ICF Debt Pool LLP

Registered Number: OC348514

Annual Report and Financial Statements
30 September 2016
(expressed in US dollars)

ICF Debt Pool LLP

Registered Number: OC348514

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 Kings Buildings 16 Smith Square London, SW1P 3HQ United Kingdom	McCarthy Tétrault 1000 De La Gauchetière Street West Suite 2500 Montréal, Quebec Canada H3B 0A2
Independent Auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT United Kingdom	
Banker	Toronto-Dominion Bank 100 Wellington Street West 6th Floor Toronto, Ontario Canada M5K 1A2	
Registered Office	Kings Buildings 16 Smith Square London, SW1P 3HQ 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 2016.

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 key performance indicators considered by the members for an understanding of the development and performance of the business are the operating results, the loan commitments and the allowance for credit losses.

The Partnership had an operating loss for the year of US$906,465 (2015 – an operating loss of US$158,781). The members are satisfied that the loan commitments are in line with initial projections over the year from 1 October 2015 to 30 September 2016. The current year financial performance was affected by an allowance for credit losses of US$11,406,850 (2015 – US$10,234,232). The Partnership's Board, based on information from Cordiant Capital Inc., has identified these impairments in the loans and has taken action. As at 30 September 2016, disbursed loans amounted to US$283,924,319 (2015 – US$260,921,644), and commitments represented US$56,681,854 (2015 – US$86,279,103). Further commitments and disbursements continue to be made after the balance sheet date.

The future development, performance and position of the Partnership are affected by the commitments and disbursement that continue to be made after the balance sheet date. The members expect the Partnership to continue to assist developing countries to provide infrastructure vital to boost their economic development and combat poverty for the foreseeable future.

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:

- Credit risk – exposed to counterparties not fulfilling their obligations;
- Market risk – subject to market fluctuations and general economic conditions, specifically interest rate risk;
- 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 among 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
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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.

Auditor and disclosure of information to auditor

So far as the members are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Partnership's auditors are unaware, and each member has taken all the steps that he ought to have taken as a member in order to make himself aware of any relevant audit information and to establish that the Partnership's auditors are aware of that information.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be passed by the designated members.

On behalf of the members,

FOR AND ON BEHALF OF
SG HAMBROS TRUST COMPANY LIMITED

Director

14 March 2017

Date

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

Report on the financial statements

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 2016 and of its loss 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

The financial statements, included within the Annual Report, comprise:

- the Balance Sheet as at 30 September 2016;
- 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 IFRSs as adopted by the European Union, and applicable law.

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

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

Our responsibilities and those of the members

As explained more fully in the Statement of members' responsibilities in respect of the Annual Report and the financial statements, 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 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 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.

Kirstie Hanley

Kirstie Hanley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 March 2017

ICF Debt Pool LLP

Statement of Comprehensive Income

For the year ended 30 September 2016

Registered Number: OC348514

(expressed in US dollars)

	Note	2016 US$	2015 US$
Revenue	5	14,071,045	15,849,714
Administrative expenses		(993,415)	(431,101)
Management fees		(1,600,815)	(1,558,080)
Allowance for credit losses	4	(11,406,850)	(10,234,232)
Foreign exchange loss		(976,430)	(3,785,082)
Operating (loss)/profit		(906,465)	(158,781)
Finance costs		(6,460,855)	(5,184,998)
Non-acceptance compensation	16	(13,060,659)	-
(Loss)/profit for the financial year available for division among members		(20,427,979)	(5,343,779)
Total comprehensive (loss)/income for the year available for division among members		(20,427,979)	(5,343,779)

All activities derive from continuing operations.

The notes on pages 10 to 26 are an integral part of these financial statements.

