Registered No 2151947

DEVELOPING COUNTRIES INVESTMENT LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2006

DEVELOPING COUNTRIES INVESTMENT LIMITED

Contents

DEVELOPING COUNTRIES INVESTMENT LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2006

Business review

The main objective of the company is to hold and dispose of debt obligations, equity and other forms of investment for the purpose of generating maximum profits and cash flows from foreign territories. During the year, the company continued to dispose of existing investments and the remaining investments were disposed of during 2007 No other change in the company's activities is anticipated

The business is funded by parent undertakings through equity investment, borrowings and cash deposits

The company has no employees Services required are provided by fellow HSBC Group companies

The company has no stakeholders other than its parent company

Risk management

Liquidity risk

The company's assets are funded by borrowing from a parent undertaking, which acts as a treasury function This funding has no fixed date for repayment and is therefore technically repayable on demand, although the treasury function provides funds as required

Performance

The company's results for the year under review are as detailed in the income statement shown in these accounts

The key performance indicator used by management in assessing the performance of the company is the recovery of cash from its investments Regular reviews of the recoverability are undertaken

Dividends

The Directors recommend the payment of a dividend of £3,608,671 on 31 October 2007 (2005 £nil)

Directors

The Directors who served during the year were as follows

	Appointed	Resigned
C A G Gibson		23 January 2006
A P Wilkinson		
B J Clarkson	23 January 2006	

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the UK Companies Act 1985 Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors

DEVELOPING COUNTRIES INVESTMENT LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2006

Supplier payment policy

The company subscribes to the Better Payment Practice Code, the four principles of which are to agree payment terms at the outset and stick to them, to explain payment procedures to suppliers; to pay bills in accordance with any contract agreed with the supplier or as required by law, and to tell suppliers without delay when an invoice is contested and settle disputes quickly Copies of, and information about, the Code is available from The Department of Trade and Industry, No 1 Victoria Street, London SW1H 0ET

During the year, the company only received goods and services from group undertakings Part VI of Schedule 7 of the Companies Act 1985, setting out reporting requirements in relation to the policy and practice on payment of creditors is, therefore, not applicable

Disclosure of information to auditors

Each person who is a director at the date of approval of this report confirms that so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985

Statement of directors' responsibilities in relation to financial statements

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities, is made with a view to distinguishing for the shareholder the respective responsibilities of the directors and of the auditors in relation to the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU

The financial statements are required by law to present fairly the financial position and the performance of the company, the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

DEVELOPING COUNTRIES INVESTMENT LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2006

Statement of directors' responsibilities in relation to financial statements (continued)

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

By order of the Board

Pauline McQuillan

P L McQuillan
Secretary
Date 17 October 2007

Registered Office
8 Canada Square
London
E14 5HQ

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF DEVELOPING COUNTRIES INVESTMENT LIMITED

We have audited the financial statements of Developing Countries Investment Limited for the year ended 31 December 2006 which comprise the income statement, the balance sheet, the cash flow statement, the statement of recognised income and expense and the related notes. These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on pages 2 and 3

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements

KPMG Audit Plc KPMG Audit Plc 19/10/07

Chartered Accountants
Registered Auditor

2 Cornwall Street
Birmingham B3 2DL

DEVELOPING COUNTRIES INVESTMENT LIMITED
INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	2005 £
Finance income/(costs)			
Interest receivable		-	1,669
Other income - release of impairment provision		910,343	-
Foreign exchange gain/(loss)		35,976	(185,385)
Profit on sale of investments		2,009,501	-
Profit/(loss) before tax	2	2,955,820	(183,716)
Tax expense	3	(769,903)	-
Profit/(loss) for the year		2,185,917	(183,716)

There were no acquisitions, discontinued or discontinuing operations during the year.

STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
Available-for-sale investments			
– valuation gains taken to equity	4	1,305,530	2,037,000
– amounts transferred to the income statement	4	(2,009,501)	-
Tax recognised on income and expenses recognised directly in equity			
– current tax on net gains recognised in year		211,191	-
– current tax – adjustment relating to prior year		(611,100)	-
– deferred tax – current year	6	-	(611,100)
– deferred tax – adjustment relating to prior year	6	611,100	-
Total income and expense recognised in equity for the year		(492,780)	1,425,900
Retained profit/(loss) for the year		2,185,917	(183,716)
Total recognised income and expense for the year		1,693,137	1,242,184

DEVELOPING COUNTRIES INVESTMENT LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2006

