COMMONWEALTH DEVELOPMENT CORPORATION 421

ANNUAL REPORT AND STATEMENT OF ACCOUNTS

for year ended
31st December 1965

Presented to Parliament in pursuance of Section 17 (5) of the Overseas Resources Development Act 1959

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12th May 1966

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EIGHT SHILLINGS NET

37

COMMONWEALTH DEVELOPMENT CORPORATION

CDC was originally established by Act of Parliament in 1948 as the Colonial Development Corporation to assist the economic development of the then dependent territories of the Commonwealth.

The change of name to Commonwealth Development Corporation was effected by the Commonwealth Development Act 1963, which also restored the Corporation's full powers of operation in all those countries which had achieved independence within the Commonwealth since 1948. With the agreement of the Governments concerned, the Corporation can also act as managing agents and render advisory services in any independent Commonwealth country.

The Minister of Overseas Development took over on 1.1.65 the responsibilities in respect of CDC previously exercised by the Secretaries of State for Commonwealth Relations and for the Colonies.

CDC operates on commercial lines and has a statutory obligation to pay its way, taking one year with another. Close relations with territorial Governments are maintained through CDC's regional offices in order to ensure that the Corporation's activities are directed in such a way as best to promote the economic development of those territories.

CDC is empowered to undertake, either alone or in association with others, projects for the promotion or expansion of a wide range of economic enterprises, including agriculture, forestry, fisheries, mining, factories, electricity and water undertakings, transport, housing, hotels, building and engineering.

CDC has powers to borrow up to £150m on a long or medium-term basis and £10m on short-term; it may borrow up to £130m outstanding at any one time from United Kingdom Exchequer funds.

COMMONWEALTH DEVELOPMENT CORPORATION

33 Hill Street,
London, W.1.
14th April 1966

The Right Hon Anthony Greenwood MP
Minister of Overseas Development

The members of the Commonwealth Development Corporation have the honour to submit their Report and Statement of Accounts for the year ended 31st December 1965.

(Sgd.) Howick
J. F. Prideaux.
A. P. H. Aitken.
C. J. M. Bennett
John Elliot
A. Gaitskell
Robert Stapledon
Jane Symonds
Eric Tansley

Members

Lord Howick of Glendale GCMC, KCVO
Chairman

J. F. Prideaux OBE
Deputy Chairman

A. P. H. Aitken

C. J. M. Bennett FCA

Sir John Elliot

Arthur Gaitskell CMG

Sir Robert Stapledon KCMG, CBE

Miss Jane Symonds

Sir Eric Tansley CMG

Executive Management Board

General Manager: W. Rendell FCA (Chairman)

IN LONDON

Finance	G. W. Totman OBE, FCA
Operations	D. E. M. Fiennes CBE
	A. N. Goode OBE
	R. Prentice CA
Solicitor	J. G. Caunce MC
Agriculture	R. J. M. Swynnerton CMG, OBE, MC

OVERSEAS

Caribbean	G. I. Firmston-Williams
East Asia and Pacific Islands	W. A. Belsham
East Africa	P. M. Wise
Central Africa	D. F. Fairbairn
Southern Africa	J. C. Cater MBE
West Africa	P. Meinertzhagen CMG

Regions

Caribbean	British Guiana, British Honduras, Jamaica, Trinidad and Tobago, all other British West Indies Islands, Bahamas, Falkland Islands.
East Asia and Pacific Islands.	Malaysia, Brunei, Fiji, Hong Kong, Singapore, Western Pacific Islands.
East Africa	Aden, Kenya, Mauritius, Seychelles, Tanzania, Uganda.
Central Africa	Malawi, Rhodesia, Zambia.
Southern Africa ...	Basutoland, Bechuanaland Protectorate, Swaziland.
West Africa	Ghana, Nigeria, Sierra Leone, The Gambia, West Cameroon.

CONTENTS

The Report and Accounts are for the year ended 31st December 1965 but later information has been included where it is significant

ANNUAL REPORT 1965

PART I—GENERAL REVIEW

1 1965 has been an unusually eventful year. In East Asia the "confrontation" of Indonesia and Malaysia has continued and Singapore has left the Malaysian Federation. In Africa there was the Rhodesian "Unilateral Declaration of Independence" with its disturbing effect on other parts of Africa. It led, *inter alia,* to a break of diplomatic relations with the UK by Tanzania and Ghana though diplomatic relations have since been re-established by Ghana. The changes of regime in Ghana and Nigeria came shortly after the end of 1965. The operations of the Corporation during the year should be considered against this background of political events.

2 The financial relationship between the UK Government and the Corporation was affected during 1965 by an important financial event. All finance provided by the British Government to the Corporation is on loan. When the Corporation makes an equity investment it receives from the Treasury a forty-year loan. On such long term loans no interest is payable for the first seven years ("fructification period") but, beginning with the eighth year, the interest and repayment of capital are made by means of thirty-three equated annuities. The interest deferred for the first seven years is charged on a compound basis and included in the annuities which, therefore, in the aggregate cover interest for the whole forty years and complete repayment of capital. The element of compound interest during the first seven years is known as "fructification interest". On 21.6.65 a statement was made in Parliament by Mrs. Castle (then Minister of Overseas Development) that, "To help the Corporation to undertake a greater variety of projects, the Government has decided to waive the interest on selected projects during the period when the investment is fructifying, instead of merely postponing the interest as at present." Thus, for the first time, CDC became entitled to draw money which would be interest free for a limited initial period whereas formerly the limit of any concession was that interest was held over and compounded against the Corporation.