ICF Debt Pool LLP

Balance Sheet

As at 30 September 2016

Registered Number: OC348514

(expressed in US dollars)

	Note	2016 US$	2015 US$
Non-current assets			
Loan investments	6	234,471,465	222,213,651
Current assets			
Accrued interest income and other receivables	8	3,313,251	2,984,471
Short-term investments		685,620	671,940
Cash and cash equivalents		171,477,153	69,285,788
		175,476,024	72,942,199
Total assets		409,947,489	295,155,850
Current liabilities			
Trade and other payables	9	65,777	303,403
Accrued interest payable on loans and fees due to members		1,568,258	938,054
Loans due to members	10, 11	63,100,636	43,451,560
Non-acceptance compensation payable	16	13,060,659	-
		77,795,330	44,693,017
Non-current liabilities			
Loans due to members	11	355,041,686	252,924,381
Total liabilities		432,837,016	297,617,398
Net (liabilities)/assets		(22,889,527)	(2,461,548)
(Deficiency)/equity			
Members' capital classified as equity	12	1,000,004	1,000,004
(Deficit)/other reserves	12	(23,889,531)	(3,461,552)
Total (deficiency)/equity		(22,889,527)	(2,461,548)
Total members' interests			
Loans and other debts due to members within one year			
Accrued interest payable on loans and fees due to members		1,568,258	938,054
Loans	10, 11	63,100,636	43,451,560
Non-acceptance compensation payable	16	13,060,659	-
		77,729,553	44,389,614
Loans due to members in more than one year			
Loans	11	355,041,686	252,924,381
Members' other interests – Equity			
Members' capital classified as equity	12	1,000,004	1,000,004
(Deficit)/other reserves	12	(23,889,531)	(3,461,552)
		(22,889,527)	(2,461,548)
Total members' interests	12	409,881,712	294,852,447

The notes on pages 10 to 26 are an integral part of these financial statements.

FOR AND ON BEHALF OF
SG HAMBROS TRUST COMPANY LIMITED

Director

ICF Debt Pool LLP

Statement of Cash Flows

For the year ended 30 September 2016

Registered Number: OC348514

(expressed in US dollars)

	Note	2016 US$	2015 US$
Cash flows from operating activities			
Cash generated from operations	13	9,036,953	14,328,722
Cash flows from investing activities			
Loan issuance		(70,704,082)	(18,872,682)
Loan repayments		46,704,885	47,898,522
Commitment, up-front and other fees received		1,197,787	779,765
		(22,801,410)	29,805,605
Cash flows from financing activities			
Loans due to members – issued		155,069,455	16,320,000
Loans due to members – paid		(33,400,939)	(20,318,697)
Interest paid to members		(5,830,651)	(5,163,457)
		115,837,865	(9,162,154)
Net increase/(decrease) in cash and cash equivalents		102,073,408	34,972,173
Cash and cash equivalents – Beginning of year		69,285,788	39,196,342
Exchange gains/(losses) on cash and cash equivalents		117,957	(4,882,727)
Cash and cash equivalents – End of year		171,477,153	69,285,788

The notes on pages 10 to 26 are an integral part of these financial statements.

(expressed in US dollars)

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 Kings Buildings, 16 Smith Square, London SW1P 3HQ, United Kingdom.

These financial statements were authorised for use by the Members on ________________ March 2017.

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 2016, 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.

(expressed in US dollars)

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.

Revenue

Interest income is recorded using the effective interest rate method on an accruals 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

(expressed in US dollars)

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.

(expressed in US dollars)

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 and management fees

Administrative expenses and management fees are accounted for on an accruals 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.

(expressed in US dollars)

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.

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 2015 that have a material impact on the Partnership.

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 2015 and have not been applied in preparing these financial statements.

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, it 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.

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 2018, 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.

(expressed in US dollars)

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. Financial liabilities are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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, and cash and cash equivalents approximate their fair values.

Loan investments carried at amortised cost on the balance sheet

As at 30 September 2016, the fair value of loan investments approximates US$247,800,000 (2015 – US$232,500,000). 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.

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).

