

**DEVELOPING COUNTRIES INVESTMENT LIMITED**

**No. 2151947**

**REPORT AND ACCOUNTS**

**31 DECEMBER 1998**





## DEVELOPING COUNTRIES INVESTMENT LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

The directors present their report and the audited financial statements for the year ended 31 December 1998.

#### Principal Activity and Business Review

The Company's principal activity is the acquisition and disposal of debt obligations, equity and other forms of investment for the purpose of generating maximum profits and cash flows from foreign territories. In the course of its trade the Company has continued the disposal of investments for a consideration freely transferable to the United Kingdom. No changes are expected in this regard during 1999.

#### Results and Dividends

The audited accounts of the Company for the year ended 31 December 1998 submitted herewith show a profit after tax of £1,456,717 (1997 - £31,118,188). An interim dividend of £2,300,000 (1997 - £30,000,000) in respect of the year ended 31 December 1998 was declared. The directors do not recommend the payment of a final dividend. The retained profit of the Company at 31 December 1998 was £1,089,246 (1997 - £1,932,529).

#### Directors

Listed below are the names of the directors, who served on the Board during the year:

M I Hopkins (resigned 16 January 1998)  
C Kirkby (resigned 25 January 1999)  
R K McGregor  
A R Trowsdale  
A P Wilkinson (appointed 7 May 1998)

#### Directors' Interests

All the interests of the directors which require disclosure in accordance with the Companies Act 1985 are stated below:

	31 December 1998		1 January 1998 (or date of appointment if later)	
	HSBC Holdings plc		HSBC Holdings plc	
	Ordinary Shares of 75p each	Bonds of £1 each	Ordinary Shares of 75p each	Bonds of £1 each
C Kirkby	9,321	1,907	9,859	1,907
R K McGregor	4,114	Nil	4,097	Nil
A P Wilkinson	3,115	Nil	3,061	Nil



## **DEVELOPING COUNTRIES INVESTMENT LIMITED**

### **1998 DIRECTORS' REPORT (continued)**

In addition, between the above dates, the following directors were granted options over the number of HSBC Holdings plc ordinary shares of 75p each indicated against his name:-

	Granted
C Kirkby	4,000
R K McGregor	1,250
A R Trowsdale	44
A P Wilkinson	352

#### **Statement of directors' responsibilities in relation to financial statements**

The following statement, which should be read in conjunction with the Auditor's statement of their responsibilities set out in their report on page 4, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditor in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. The directors are required to prepare the financial statements on the going concern basis unless it is not appropriate.

The directors consider that in preparing the financial statements on pages 5 to 11, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors 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.

#### **Supplier Payment Policy**

The Company subscribes to the Better Payment Practice Code for all suppliers, the four principles of which are to: agree payment terms at the outset and to stick to them; explain payment procedures to suppliers; pay bills in accordance with any contract agreed with the supplier or as required by law; and tell suppliers without delay when an invoice is contested and settle disputes quickly.



## **DEVELOPING COUNTRIES INVESTMENT LIMITED**

### **1998 DIRECTORS' REPORT (continued)**

#### **Year 2000**

The Company has adopted the Year 2000 conformity requirements issued by the British Standards Institute as its definition of Year 2000 compliance. The Company has assessed the impact of Year 2000 and does not expect either its operations or service to customers to be disrupted as a result of its systems not being Year 2000 compliant. All relevant systems have been tested to ensure that they are Year 2000 compliant; those that are non-compliant will be replaced by mid 1999. The directors are satisfied with the overall progress of the programme to date.

The costs of Year 2000 modifications have been assessed on a group basis and details are incorporated within the Director's Report of Midland Bank plc.

By order of the Board



S K Bryant  
Secretary  
10 Lower Thames Street  
London EC3R 6AE

10 May 1999



## **DEVELOPING COUNTRIES INVESTMENT LIMITED**

### **REPORT OF THE AUDITOR TO THE MEMBERS OF DEVELOPING COUNTRIES INVESTMENT LIMITED**

We have audited the financial statements on pages 5 to 11.

