

DEVELOPING COUNTRIES INVESTMENT LIMITED

No. 2151947

REPORT AND ACCOUNTS

31 DECEMBER 1995



DEVELOPING COUNTRIES INVESTMENT LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995

The directors present their report and the audited financial statements for the year ended 31 December 1995.

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 1996.

Results and Dividends

The audited accounts of the Company for the year ended 31 December 1995 submitted herewith show a profit after tax of £17,556,612 (1994 - £12,323,574). Interim Dividends of £17,000,000 (1994 - £12,000,000) in respect of the year ended 31 December 1995 were declared. The directors do not recommend the payment of a final dividend. The retained profit of the Company at 31 December 1995 was £973,128 (1994 - £416,516).

Directors

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

M I Hopkins (appointed 29 November 1995)
C Kirkby (appointed 29 November 1995)
R K McGregor
A K Pearson (resigned 2 October 1995)
G H Pierce (resigned 30 November 1995)
H D Raschen

Directors' Interests

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

	31 December 1995		1 January 1995 (or date of appointment if later)	
	HSBC Holdings plc		HSBC Holdings plc	
	Ordinary Shares of 75p each	Bonds of £1.00 each	Ordinary Shares of 75p each	Bonds of £1.00 each
C Kirkby	11,419	1,907	3,111	1,907
R K McGregor	3,895	Nil	3,298	Nil
H D Raschen	411	Nil	7	Nil

DEVELOPING COUNTRIES INVESTMENT LIMITED

1995 DIRECTORS' REPORT (Continued)

In addition, between the above dates, the following directors exercised or were granted options over the number of HSBC Holdings plc ordinary shares of 75p each indicated against their names:

	Exercised	Granted
C Kirkby	8,307	Nil
R K McGregor	597	318
H D Raschen	Nil	713

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 set out in their report on page 3, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors 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 4 to 9, 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.

By order of the Board



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

19 February 1996

DEVELOPING COUNTRIES INVESTMENT LIMITED

AUDITORS' REPORT TO THE MEMBERS OF DEVELOPING COUNTRIES INVESTMENT LIMITED

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of directors and auditors

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 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG

Chartered Accountants
Registered Auditors
London

19 February 1996

DEVELOPING COUNTRIES INVESTMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1995

	<u>Notes</u>	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
Turnover on continuing operations	2	26,277,958	17,465,003
Provisions against investments in subsidiaries net of (recoveries)	3	-	(182,503)
Foreign currency translation gain		8,087	616,625
Administrative expenses	4	(6,772)	(1,382)
Profit on ordinary activities before taxation		26,279,273	17,897,743
Tax on profit on ordinary activities	5	(8,722,661)	(5,574,169)
Profit for the financial year		17,556,612	12,323,574
Dividends	6	(17,000,000)	(12,000,000)
Profit retained for the financial year		556,612	323,574

Reconciliation of movement in shareholders' funds

Profit for the financial year	17,556,612	12,323,574
Dividends	(17,000,000)	(12,000,000)
Net addition to shareholders' funds	556,612	323,574
Opening shareholders' funds	416,616	93,042
Closing shareholders' funds	973,228	416,616

The notes on pages 6 to 9 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 1995

	<u>Notes</u>	<u>1995</u> £	<u>1994</u> £
CURRENT ASSETS			
Investment in unlisted subsidiary and other undertakings held for resale	9	48,276,097	54,985,562
Sundry debtors		100	675
Cash at bank	10	22,833,802	18,797,546
		-----	-----
		71,109,999	73,783,783
CREDITORS - amounts falling due within one year			
Due to parent undertaking		-	(72,359)
Accruals		(4,000)	(2,000)
Dividends due and payable	6	(13,000,000)	(12,000,000)
Corporation tax payable		(8,856,674)	(5,837,657)
		-----	-----
NET CURRENT ASSETS		49,249,325	55,871,767
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		49,249,325	55,871,767
CREDITORS - amounts falling due after more than one year			
Due to parent undertaking	11	(48,276,097)	(55,455,151)
		-----	-----
NET ASSETS		973,228	416,616
		=====	=====
CAPITAL AND RESERVES			
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		973,128	416,516
		-----	-----
SHAREHOLDERS' FUNDS		973,228	416,616
		=====	=====

The notes on pages 6 to 9 form part of these accounts.