(expressed in US dollars)

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 2016, 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 2.5% to 37% (2015 – 5% to 16%) 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.

There have been no changes in classification during the year.

4 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	
Trade and other payables		X		
Accrued interest payable on loans and fees		X	X	X
Loans and other debts due to members		X	X	X
Non-acceptance compensation payable		X		
Measured at fair value				
Short-term investments	X		X	X
Cash and cash equivalents	X		X	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.

(expressed in US dollars)

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.

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

	2016 US$	2015 US$
Neither past due nor impaired	211,784,184	188,727,106
Individually impaired	72,140,135	72,194,538
Gross	283,924,319	260,921,644
Allowance for credit losses	(44,028,955)	(32,622,105)
Unearned up-front fees and commitment fees	(5,423,899)	(6,085,888)
Net	234,471,465	222,213,651

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 2016, four impaired loans have been written down to their estimated realizable value (2015 – four).

(expressed in US dollars)

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

	2016 US$	2015 US$
Specific allowance – Beginning of year	32,622,105	22,387,873
Allowance for credit losses	11,406,850	10,234,232
Specific allowance – End of year	44,028,955	32,622,105

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

	Note	2016 US$	2015 US$
Loan investments	6	239,895,364	228,299,539
Accrued interest income and other receivables		3,313,251	2,984,471
Short-term investments		685,620	671,940
Cash and cash equivalents		171,477,153	69,285,788
		415,371,388	301,241,738

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:

				2016
	Under 1 year US$	1 to 5 years US$	Over 5 years US$	Total US$
Trade and other payables	65,777	-	-	65,777
Accrued interest payable on loans and fees	1,568,258	-	-	1,568,258
Loans due to members	63,100,636	165,955,843	192,260,728	421,317,207
Non-acceptance compensation payable	13,060,659	-	-	13,060,659

(expressed in US dollars)

				2015
	Under 1 year US$	1 to 5 years US$	Over 5 years US$	Total US$
Trade and other payables	303,403	-	-	303,403
Accrued interest payable on loans and fees	938,054	-	-	938,054
Loans due to members	43,451,560	118,704,173	137,277,734	299,433,467

At year-end, loan commitments represent an amount of US$56,681,854 (2015 – US$86,279,103). 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, British 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 loss of US$54,405 (2015 – a loss of US$1,517,760) calculated on the revaluation of the loan denominated in Indian rupees to US dollars as at 30 September 2016, and a loss of US$922,025 (2015 – a loss of US$2,267,322) calculated on the revaluation of assets and liabilities denominated in euros to US dollars as at 30 September 2016.

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.

(expressed in US dollars)

As at 30 September 2016, the Partnership had US$283,924,319 (2015 – US$260,921,644) 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, when possible, at fixed rates.

As at 30 September 2016, the Partnership had US$153,112,456 (2015 – US$136,753,532) in loan investments bearing floating interest rates, the most significant of which was LIBOR. Based on the balance outstanding as at 30 September 2016, an increase of 0.5% in LIBOR would increase net investment income by US$765,562 and a decrease of 0.5% in LIBOR would decrease net investment income by the same amount (2015 – increase or decrease of US$683,768).

5 Revenue

Fees represent income derived from the origination of loans.

	2016 US$	2015 US$
Interest income from loan investments	12,402,358	14,337,598
Up-front fee income from loan investments	747,509	842,097
Commitment and other fee income from loan investments	921,178	670,019
Total	14,071,045	15,849,714

(expressed in US dollars)

