b>Indian rupee loans<sup>2</sup></b>						
Vinca-Ackruti	India	Real estate	15 December 2014	1,395,000,000	22,303,280	7.37
					<u>302,497,015</u>	<u>100.00</u>
Allowance for credit losses					<u>(22,087,873)</u>	
					280,409,142	
Unearned up-front fees and commitment fees					<u>(6,267,057)</u>	
					<u>274,142,085</u>	

<sup>1</sup> Euro loans converted at EUR/US\$ exchange rate of 1.3527

<sup>2</sup> Indian rupee loans converted at INR/US\$ exchange rate of .015988

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#### 7 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.

	2014 US\$	2013 US\$
Profit for the financial year available for allocation among members	8,257,008	7,007,449
Profit affecting member with highest entitlement during the year	8,257,008	7,007,449

The average monthly number of members during the year was five (2013 – five).

#### 8 Accrued interest income and other receivables

	2014 US\$	2013 US\$
Accrued interest income – loan investments	3,647,430	2,600,934
Accrued income – fees	23,648	116,735
Value-added tax recoverable	3,980	1,828
Prepaid insurance premiums	15,900	15,900
	<u>3,690,956</u>	<u>2,735,397</u>

#### 9 Payables

Amounts falling due within one year:

	2014 US\$	2013 US\$
Sundry	<u>607,268</u>	<u>55,122</u>

#### 10 Loans due to members within one year

The Partnership has a US\$10,000,000 subordinated non-interest-bearing loan (2013 – US\$10,000,000) from Private Infrastructure Development Group Trust payable on demand.

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**11 Loans due to members in more than one year**

	2014 US\$	2013 US\$
Loans due to KfW	306,012,567	325,845,367
Fees	(2,738,829)	(2,209,537)
	<u>303,273,738</u>	<u>323,635,830</u>
Current portion of loans due to KfW	(20,000,000)	(17,500,000)
Net	<u>283,273,738</u>	<u>306,135,830</u>

The Partnership has:

- A US\$50,000,000 (2013 – US\$50,000,000) loan from KfW at annual interest of 2.69%, repayable in equal semi-annual payments of US\$2,500,000 (2013 – US\$2,500,000) starting in June 2015 (the fair value of this loan estimated using current interest rates for similar loans is US\$49,090,000 (2013 – US\$48,120,000));
- A US\$50,000,000 (2013 – US\$50,000,000) loan from KfW at annual interest of 1.92%, repayable in equal semi-annual payments of US\$2,632,000 (2013 – US\$2,632,000) starting in September 2016 (the fair value of this loan estimated using current interest rates for similar loans is US\$46,814,000 (2013 – US\$42,426,000));
- A US\$52,500,000 (2013 – US\$70,000,000) loan from KfW at annual interest of 0.19%, repayable in equal semi-annual payments of US\$8,750,000 (2013 – US\$8,750,000) starting in March 2014 (the fair value of this loan estimated using current interest rates for similar loans is US\$50,689,000 (2013 – US\$67,362,000));
- A 74,000,000 euros (2013 – 74,000,000 euros) loan from KfW at annual interest of 1.53%, repayable in equal semi-annual payments of 3,700,000 euros (2013 – 3,700,000 euros) starting in December 2015 (the fair value of this loan estimated using current interest rates for similar loans is 74,066,000 euros (2013 – 69,187,000 euros));
- A 19,000,000 euros (2013 – 19,000,000 euros) loan from KfW at annual interest of 1.49%, repayable in equal semi-annual payments of 950,000 euros (2013 – 950,000 euros) starting in March 2017 (the fair value of this loan estimated using current interest rates for similar loans is 19,024,000 euros (2013 – 17,264,000 euros)); and
- A US\$36,044,267 (2013 – US\$30,044,267) loan from KfW at annual interest of 1.63%, repayable in equal semi-annual payments of US\$1,802,213 (2013 – US\$1,502,213) starting in June 2017 (the fair value of this loan estimated using current interest rates for similar loans is US\$32,427,000 (2013 – US\$24,771,000)).

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### 12 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 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
Members' redemptions	-	-	-	(20,403,653)	(20,403,653)
Income for the year available for discretionary payment to members	-	8,257,008	8,257,008	-	8,257,008
Members' interests as at 30 September 2014	1,000,004	1,882,227	2,882,231	314,190,251	317,072,482

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.

### 13 Cash generated from operations

	2014 US\$	2013 US\$
Total comprehensive income for the year	8,257,008	7,007,449
Adjustments for		
Finance costs	5,234,983	5,053,886
Amortisation of commitment and up-front fees revenue	(1,170,640)	(2,821,440)
Foreign exchange losses on loans	1,181,361	3,496,392
Accrued commitment and up-front fees revenue	(93,088)	(255,691)
Allowance for credit losses	300,000	600,000
Changes in non-cash balances		
Accrued interest income and other receivables	(955,559)	1,326,039
Foreign exchange losses on short-term investments	69,120	41,913
Payables	552,146	(94,567)
Capitalised interest	(3,339,967)	-
Other assets	(3,000,018)	-
	<u>7,035,346</u>	<u>14,353,981</u>

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#### 14 Auditor's remuneration

	2014 US\$	2013 US\$
Auditor's fees	77,609	65,309
Auditor's fees for non-audit services	14,567	13,414
	<u>92,176</u>	<u>78,723</u>

#### 15 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 2014, in the ordinary course of business, management fees of US\$1,617,718 (2013 – US\$1,605,275) were paid to the Manager. Management fees of US\$552,481 (2013 – US\$91,750) 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.