	Note	2006	2005
		£	£
ASSETS			
Current assets			
Investment in unlisted subsidiary and other undertakings available for sale	4	2,303,464	4,123,724
Amounts owed by parent undertaking	5	129,880	140,501
Cash and cash equivalents held with parent undertakings		3,315,612	807,810
Total assets		5,748,956	5,072,035
LIABILITIES AND EQUITY			
Current liabilities			
Amounts owed to parent undertaking	5	47,875	1,612,181
Current tax		978,512	-
Non-current liabilities			
Deferred tax	6	180,678	611,100
Total liabilities		1,207,065	2,223,281
Equity			
Called up share capital	7	100	100
Available for sale reserve		933,120	1,425,900
Retained earnings		3,608,671	1,422,754
Total equity	8	4,541,891	2,848,754
Total liabilities and equity		5,748,956	5,072,035

These financial statements were approved by the Board of Directors on 17 October 2007 and were signed on its behalf by

A P Wilkinson
Director

DEVELOPING COUNTRIES INVESTMENT LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	2006	2005
Cash flows from operating activities:	£	£
Profit before tax	2,955,820	(183,716)
Adjustments for		
Release of impairment provision	(910,343)	-
Foreign exchange differences	-	185,385
Profit on sale of investments	(2,009,501)	-
Net cash from operating activities	35,976	1,669
Cash flows from investing activities:		
Disposal of financial assets	4,036,134	587,416
Foreign exchange loss	-	(185,385)
Net cash used in investing activities	4,036,134	402,031
Cash flows from financing activities:		
Paid to parent undertaking	(953,208)	(256,875)
Paid in respect of current tax	(611,100)	-
Net cash used in financing activities	(1,564,308)	(256,875)
Net increase in cash and cash equivalents	2,507,802	146,825
Cash and cash equivalents brought forward	807,810	660,985
Cash and cash equivalents carried forward	3,315,612	807,810

DEVELOPING COUNTRIES INVESTMENT LIMITED
NOTES ON THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

a) Basis of Preparation

The financial statements are presented in sterling and have been prepared on the historical cost basis

The company has prepared its financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU and effective for the company's reporting for the year ended 31 December 2006 IFRSs comprise accounting standards issued by the International Accounting Standards Board ('IASB') and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body

No standards or interpretations which became effective during the year had any impact on these financial statements No standards or interpretations available for early adoption are expected to have a significant effect on the results or net assets of the company when adopted IFRS 7 Financial Instruments Disclosures will be implemented by the company in the financial statements for the year ending 31 December 2007 and this is expected to require changes to the detailed disclosures about financial instruments

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented

The company is exempt from the requirement to prepare group financial statements by virtue of section 228 of the Companies Act 1985 The financial statements present information about the Company as an individual undertaking

b) Foreign Currencies

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date Any resulting exchange differences are included in the income statement

c) Investments

Investments are treated as available for sale and held at fair value Movements in fair value are recognised directly in equity The fair value is calculated by discounting expected future receivables from the investments

Investments in subsidiary undertakings are carried at cost less provision for impairment Where there is objective evidence that the investment is impaired, the loss is recognised in the income statement

d) Related party transactions

The company maintains bank current accounts, held with another group undertaking

DEVELOPING COUNTRIES INVESTMENT LIMITED
NOTES ON THE FINANCIAL STATEMENTS

1 **ACCOUNTING POLICIES (continued)**

e) **Use of assumptions and estimates**

When preparing the financial statements, it is the directors' responsibility under UK company law to select suitable accounting policies and to make judgements and estimates that are reasonable and prudent.

The accounting policies that are deemed critical to the company's IFRS results and financial position, in terms of the materiality of the items to which the policy is applied, or which involve a high degree of judgement and estimation, are provisions against investments

Provisions are calculated on the basis of current and expected future market conditions.

f) **Cash and cash equivalents**

Inter company transactions are accounted for as financing activities

g) **Income tax**

Income tax on the profit or loss for the year comprises current tax

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the balance sheet date and any adjustment to tax payable in respect of previous years

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the balance sheet and the amount attributed to such assets and liabilities for tax purposes Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and a legal right to set off exists in the entity

2 **PROFIT/(LOSS) BEFORE TAX**

The directors made no charge for their services Auditors' remuneration for audit of these financial statements was £2,989 (2005 £2,989) and was borne by a parent undertaking on behalf of the company The company has no employees and hence has no staff costs

DEVELOPING COUNTRIES INVESTMENT LIMITED
NOTES ON THE FINANCIAL STATEMENTS

3. TAX EXPENSE

The tax expense comprises	2006	2005
	£	£
Group relief payable to/(receivable from) other group undertakings		
- current tax on income for the year	633,718	-
- adjustments in respect of prior years	(44,493)	-
Total current tax	589,225	-
Deferred taxation		
- reversal of temporary differences	(20,075)	-
- adjustments in respect of prior years	200,753	-
Total deferred tax (note 6)	180,678	-
Total tax expense	769,903	-