#### **Respective responsibilities of directors and auditor**

As described on page 2 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards 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 of the state of the Company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG- Audit Plc*

KPMG Audit Plc

Chartered Accountants  
Registered Auditor  
London

14 May 1999



**DEVELOPING COUNTRIES INVESTMENT LIMITED****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998**

	Notes	1998 £	1997 £
Turnover on continuing operations	2	1,761,816	45,042,195
Foreign currency translation gain / (loss)		Nil	Nil
Administrative expenses	3	Nil	(375)
Profit on ordinary activities before taxation		1,761,816	45,041,820
Tax on profit on ordinary activities	4	(305,099)	(13,923,632)
Profit for the financial year		1,456,717	31,118,188
Dividends	5	(2,300,000)	(30,000,000)
Profit / (loss) retained for the financial year		(843,283)	1,118,188
Retained profit brought forward		1,932,529	814,341
Retained profit carried forward		1,089,246	1,932,529

The notes on pages 7 to 11 form part of these accounts. The Company had no recognised gains or losses in the year other than as included above.




# DEVELOPING COUNTRIES INVESTMENT LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 1998

	Notes	1998 £	1997 £
<b>CURRENT ASSETS</b>			
Investment in unlisted subsidiary and other undertakings held for resale	9	9,479,912	9,728,819
Sundry debtors		240,280	266,072
Cash at bank	10	4,217,396	46,270,969
		<u>13,937,588</u>	<u>56,265,860</u>
<b>CREDITORS - amounts falling due within one year</b>			
Dividends due and payable	5	(2,300,000)	(30,000,000)
Corporation tax payable		(1,068,330)	(14,604,412)
		<u>10,569,258</u>	<u>11,661,448</u>
<b>NET CURRENT ASSETS</b>		<u>10,569,258</u>	<u>11,661,448</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>10,569,258</u>	<u>11,661,448</u>
<b>CREDITORS - amounts falling due after more than one year</b>			
Due to parent undertaking	11	(9,479,912)	(9,728,819)
		<u>1,089,346</u>	<u>1,932,629</u>
<b>NET ASSETS</b>		<u>1,089,346</u>	<u>1,932,629</u>
<b>CAPITAL AND RESERVES</b>			
Called up Share Capital			
Authorised:			
100 shares of £1 each		100	100
Allotted, called up and fully paid:			
100 shares of £1 each		100	100
Profit and loss account		1,089,246	1,932,529
		<u>1,089,346</u>	<u>1,932,629</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>1,089,346</u>	<u>1,932,629</u>

The notes on pages 7 to 11 form part of these accounts.

Approved by the board of directors on 10th May 1999

  
R K McGregor  
Director



## **DEVELOPING COUNTRIES INVESTMENT LIMITED**

### **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998**

#### **1. Accounting policies**

- (a) The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.
- (b) Consolidated accounts have not been prepared because the Company is itself a wholly owned subsidiary of Midland Bank plc which is registered in England and Wales.
- (c) Transactions in foreign currencies have been translated at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at the year end. Any gain or loss arising from movements in exchange rates is included in the profit and loss account.
- (d) It is the policy of the Company to recognise income on investments on a cash realisation basis. Income which is blocked overseas by local restrictions is not recognised until it is available to be repatriated.
- (e) Investments, which are all unlisted, are stated at the lower of the cost or net realisable value as estimated by the directors.
- (f) Any provision for deferred taxation is calculated, using the liability method, on all timing differences to the extent that they are likely to materialise in the future.
- (g) In accordance with FRS 1 (revised 1996) the Company is not required to publish a cashflow statement as the information is included in the consolidated cashflow statement of the ultimate parent undertaking.
- (h) The Company complies with the requirements of FRS 8, Related Party Disclosures, which is effective for transactions between the Company and its related parties during 1998. No disclosure is presented of transactions between the Company and entities that are part of the HSBC Group in accordance with the exemptions granted to qualifying subsidiary undertakings under FRS 8.