3 Waiver of interest during the early years can, following this statement, be claimed by the Corporation for individual projects. In a letter received subsequently from the Ministry of Overseas Development it was indicated that projects in three categories would in general qualify in suitable circumstances. These categories are agriculture, territorial development corporations and low cost housing projects. In each case the Corporation must show as an essential condition that without waiver the capital investment is not likely to be serviced.

4 The terms of the original Act of Parliament establishing the Corporation and of the subsequent amending Acts were in all ways but one admirably flexible; and flexibility is the prime need for an institution investing in, and managing, a variety of projects ranging from smallholder farming to hotels in Commonwealth countries around the world. Thus, the Corporation can lend money or take ordinary shares. It can operate with any partner, British or foreign, state or privately owned. It can provide investment

money for expenditure either in the country concerned or on imports into that country. It can borrow privately as well as from the Treasury. Its money is not tied to the purchase of British goods alone. There are few, if any, other organisations operating in developing countries with such flexible powers and, in these ways, the Corporation has a great advantage over most other institutions in the same line of business.

5 On the other hand, the nature of the financial terms on which the Corporation receives its money is rigid. The economic development of Commonwealth countries in Asia and Africa and the Caribbean, which were still dependent in 1948, is the task laid on the Corporation by the 1948 Act. Development in these countries can only be achieved by an institution prepared to take calculated risks and equipped to do so. The Corporation does take risks and, in all respects except the manner in which it receives its money, is equipped to do so. But it is financed in such a way that the whole of its capital is repayable and, subject to the new arrangements already mentioned, it has to provide for and pay interest on all monies made available to it for investment. Thus it is unable both to perform to the full the task assigned to it and to build up the reserves against inevitable losses which prudent men, in control of an institution engaged in development in tropical countries, would regard as an essential requirement of their business. To use the words of the Sinclair Committee of Enquiry which reported on the Corporation's financial structure in 1959, "The present system of capitalisation, wholly on the basis of loans carrying a fixed rate of interest and repayable at fixed dates, would seem to us only suited to an organisation which itself is wholly engaged in lending on somewhat similar terms."

6 The Sinclair Committee made the recommendation that, where the Corporation used money to invest in ordinary shares, that money should be received on equity terms and that "the determination of the payment of interest and the redemption of the capital stock would be dependent on the results of the Corporation". This recommendation was not accepted. Much of the money received by the Corporation is, however, invested in ordinary shares and many of these ordinary shares are in projects, such as tropical agriculture, which take a long time to mature and which produce commodities tending to fluctuate in price with more than usual violence. None of the other state-owned development Corporations operating in developing countries receives its money wholly on the basis of loans; in this single but important respect the Corporation is at a disadvantage which is particularly onerous in periods of high interest rates like the present. In 1964 the average interest rate paid by CDC for new Treasury advances was 5½%, in 1965 it was nearly 6½% and at one time during the year the rate for long term advances reached 6⅞%, where it stands again in April 1966.

7 Once again, agriculture and smallholder schemes, housing projects and industrial development companies figured prominently in the list of new commitments and also new investments during the year. However, whereas the joint share of public utility and housing projects was 55% of new investments in 1965, the same two categories of projects provided during the year 60% of total new commitments, which will set the pattern for investment in the next year or two. The Corporation seeks to balance its investments

between loans for public utility and housing schemes on the one hand, and productive (agricultural or industrial) development schemes with a large equity element in them on the other, and would accordingly like to see this trend reversed. The effect of the present very heavy interest burden, made up of the element of compounded interest during the seven year deferred interest period, combined now with a borrowing rate for the Corporation at record levels, is to weight investment incentive against the productive element projects. The developing countries need both types of investment but their greater need is for the agricultural or industrial schemes.

8 It was therefore, an historic occasion for the Corporation when, following Mrs. Castle's decision, the first loan was approved by the Treasury free from interest during the first seven years. In the nature of things, however, the impact of this concession on the Corporation's operations will remain small for several years while the investment in eligible projects builds up. It must be emphasised that not all projects in the three categories mentioned are eligible.

9 As forecast in the last Annual Report, the rising trend of gross new investment has continued and in the calendar year 1965 was £10·1m as compared with £8·7m in 1964. On the other hand, the check to the rising trend of new commitments imposed by the increasing rates for new borrowings by the Corporation did not persist throughout 1965. The eventual figure for new commitments undertaken during 1965 was £13·5m as compared with £12m in 1964, which included a substantial figure for supplementary investment in existing projects. However, as a result of the present economic stringency in the UK, limits are now imposed on the Government "aid" expenditure in which the Corporation's drawings on the Treasury are included. This new development will, temporarily at least, affect the ability of the Corporation to undertake new commitments in 1966 and beyond. At 31.3.66 CDC's existing commitments for future investment were £23·5m; the major part of this amount will call for cash disbursements during the next two to three years. The Corporation has already made arrangements to raise finance from other sources in addition to its Treasury drawings during the coming year.

10 Whether CDC's activities are regarded as part of overseas aid or as overseas investment with some flavour of aid as CDC itself would maintain, clearly they have to be justified more than ever in present circumstances in relation to their impact on the UK and sterling area balance of payments. So far as the overseas territories are concerned, CDC projects contributed in 1965 over £38m worth of exports, much of them to destinations outside the sterling area: the relief to the external position of these countries was much greater if the import-saving effects of new industries supported by CDC investment are taken into account. As to the UK balance of payments, in 1965 remittance of funds back to the UK in respect of revenue profits and capital realisations again more than balanced new overseas investments from the UK. In fact, new Treasury advances and payments by CDC to Treasury for interest and capital repayments almost exactly balanced out at just over £8·5m. Furthermore, CDC operations support the British

balance of payments by generating UK exports either by direct use of CDC money in their purchase or by association in projects where purchases of British plant and machinery are financed through the normal export finance channels with the CDC money paying for local expenditures which are essential to the very existence of the project. Figures for such stimulation of UK exports cannot be precise but it looks as though last year's achievement of £11m in round figures has been repeated.