Approved by the board of directors on 19 February 1996

H D Raschen
Director

H D Raschen

DEVELOPING COUNTRIES INVESTMENT LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995

1. Accounting policies

- (a) The accounts are prepared under the historical cost convention and in accordance with applicable 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.
- (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 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 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.

DEVELOPING COUNTRIES INVESTMENT LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

2. Turnover on continuing operations

Turnover on continuing operations comprised the following:

	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
Dividends from subsidiary undertakings	3,183,074	5,711,910
Dividends from other undertaking	6,703,287	2,913,370
Profit on full and part disposals of subsidiary undertakings	13,459,405	1,734,284
Profit on part disposals of other undertaking	2,932,192	7,105,439
	<u>26,277,958</u>	<u>17,465,003</u>

3. Provisions against investments net of recoveries

Charges for and recoveries from provisions against investments were both nil (1994 - £525,203 charge offset by a recovery of £342,700).

4. Administrative expenses

Administrative expenses include auditors' remuneration of £2,000 for the year ended 31 December 1995 (1994 - £2,000).

5. Tax on profit on ordinary activities

The tax charge is based on the profit for the year at 33% (1994 - 33%). The charge is arrived at after giving relief for withholding and underlying tax credits of £270,839 (1994 - £505,634) attaching to dividends received by the Company.

6. Dividends

Interim dividends of £17,000,000 (£170,000 per share) were declared in respect of the year ended 31 December 1995 (1994 - £12,000,000). The first interim dividend of £4,000,000 was paid on 3 July 1995, and the second interim dividend of £13,000,000 was outstanding at 31 December 1995.

DEVELOPING COUNTRIES INVESTMENT LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

7. Directors' emoluments

No emoluments were received or are receivable by any director in respect of his services during the year (1994 - nil).

8. Staff

The Company did not employ any staff at any time during the year (1994 - nil).

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

- a) The principal subsidiary and other undertakings at 31 December 1995, 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 of the subsidiary undertaking at 31 December 1995
		<u>Direct</u> %
DCI Celpac Limited	Cayman Islands	100
DCI Nortel (A) Limited	Cayman Islands	100
DCI Nortel (B) Limited	Cayman Islands	100
DCI Nortel (Notes) Limited	Cayman Islands	100
Lauder Holdings Limited	Cayman Islands	100

Names of other undertakings

Argentina Private Development Trust Company Limited	Cayman Islands	18
Peru Privatisation Fund Limited	Cayman Islands	23

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

	<u>1995</u> £	<u>1994</u> £
Investments in subsidiary undertakings	34,075,870	41,259,440
Investment in other undertakings	21,455,778	20,934,436
	-----	-----
	55,531,648	62,193,876
Provisions against investments in subsidiary undertakings	(7,255,551)	(7,208,314)
	-----	-----
	48,276,097	54,985,562
	=====	=====

DEVELOPING COUNTRIES INVESTMENT LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995 (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 Developing Countries Investment Limited. 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 Developing Countries Investment Limited.

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 Developing Countries Investment Limited.

12. Parent undertakings

The ultimate parent undertaking, 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 of the smallest such Group is Midland Bank plc both of which are registered in England and Wales. The results of the Company are included in the Group financial statements of Midland Bank plc and HSBC Holdings plc.

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

Midland Bank plc
Poultry
London
EC2P 2BX

HSBC Holdings plc
10 Lower Thames Street
London
EC3R 6AE