## DEVELOPING COUNTRIES INVESTMENT LIMITED

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

#### 2. Turnover on continuing operations

Turnover on continuing operations comprised the following:

	1998 £	1997 £
Dividends from subsidiary undertakings	716,789	18,410,728
Dividends from other undertaking	638,431	13,631,283
Profit on full and part disposals of subsidiary undertakings	406,596	4,901,462
Profit on part disposals of other undertaking	-	8,098,722
	<u>1,761,816</u>	<u>45,042,195</u>

#### 3. Administrative expenses

No administrative expenses were incurred in 1998 (1997 - £375).

#### 4. Tax on profit on ordinary activities

The charge for taxation is made up as follows:

	1998 £	1997 £
UK Corporation Tax charge	554,158	14,235,032
Relief in respect of overseas taxation	-	(393,851)
	<u>554,158</u>	<u>13,841,181</u>
Deferred taxation	(9,797)	82,451
Overseas taxation	-	-
UK Corporation Tax - prior year	(239,262)	-
	<u>305,099</u>	<u>13,923,632</u>



## DEVELOPING COUNTRIES INVESTMENT LIMITED

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

#### 5. Dividends

An interim dividend of £2,300,000 was declared in respect of the year ended 31 December 1998 (1997 - £30,000,000). The dividend of £2,300,000 was outstanding at 31 December 1998.

#### 6. Directors' emoluments

No emoluments were received or are receivable by any director in respect of his services during the year (1997 - nil).

#### 7. Staff

The Company did not employ any staff at any time during the year (1997 - nil).

#### 8. Movements in shareholders' funds

	1998 £	1997 £
Profit for the financial year	1,456,717	31,118,188
Dividends	(2,300,000)	(30,000,000)
Net (reduction) / addition to shareholders' funds	(843,283)	1,118,188
Opening shareholders' funds	1,932,629	814,441
Closing shareholders' funds	1,089,346	1,932,629



# DEVELOPING COUNTRIES INVESTMENT LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)

### 9. Investments in unlisted subsidiary and other undertakings held for resale

- a) The principal subsidiary and other undertakings at 31 December 1998, all of which prepare accounts to 31 December, were as follows:

<u>Names of subsidiary undertakings</u>	<u>Country of Incorporation and Operations</u>	Interest in ordinary share capital at 31 December 1998 <u>Direct</u> <u>%</u>
DCI Nortel (A) Limited	Cayman Islands	100
DCI Nortel (B) Limited	Cayman Islands	100
Lauder Holdings Limited	Cayman Islands	100
<u>Names of other undertakings</u>		
Peru Privatisation Fund Limited	Cayman Islands	23
Gas Argentino SA	Argentina	(see note below) *

\* 7.3% of Gas Argentino SA Redeemable Preference Shares were held until redemption on 9 February 1999.

- b) The investment in unlisted subsidiary and other undertakings held for resale comprised the following:

	1998 £	1997 £
Investments in subsidiary undertakings	4,956,521	5,175,127
Investment in other undertakings	5,916,856	5,956,491
	<u>10,873,377</u>	<u>11,131,618</u>
Provisions against investments in subsidiary undertakings	(1,393,465)	(1,402,799)
	<u>9,479,912</u>	<u>9,728,819</u>



## **DEVELOPING COUNTRIES INVESTMENT LIMITED**

### **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1998 (continued)**

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 held for resale. The directors consider that the aggregate value of the investments in subsidiary and other undertakings is not less than the amount at which they are stated in the accounts.

#### **10. Cash at bank**

Cash at bank is held at Midland Bank plc, the immediate parent undertaking of the Company.

#### **11. Amounts due to parent undertaking**

The amounts due to the parent undertaking comprise interest free loans repayable with maturities of more than 5 years, or earlier at the option of the Company.

#### **12. Parent undertakings**

The ultimate parent company, and the parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the Company is a member, is HSBC Holdings plc. The parent of the smallest such group is Midland Bank plc. Both are registered in England and Wales.

Midland Bank plc is the Company's direct controlling party and HSBC Holdings plc is the Company's ultimate controlling party as defined under FRS 8.

Copies of the financial statements of Midland Bank plc and HSBC Holdings plc may be obtained from:

Midland Bank plc  
27 Poultry  
London  
EC2P 2BX

HSBC Holdings plc  
10 Lower Thames Street  
London  
EC3R 6AE