11 Despite the increasingly disturbed political scene in much of CDC's area of operations and the growing uncertainties in the world economic climate, CDC has been able once more to report a large expansion in the operating surplus after charging all revenue items except interest due to the British Government and before capital adjustments. Operating surplus of the Corporation rose by £625,729 from £5,002,593 in 1964 to £5,628,322 in 1965. British Government interest takes £4,781,240 (1964 £4,449,681). What remains on revenue account together with sundry capital profits and realisations has enabled a £275,000 capital loss on disposal of CDC's interest in the Worcester Porcelain Co (Jamaica) Ltd to be written off and the provision against book value of projects and investments to be increased by £997,000 to £2,997,000. This provision account is effectively earmarked against particular investments and conceals no free reserve. The expansion in the year's surplus owes much to high prices for copper and palm oil. Had the Corporation invested heavily in some other primary products of the tropics such as sisal or cocoa the result would have been very different. The Corporation can, therefore, hardly yet be considered to have stultified by its own efforts the complaints which it voices about the unsuitability of its capital structure.

12 At the end of 1965 CDC carried outright responsibility for direction and management, or shared in that responsibility, for fifty commercial/industrial projects. These projects included estate companies producing between them most of the better known tropical products and smallholder schemes producing almost as wide a range of crops, forests and plantations with processing factories for sugar, palm oil, pulp, wattle extract, etc: they included mines, hotels, power supply undertakings, industrial development companies and house mortgage companies. By virtue of the personal positions built up locally by CDC's regional controllers in Central Africa and Southern Africa, one might also include a major airline and the most modern abattoir in the Southern Hemisphere. The aggregate investment in all these undertakings totals tens of millions of pounds: they are spread throughout Commonwealth Africa, the Far East and the West Indies. Gradually, a management team has been built up competent and experienced to handle the problems which arise in developing countries. As time goes on, the local peoples occupy an increasing number of the more responsible posts by deliberate policy and training. In support of the managers, CDC has also built up technical sections with expertise in particular lines such as tropical agriculture, house mortgage finance and local industrial development companies for which there is strong demand in the CDC area of operations. Increasingly, there have ben requests for CDC help with surveys and investigations in Africa and elsewhere to which every effort is made to respond within the capabilities of a hard-worked staff. The Corporation staff can also help in the seminars, teach-ins, etc which in the Western world are an increasing feature of development aid. It is, however, most important that, owing to calls for this type of assistance, they should not be diverted from the practical end of trying to make two blades of grass grow where one grew before.

13 In a year remarkable for a number of striking events in the countries in which CDC operates, the CDC results were exceptionally satisfactory. For this the Board conveys its warmest thanks to the staff. The Board is grateful to all those in the Ministry of Overseas Development who have powerfully helped it during the year and thanks overseas Governments and the Corporation's commercial associates for their continued co-operation during 1965.

II—INVESTMENT REPORT AND STATISTICS

1 **Projects**

(1) At 31.12.65 there were 134 projects and investigations with established budgets involving a total estimated capital commitment of £132,592,000. New investments approved by the Board during the year totalled £13,554,370 comprising 18 new projects for £11,456,550 and supplementary investments in existing projects totalling £2,097,820.

(2) The 18 new approved projects were—

Region	*Project*	*Approved CDC investment* £
Caribbean	Cane Farming Development Corporation Ltd (British Guiana)	312,525
	Caribbean Housing Finance Corporation Ltd (Duhaney Park low cost housing)	1,000,000
	Industrial Commercial Developments Ltd	550,000
	St Lucia Electricity Services Ltd ...	325,000
	Trinidad and Tobago Mortgage Finance Co Ltd	2,000,000
	Western Storage Ltd	450,000
East Asia and Pacific Islands	Kuching Water Board	350,000
East Africa	Housing Finance Co of Kenya Ltd ...	530,000
	Kisumu Cotton Mills Ltd	195,000
	Kangaita Tea Factory Co Ltd*	
	Litein Tea Factory Co Ltd*	
	Nyankoba Tea Factory Co Ltd*	
	Nairobi City Council (Sasamua Dam) ...	300,000
	Tana River Development Co Ltd ...	3,500,025
	Uganda Tea Growers Corporation ...	1,260,000
Central Africa ...	David Whitehead & Sons (Malawi) Ltd	365,000
West Africa	Textile Printers of Nigeria Ltd	200,000
Gibraltar	Bland Aerial Ropeway Ltd	119,000
		£11,456,550

* CDC's estimated commitment in respect of the 16 tea factories included in the approved programme of the Kenya Tea Development Authority is included in the comprehensive commitment figures brought forward from previous years.

Particulars of each investment are given in Part IV. New projects undertaken by development companies in which CDC owns an interest are not shown as separate projects unless CDC has made a direct investment supplementing the development company investment.

(3) Five projects listed last year disappear. In the Caribbean, CDC disposed of its investment in Worcester Porcelain Co (Jamaica) Ltd to Jamaica Government's Development Finance Company and the investment in Jamaica Cooling Store Ltd was merged in the new and larger undertaking Western Storage Ltd. Loans made to Savings and Loan Society Ltd (Kenya) and Central African Airways Corporation were fully repaid during 1965. CDC's proposed loan to Nigerian Security Printing and Minting Co Ltd was not proceeded with.