The current tax expense for the year is different from the standard rate of corporation tax in the UK of 30% (2005 30%) The differences are explained below

Analysis of overall tax expense	2006	2005
	£	£
Profit/(loss) before tax	2,955,820	(183,716)
Taxation at 30% (2005 30%)	886,746	(55,115)
Effects of		
Non taxable expense	-	55,115
Non taxable provision movement	(273,103)	-
Adjustments in respect of prior years	156,260	-
Overall tax expense	769,903	-

4 INVESTMENT IN UNLISTED SUBSIDIARY AND OTHER UNDERTAKINGS AVAILABLE FOR SALE

The principal subsidiary and other undertakings, all of which prepare accounts to 31 December, were as follows

Name of subsidiary undertaking	Country of incorporation and operations	Interest in ordinary share capital at 31 December 2006 Direct %
DCI Nortel (A) Limited	Cayman Islands	100

This subsidiary was sold in June 2007

Name of other undertaking		
Peru Privatisation Fund Limited	Cayman Islands	15

This undertaking was dissolved in March 2007

DEVELOPING COUNTRIES INVESTMENT LIMITED
NOTES ON THE FINANCIAL STATEMENTS

4 INVESTMENT IN UNLISTED SUBSIDIARY AND OTHER UNDERTAKINGS AVAILABLE FOR SALE (Continued)

	Investments in subsidiary undertakings	Investment in other undertaking	Total
	£	£	£
Cost or valuation			
As at 1 January 2006	910,343	4,123,724	5,034,067
Disposals	-	(4,036,133)	(4,036,133)
Available-for-sale movements	1,259,019	46,511	1,305,530
As at 31 December 2006	2,169,362	134,102	2,303,464
Provisions			
As at 1 January 2006	(910,343)	-	(910,343)
Released in the year	910,343		910,343
As at 31 December 2006	-	-	-
Net book value			
As at 31 December 2006	2,169,362	134,102	2,303,464
As at 31 December 2005	-	4,123,724	4,123,724

The above investments were acquired as single purpose companies to effect investments in commercial enterprises in Latin America Substantially all income received by the subsidiary and other undertakings from these commercial enterprises is paid on, by way of dividends, to the company The company is actively seeking to dispose of the subsidiary and other undertakings

5 AMOUNTS OWED BY/TO PARENT UNDERTAKINGS

Amounts owed by/to parent undertakings have no fixed date for repayment and are therefore technically repayable on demand They are stated at amortised cost and the fair value is not considered to be significantly different from the carrying value

6 DEFERRED TAX

	2006
	£
At 1 January 2006	611,100
IFRS transition adjustment	180,678
Credit to equity	(611,100)
At 31 December 2006	180,678

Deferred tax comprises liabilities relating to available-for-sale fair value movements

DEVELOPING COUNTRIES INVESTMENT LIMITED
NOTES ON THE FINANCIAL STATEMENTS

7 SHARE CAPITAL

	2006	2005
	£	£
Authorised		
100 Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	100	100

8 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006	2005
	£	£
Called up share capital		
Balance brought forward and carried forward	100	100
Available-for-sale fair value reserve		
Balance brought forward	1,425,900	-
Valuation gains taken to equity	1,305,530	-
Amounts transferred to the income statement	(2,009,501)	2,037,000
Tax	211,191	(611,100)
Balance carried forward	933,120	1,425,900
Retained earnings		
Balance brought forward	1,422,754	1,606,470
Profit/(loss) for the year	2,185,917	(183,716)
Total recognised income and expense for the period	2,185,917	(183,716)
Balance carried forward	3,608,671	1,422,754
Total shareholders' equity		
Balance brought forward	2,848,754	1,606,570
Available for sale movements	(492,780)	1,425,900
Profit/(loss) for the year	2,185,917	(183,716)
Balance carried forward	4,541,891	2,848,754

Shareholders' funds are wholly attributable to equity shareholders

9 PARENT UNDERTAKINGS

The ultimate parent undertaking (which is the ultimate controlling party) and the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is HSBC Holdings plc, and the parent undertaking of the smallest such group is HSBC Bank plc. The immediate holding company is HSBC Bank Plc The result of the company is included in the group financial statements of HSBC Bank plc and HSBC Holdings plc

Copies of the group financial statements may be obtained from the following addresses:

HSBC Bank plc
8 Canada Square
London
E14 5HQ

HSBC Holdings plc
8 Canada Square
London
E14 5HQ

10 RISK MANAGEMENT

Liquidity risk

The company's assets are funded by borrowing from a parent undertaking, which acts as a treasury function This funding has no fixed date for repayment and is therefore technically repayable on demand, although the treasury function provides funds as required