6 Loan investments

Loan	Country	Industry	Maturity date	Book value in foreign currency	Book value US$	Portfolio %
						2016
US dollar loans						
Azura Power West Africa Limited	Nigeria	Electricity	November 15, 2028		5,081,287	1.79
Cai Lan Port	Vietnam	Port infrastructure	15 December 2021		25,530,444	8.99
Ethiopian Airlines	Ethiopia	Industrial leasing	25 October 2019		2,785,714	0.98
Ethiopian Airlines	Ethiopia	Industrial leasing	30 October 2019		1,392,857	0.49
Ethiopian Airlines	Ethiopia	Industrial leasing	14 November 2019		1,392,857	0.49
Ethiopian Airlines	Ethiopia	Industrial leasing	30 July 2020		1,714,286	0.60
Ethiopian Airlines	Ethiopia	Industrial leasing	5 May 2021		2,035,714	0.72
Ethiopian Airlines	Ethiopia	Industrial leasing	5 May 2021		2,035,714	0.72
Ethiopian Airlines	Ethiopia	Industrial leasing	26 June 2021		2,142,857	0.76
Ethiopian Airlines	Ethiopia	Industrial leasing	1 August 2021		2,142,857	0.76
Ethiopian Airlines	Ethiopia	Industrial leasing	1 October 2021		2,250,000	0.79
Karadeniz Ship Owning Company	Indonesia	Electricity	15 January 2022		15,000,000	5.28
Power Grid Corporation	India	Electricity	15 March 2027		50,000,000	17.61
RVR Rift Valley Railways	Kenya	Transport infrastructure	30 September 2025		20,000,000	7.04
SSIT (Cai Mep)	Vietnam	Port infrastructure	15 December 2022		4,365,125	1.54
Takoradi	Ghana	Electricity	15 June 2027		26,820,000	9.44
Zain	Iraq	Mobile telecommunications	30 January 2018		12,470,000	4.39
					177,159,712	62.39
Euro loans'						
Aeroport Internationale Blaise Diagne	Senegal	Transport infrastructure	5 September 2025	21,629,231	24,300,441	8.56
Heksagon Kati Atik Yonetimi Sanayi Vet	Turkey	Support service	15 May 2026	30,000,000	33,705,000	11.87
SA Taxi	South Africa	Transportation vehicle leasing	15 June 2017	3,600,000	4,044,600	1.43
Societé Concessionnaire du Pont river	Ivory Coast	Transport infrastructure	15 April 2027	20,000,000	22,470,000	7.91
				75,229,231	84,520,041	29.77
Indian rupee loans[2]						
Vinca-Ackruti	India	Real estate	15 December 2014	1,480,602,076	22,244,566	7.84
					283,924,319	100.00
Allowance for credit losses					(44,028,955)	
					239,895,364	
Unearned up-front fees and commitment fees					(5,423,899)	
					234,471,465	

[1] Euro loans converted at EUR/USD exchange rate of 1.1235

[2] Indian rupee loans converted at INR/USD exchange rate of .015024

(expressed in US dollars)