(4) The following table sets out all continuing projects at 31.12.65 grouped by regions and territories with an estimated maximum commitment for investment in each region. No estimate has been included in respect of CDC contingent commitments under the special arrangements for underwriting public deposits in First Permanent (East Africa) Ltd and Kenya Building Society Ltd The aggregate of total commitments is estimated on the above basis at £132,592,000 (1964 £124,992,000). In comparing these figures for commitments against CDC total borrowing powers, it should be appreciated that the full amount of CDC's investment in a number of projects will not be reached for several years, during which time large amounts fall due to be repaid in respect of existing loans. In the estimate of total commitments no account has been taken of such repayments nor of proceeds from disposal of investments or other cash surpluses.

LIST OF CONTINUING PROJECTS AT 31.12.65 WITH ESTIMATED TOTAL COMMITMENT BY REGIONS AND TERRITORIES

Caribbean Region

Antigua	Jolly Beach Hotel (Caribeach Ltd)
British Guiana ...	British Guiana Rice Development Co Ltd British Guiana Timbers Ltd Cane Farming Development Corporation Ltd
British Honduras ...	Fort George Hotel
Cayman Islands ...	Cayman Islands Corporation
Dominica	Dominica Electricity Services Melville Hall Estate
Grenada	Grenada Beach Hotel (Caribeach Ltd) Grenada Electricity Services Ltd
Jamaica	Caribbean Housing Finance Corporation Ltd Harbour View Estate Duhaney Park Estate Duhaney Park Low Cost Housing Industrial Commercial Developments Ltd Jamaica Housing Development Co Ltd Jamaica Public Service Co. Ltd Western Storage Ltd Western Terminals Ltd.
St Lucia	St Lucia Beach Hotel (Caribeach Ltd) St Lucia Electricity Services Ltd
St Vincent	St Vincent Electricity Services
Trinidad	Federation Chemicals Ltd Trinidad Cement Ltd Trinidad Mortgage Agency Co Ltd Trinidad & Tobago Mortgage Finance Co Ltd

Estimated CDC commitment in the region ... £19,653,000

East Asia and Pacific Islands Region

Malaysia	
Sabah and Sarawak	Borneo Abaca Ltd Borneo Development Corporation Ltd Borneo Housing Development Ltd Electra House Ltd Kuching Water Board Mostyn Estates Ltd (and Mostyn Palm Processing Ltd) Sarawak Electricity Supply Corporation
States of Malaya ...	Federal Land Development Authority Johore Palm Processing Ltd Kulai Oil Palm Estate Ltd Malaya Borneo Building Society Ltd (also operates in Singapore) Malayan Cocoa Ltd Malayan Flour Mills Ltd Malaysian Industrial Development Finance Ltd National Electricity Board Realty Development Corporation of Malaysia Ltd United Cocoa Development Co Ltd
Fiji	*Fiji Agricultural Investigations Fiji Development Co Ltd Home Finance Co Ltd Pacific Lumber Co Ltd
Hong Kong	Hong Kong Building & Loan Agency Ltd Property Development (Industrial) Ltd
Singapore	Singapore Factory Development Ltd
Western Pacific Islands	*Solomon Islands Investigations

Estimated CDC commitment in the region ... £23,613,000

* Investigations

East Africa Region	
Kenya	Block Hotels Ltd Development Finance Co of Kenya Ltd East Africa Building Societies First Permanent (East Africa) Ltd Kenya Building Society Ltd Housing Finance Co of Kenya Ltd East Africa Industries Ltd Kenya Central Housing Board Kenya Land Development & Settlement Scheme Kenya Meat Commission Kenya Power Co Ltd Kenya Tea Development Authority Chinga Tea Factory Co Ltd Kangaita Tea Factory Co Ltd Litein Tea Factory Co Ltd Mataara Tea Factory Co Ltd Nyankoba Tea Factory Co Ltd Kisumu Cotton Mills Ltd Nairobi City Council Kiburu Diversion Sasamua Dam Kariakar Housing Nyambeni Tea Co Ltd Oceanic Hotel Ltd Pyrethrum Processing Co of Kenya Ltd Tana River Development Co Ltd Unga Millers Ltd
Mauritius	Mauritius Housing Corporation
Tanzania	Bird & Co (Africa) Ltd Kilombero Sugar Co Ltd Maramba Estate Ltd *Mbeya Exploration Co Ltd Tanganyika Development Finance Co Ltd Tanganyika Electric Supply Co Ltd Tanganyika Extract Co Ltd Tanganyika Wattle Co Ltd Tangold Mining Co Ltd Tanzania Millers Ltd *Tanzania Mining Investigations Liganga Iron Ltd Rungwe Coal Co Ltd Tanganyika Coalfields Ltd
Uganda	Bugambe Plantation Co Ltd Development Finance Co of Uganda Ltd Kilembe Mines Ltd Mwenge Tea Co Ltd Uganda Tea Growers' Corporation
	Estimated CDC commitment in the region ... £27,491,000
Central Africa Region	Central African Power Corporation Industrial Promotion Corporation Central Africa Ltd
Malawi	Electricity Supply Commission of Malawi (Nkula Falls) Kasungu Tobacco Growers' Scheme Malawi Housing Mudi River Water Board Vipya Tung Estates David Whitehead & Sons (Malawi) Ltd
Rhodesia	Rhodesia Housing
Zambia	Central Electricity Corporation Ltd, Lusaka Chilanga Cement Ltd Zambia Housing
	Estimated CDC commitment in the region ... £24,164,000

* Investigations

Southern Africa Region

Bechuanaland ...	Bechuanaland Protectorate Abattoirs Ltd Molopo Ranch
Swaziland	Mhlume (Swaziland) Sugar Co Ltd Swaziland Development Corporation Ltd Swaziland Iron Ore Development Co Ltd Swaziland Irrigation Scheme Swaziland Railway Usutu Pulp Co Ltd Vuvulane Irrigated Farms

Estimated CDC commitment in the region ... £22,994,000

West Africa Region

Ghana	Stirling Astaldi (Ghana) Ltd
Nigeria...	Coast Construction (Nigeria) Ltd Development Finance Co (Eastern Nigeria) Ltd Dorman Long & Amalgamated Engineering Ltd Dunlop Nigerian Industries Ltd Eastern Nigeria Nucleus Estate & Smallholder Scheme Ilushin Estates Ltd Lagos Executive Development Board Nigeria Hotels Ltd Nigeria Housing Development Society Ltd Nigerian Cement Co Ltd Nigerian Industrial Development Bank Ltd Northern Housing Estates Ltd Northern Nigeria Investments Ltd Textile Printers of Nigeria Ltd
Sierra Leone	Freetown Hotel Ltd Guma Valley Water Company Sierra Leone Investments Ltd
Cameroun	Cameroons Development Corporation

Estimated CDC commitment in the region ... £14,158,000

Extra Regional

Gibraltar	Bland Aerial Ropeway Ltd Gibraltar Housing

Estimated CDC commitment in Gibraltar ... £519,000

Total estimated CDC commitment for continuing projects at 31.12.65 ... £132,592,000

2 Capital distribution by region, investment and function

(1) The diagram (Figure 1) shows the regional distribution of capital committed and invested in continuing projects at 31.12.65. Two projects in Gibraltar do not fall within a CDC 'region': these are shown in the Extra Regional segment.

(2) Figure 2 shows the growth in capital commitment and investment in continuing projects as follows—

(*a*) The growth of CDC commitments is shown by the top line of the graph: at 31.12.65 this amounted to £132,592,000 (1964 £124,992,000). Gross new investment approved was £13,452,000, the difference between this figure and the net increase of £7,600,000 being explained by loan repayments, investment realisations and reassessments of outstanding commitments;

(*b*) the second line of the graph shows capital investment. During 1965 total investment rose by £7,374,000 to £105,038,000. Gross new investment was £10·1m offset by loan repayments and sales of investments £2m, amounts written off investments £0·4m and other adjustments £0·3m. The shaded areas show, building from the bottom upwards, a breakdown of capital investment analysed between investments in direct projects and subsidiary companies, other commercial and industrial investments and loans to governments and statutory bodies: all categories show substantial increases.

(3) Figure 3 shows the functional classification of capital committed and invested in continuing projects at 31.12.65 with the position at 31.12.64 compared.