Loan	Country	Industry	Maturity date	Book value in foreign currency	Book value US$	Portfolio %
						2015
US dollar loans						
Cai Lan Port	Vietnam	Port infrastructure	15 December 2021		25,530,444	9.78
Ethiopian Airlines	Ethiopia	Industrial leasing	25 October 2019		3,642,857	1.40
Ethiopian Airlines	Ethiopia	Industrial leasing	30 October 2019		1,821,429	0.70
Ethiopian Airlines	Ethiopia	Industrial leasing	20 November 2019		1,821,428	0.70
Ethiopian Airlines	Ethiopia	Industrial leasing	30 July 2020		2,142,857	0.82
Ethiopian Airlines	Ethiopia	Industrial leasing	5 May 2021		2,464,286	0.94
Ethiopian Airlines	Ethiopia	Industrial leasing	5 May 2021		2,464,286	0.94
Ethiopian Airlines	Ethiopia	Industrial leasing	26 June 2021		2,571,429	0.99
Ethiopian Airlines	Ethiopia	Industrial leasing	31 July 2021		2,571,429	0.99
Ethiopian Airlines	Ethiopia	Industrial leasing	1 October 2021		2,678,571	1.03
Karadeniz Ship Owning Company	Indonesia	Electricity	15 January 2022		14,320,000	5.49
Power Grid Corporation	India	Electricity	15 March 2027		50,000,000	19.15
RVR Rift Valley Railways	Kenya	Transport infrastructure	30 September 2025		20,000,000	7.67
SSIT (Cai Mep)	Vietnam	Port infrastructure	15 December 2022		4,365,125	1.67
Takoradi	Ghana	Electricity	23 July 2027		26,864,454	10.30
Zain – Iraq	Iraq	Mobile telecommunications	30 January 2018		20,810,000	7.98
					184,068,595	70.55
Euro loans[1]						
Addax Bioenergy	Sierra Leone	Alternative energy	15 December 2025	23,967,397	26,948,941	10.33
Aéroport Internationale Blaise Diagne	Senegal	Transport infrastructure	5 September 2025	16,150,995	18,160,179	6.96
SA Taxi	South Africa	Transportation vehicle leasing	15 June 2017	8,400,000	9,444,960	3.62
				48,518,392	54,554,080	20.91
Indian rupee loans[2]						
Vinca-Ackruti	India	Real estate	15 December 2014	1,480,380,441	22,298,969	8.54
					260,921,644	100.00
Allowance for credit losses					(32,622,105)	
					228,299,539	
Unearned up-front fees and commitment fees					(6,085,888)	
					222,213,651	

[1] Euro loans converted at EUR/USD exchange rate of 1.1244
[2] Indian rupee loans converted at INR/USD exchange rate of .015063

(expressed in US dollars)

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.

	2016 US$	2015 US$
Loss for the financial year available for allocation among members	(20,427,979)	(5,343,779)
Loss affecting member with highest entitlement during the year	(20,427,979)	(5,343,779)

The average monthly number of members during the year was five (2015 – five).

8 Accrued interest income and other receivables

	2016 US$	2015 US$
Accrued interest income – loan investments	2,954,023	2,262,061
Accrued income – fees	339,177	700,857
Value-added tax recoverable	3,521	5,653
Prepaid insurance premiums	16,530	15,900
	3,313,251	2,984,471

9 Trade and other payables

Amounts falling due within one year:

	2016 US$	2015 US$
Other creditors	65,777	303,403

10 Loans due to members within one year

The Partnership has a US$10,000,000 subordinated non-interest-bearing loan (2015 – US$10,000,000) from Private Infrastructure Development Group Trust payable on demand.

(expressed in US dollars)

11 Loans due to members in more than one year

	2016 US$	2015 US$
Loans due to KfW	411,317,207	289,433,467
Fees	(3,174,885)	(3,057,526)
	408,142,322	286,375,941
Current portion of loans due to KfW	(53,100,636)	(33,451,560)
Net	355,041,686	252,924,381

The Partnership has:

- A US$42,500,000 (2015 – US$47,500,000) loan from KfW at annual interest of 2.69%, repayable in equal semi-annual payments of US$2,500,000 (2015 – US$2,500,000) starting in June 2015 (the fair value of this loan estimated using current interest rates for similar loans is US$45,247,456 (2015 – US$49,260,000));
- A US$47,369,000 (2015 – US$50,000,000) loan from KfW at annual interest of 1.92%, repayable in equal semi-annual payments of US$2,632,000 (2015 – US$2,632,000) starting in September 2016 (the fair value of this loan estimated using current interest rates for similar loans is US$48,668,498 (2015 – US$50,230,000));
- A US$17,500,000 (2015 – US$35,000,000) loan from KfW at annual interest of 0.19%, repayable in equal semi-annual payments of US$8,750,000 (2015 – US$8,750,000) starting in March 2014 (the fair value of this loan estimated using current interest rates for similar loans is US$17,348,938 (2015 – US$34,470,000));
- A 66,600,000 euros (2015 – 74,000,000 euros) loan from KfW at annual interest of 1.53%, repayable in equal semi-annual payments of 3,700,000 euros (2015 – 3,700,000 euros) starting in December 2015 (the fair value of this loan estimated using current interest rates for similar loans is 71,186,121 euros (2015 – 76,500,000 euros));
- A 99,129,158 euros (2015 – 19,000,000 euros) loan from KfW at annual interest of 1.49%, repayable in equal semi-annual payments of 4,956,458 euros (2015 – 950,000 euros) starting in March 2017 (the fair value of this loan estimated using current interest rates for similar loans is 107,284,649 euros (2015 – 19,800,000 euros)); and
- A US$117,751,498 (2015 – US$52,364,267) loan from KfW at annual interest of 1.63%, repayable in equal semi-annual payments of US$5,887,575 (2015 – US$2,618,213) starting in June 2017 (the fair value of this loan estimated using current interest rates for similar loans is US$119,790,635 (2015 – US$51,350,000)).