CONTINUING PROJECTS— CAPITAL APPROVED AND INVESTED BY REGIONS

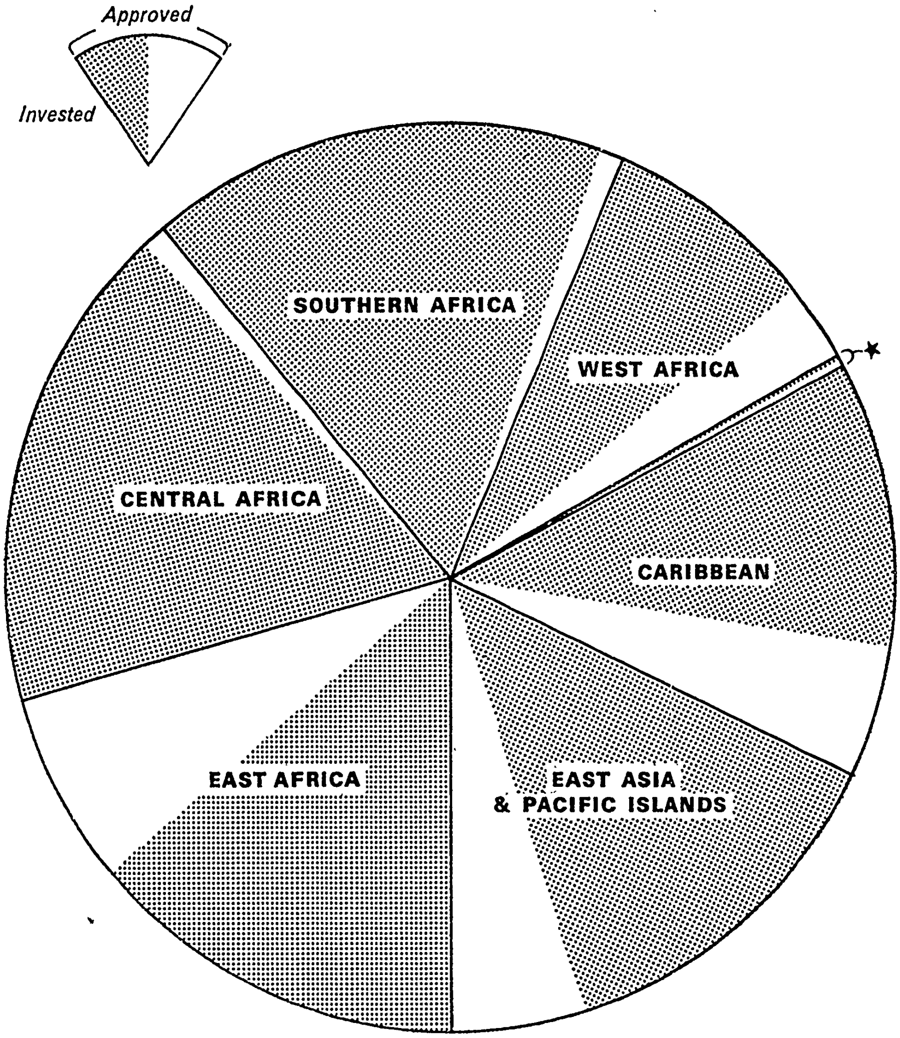

Fig. 1

	Committed £000's	*Invested* £000's
Caribbean	19,653	13,963
East Asia and Pacific Islands	23,613	17,120
East Africa	27,491	18,387
Central Africa	24,164	23,084
Southern Africa	22,994	21,938
West Africa	14,158	10,377
★Extra Regional	519	169
Total	£132,592	£105,038

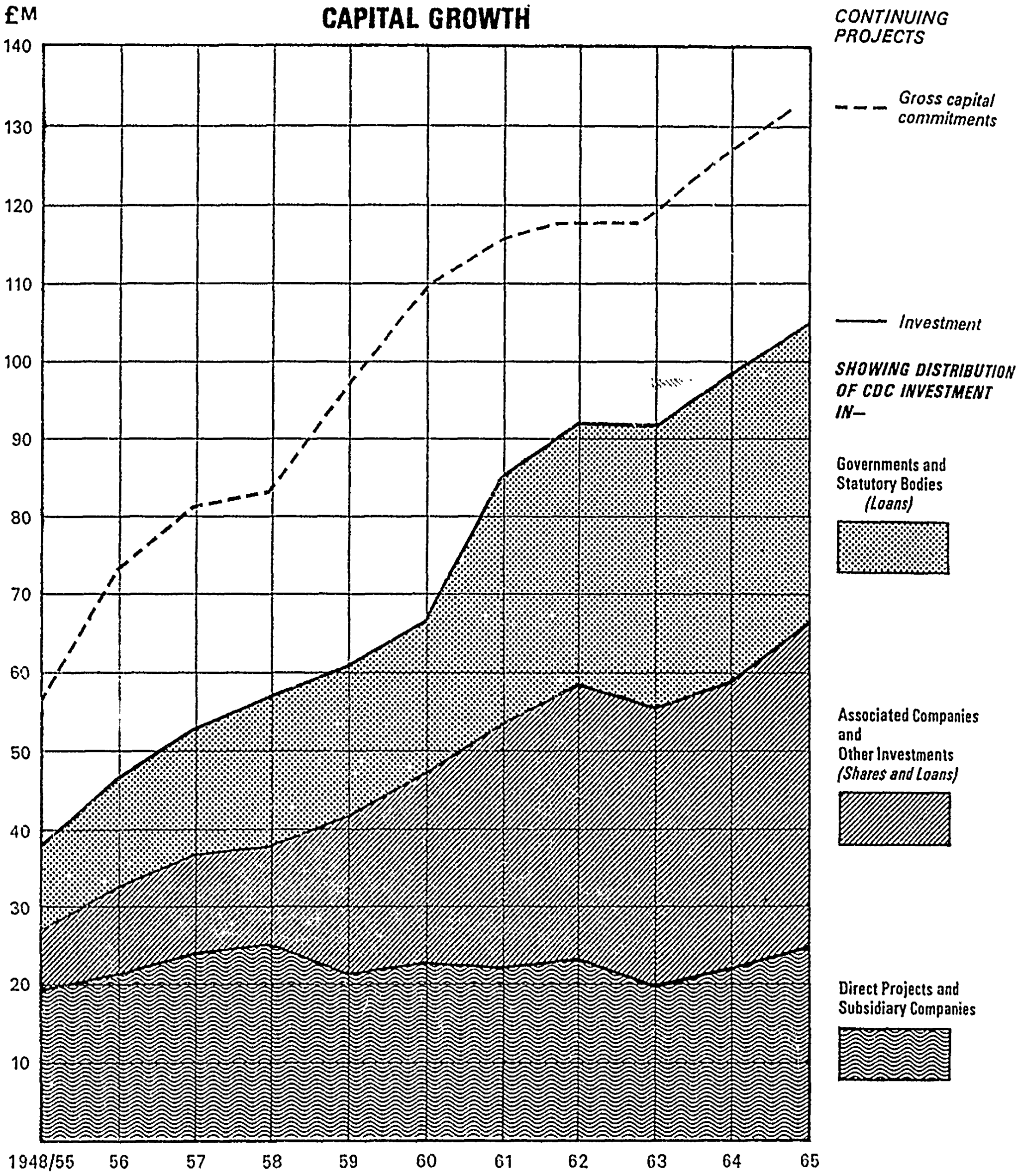
£M
CAPITAL GROWTH
140
130
120
110
100
90
80
70
60
50
40
30
20
10
1948/55
56
57
58
59
60
61
62
63
64
65
CONTINUING PROJECTS
Gross capital commitments
Investment
SHOWING DISTRIBUTION OF CDC INVESTMENT IN—
Governments and Statutory Bodies (Loans)
Associated Companies and Other Investments (Shares and Loans)
Direct Projects and Subsidiary Companies

Fig. 2

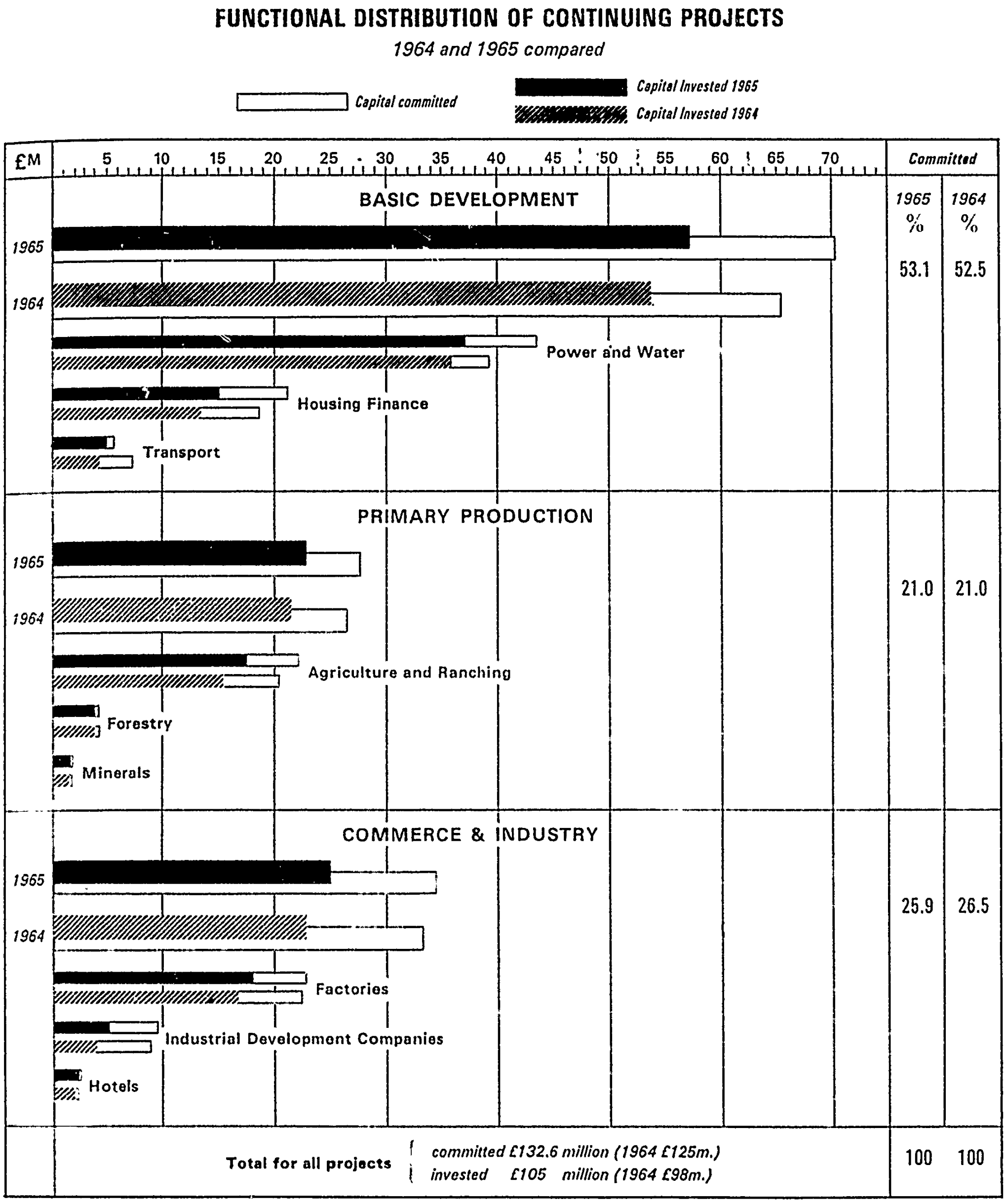
FUNCTIONAL DISTRIBUTION OF CONTINUING PROJECTS
1964 and 1965 compared
Capital committed
Capital Invested 1965
Capital Invested 1964
£M
5 10 15 20 25 30 35 40 45 50 55 60 65 70
Committed
BASIC DEVELOPMENT
1965
1964
1965 %
1964 %
53.1
52.5
Power and Water
Housing Finance
Transport
PRIMARY PRODUCTION
21.0
21.0
Agriculture and Ranching
Forestry
Minerals
COMMERCE & INDUSTRY
25.9
26.5
Factories
Industrial Development Companies
Hotels
Total for all projects
committed £132.6 million (1964 £125m.)
invested £105 million (1964 £98m.)
100
100

Fig. 3

III—FINANCIAL REPORT

1 Accounts for 1965

Accounts and supporting statements for year to 31.12.65 comprise—

Statement	1	Balance Sheet of the Corporation
	2	Notes forming part of the Accounts
	3	Profit and Loss Account of the Corporation
	4	Details of projects supporting Profit and Loss Account
	5	Assets and liabilities of direct projects
	6	Investments at cost less amounts written off
	7	Investments in and loans and advances to subsidiary companies at cost less amounts written off
	8	Combined statement of assets and liabilities of subsidiary companies
	9	Assets and liabilities of subsidiary companies
	10	Combined statement of profits and losses of subsidiary companies

2 Balance Sheet

(1) *Assets of the Corporation*

Book value of Fixed Assets, development and investments increased during the year by £7,473,994 to £101,308,895. There were increases under all main headings in line with substantially expanded investment by the Corporation during the year and with the Corporation's own increasing business. Early in 1965 CDC became the majority shareholder in Mhlume (Swaziland) Sugar Co Ltd by acquisition of shares from Huletts Sugar Corporation resulting in the transfer of the £3,080,000 book value of the existing CDC interest in the Mhlume company from Investments (unquoted) to Subsidiary Companies—as to £500,000 shares and £2,580,000 loans and advances. The true increase in Investments is accordingly understated, while the increase shown for shares in subsidiary companies to that extent does not reflect new investment, and loans to subsidiary companies would actually have shown a decrease if it had not been for this transaction. On the other hand, two former CDC subsidiaries, Industrial and Agricultural Co Ltd and Jamaica Cooling Store Ltd, ceased so to be, so that the CDC interest now appears under Investments: however in these cases, the transferred amounts are not significant in relation to the total figures involved.