The Partnership has also incurred a charge in relation to undrawn loans with KfW. Further details are given in note 16.

(expressed in US dollars)

12 Total members' interests

	Members' capital classified as equity US$	(Deficit)/ other reserves US$	Total US$	Loans and other debts due to members US$	Total members' interest US$
Members' interests as at 30 September 2014	1,000,004	1,882,227	2,882,231	314,190,251	317,072,482
Members' net redemptions	-	-	-	(16,876,256)	(16,876,256)
Income for the year available for discretionary payment to members	-	(5,343,779)	(5,343,779)	-	(5,343,779)
Members' interests as at 30 September 2015	1,000,004	(3,461,552)	(2,461,548)	297,313,995	294,852,447
Members' net redemptions / contributions	-	-	-	135,457,244	135,457,244
Income for the year available for discretionary payment to members	-	(20,427,979)	(20,427,979)	-	(20,427,979)
Members' interests as at 30 September 2016	1,000,004	(23,889,531)	(22,889,527)	432,771,239	409,881,712

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

	2016 US$	2015 US$
Total comprehensive (loss)/income for the year	(20,427,979)	(5,343,779)
Adjustments for		
Finance costs	6,460,855	5,184,998
Amortisation of commitment and up-front fees revenue	(1,498,096)	(1,512,116)
Foreign exchange losses on loans	976,430	3,785,082
Accrued commitment and up-front fees revenue	(361,680)	677,211
Allowance for credit losses	11,406,850	10,234,232
Non-acceptance compensation payable	13,060,659	-
Changes in non-cash balances		
Accrued interest income and other receivables	(328,780)	706,485
Foreign exchange losses on short-term investments	(13,680)	131,940
Trade and other payables	(237,626)	(303,865)
Capitalised interest	-	(2,231,484)
Other current assets	-	3,000,018
	9,036,953	14,328,722

(expressed in US dollars)

14 Auditors' remuneration

	2016 US$	2015 US$
Auditors' fees	36,322	51,050
Auditors' fees for non-audit services	11,675	15,631
	47,997	66,681

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 2016, in the ordinary course of business, management fees of US$1,514,000 (2015 – US$1,235,802) were paid to the Manager. Management fees of US$86,815 (2015 – US$322,277) 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 (2015 – nil).

16 Non-acceptance compensation payable

Under the loan agreement with KfW, the majority investor in the Partnership, ICF Debt Pool LLP is required to request the disbursement of loan amounts by 31 December 2016 (the deadline). As at 30 September 2016, the Partnership has assessed that it is highly probable that the loan amount will not be disbursed in its entirety before the deadline. Accordingly, and in accordance with the loan agreement, the Partnership could be liable for compensation to be determined by KfW for any losses, expenses and/or costs incurred by KfW as a result of the non-acceptance of the loan amount in question.

The amount of compensation to be paid was agreed with KfW in January 2017 and settled for an amount of US$13,060,659. This has been accounted for in these financial statements as an adjusting post balance sheet event in accordance with IAS 10.