(2) *Capital Liability to Government*

(*a*) During 1965 capital liability to Government increased by £4,329,511 to £92,430,258. The increase is a net figure comprising gross Treasury advances £8,621,000 less £4,291,489 capital repayments of earlier advances by CDC. As mentioned above book value of Fixed Assets and Investments increased during the year by £7,474,000—the £3,144,000 difference between this figure and the net increase in

Treasury advances being financed by a rise in bank overdrafts and short-term loans (increase £1,000,000 approximately) and cash surpluses generated in the group.

(*b*) Classification of advances from Government is that in use between CDC and the Departments. Long-term advances are repayable with compound interest by annuities over the last 33 years of a 40-year term. Short and medium term advances are repayable respectively within one year and at the end of 10 years. Special term advances are tailored as to repayment terms to match the repayment terms negotiated by CDC with the ultimate borrower and are normally for periods between 10 and 30 years. In future years a new category of advance will need to be shown reflecting the Government decision (reported in Part I) to make advances available with interest waiver for the initial period. No such advances had been received at 31.12.65.

(3) *Deferred Liability to Government*

This account stems from the revised financial arrangements with the British Government introduced in 1961. The account was set up with a balance of £20m to be paid off by annual instalments calculated on a formula related to the Corporation's operating results. Since introduction of the arrangement £1,886,645 has been paid off: the payment in respect of 1965 will be £301,190 (balance sheet note 7). There has been no write off of any debt due by CDC to the British Government.

(4) *Provision against book value of projects and investments*

The provision account stands at £2,997,000 as compared with £2,000,000 at 31.12.64. A transfer of £958,986 has been made from Profit and Loss Account and £352,205 was credited from sundry realisations raising the balance to £3,311,191. £314,191 has been used to write down the book value of investments including £275,023 loss incurred on disposal of CDC's interest in the Worcester Porcelain Co (Jamaica) Ltd. A balance of £2,997,000 is left at 31.12.65.

3 Profit and Loss Account

(1) Net profits of direct projects, income from subsidiary companies and income from investments and from managing agency and other fees increased by £885,420 to £6,493,918 as compared with 1964. There were increases under all headings. The income from subsidiary companies includes for the first time £161,825 received from Mhlume (Swaziland) Sugar Co Ltd in respect of interest and dividend for the period after 15th March 1965 when it became a CDC subsidiary and there is also included an amount of £62,854 received by way of dividend from Zambia Development Corporation Ltd which represents a capital profit on sale of shares in Chilanga Cement Ltd.

(2) All interest receivable by the Corporation in 1965 has been paid except for interest due from Tangold Mining Co Ltd, British Guiana Timbers Ltd, Caribeach Ltd, Maramba Estate Ltd and Trinidad Mortgage Agency Co Ltd. Interest due from Trinidad Mortgage Agency Co Ltd has been earned and will be paid. No credit has been taken in the accounts for interest due from the other four companies.

(3) Operating surplus of the Corporation increased by £625,729 to £5,628,322 (1964 £5,002,593). After adding £134,021 in respect of profits (net) on realisation of investments and other assets £958,986 (1964 £605,095) was transferred to Provision against book value of Projects and Investments. Interest payable to Government took £4,781,240 (1964 £4,449,681) leaving £22,117 to be transferred to Reserve Fund.

31.12.64			£	£
£				
	CAPITAL LIABILITY TO GOVERNMENT			
45,594,831	Long term advances		45,937,855	
5,863,668	Medium term advances		5,165,668	
310,000	Short term advances		710,000	
36,332,248	Special term advances		40,616,735	
88,100,747				92,430,258
	DEFERRED LIABILITY TO GOVERNMENT	£		
	Advances	9,022,166		
	Less repaid to date	943,322		
			8,078,844	
	Fructification interest to 31.12.60 ...	10,977,834		
	Less repaid to date	943,323		
			10,034,511	
18,490,650				18,113,355
	CURRENT LIABILITIES			
78,082	Amounts owing to subsidiary companies		338,956	
2,042,364	Accrued interest on Government advances ...		2,200,515	
461,787	Creditors, accrued charges and taxation		570,654	
961,450	Bank overdrafts and short term loans ... ... (Secured £80,000)		2,020,541	
				5,130,666
6,771,201	PROVISIONS			8,548,067
	Provision against book value of projects and investments		2,997,000	
	Provision for fructification interest		5,551,067	
			8,548,067	
	RESERVE FUND			
	Balance at 1.1.65		365,753	
	Add balance of surplus transferred from Profit and Loss Account (Statement 3)		22,117	
365,753				387,870
	Relevant notes on Statement 2 form part of this Balance Sheet			
	(Signed) HOWICK (*Chairman*)			
	J. F. PRIDEAUX (*Deputy Chairman*)			
	W. RENDELL (*General Manager*)			
£117,272,034				£124,610,216

Report to the Commonwealth Development Corporation by the Auditors appointed under Section 17 (3)

We have audited the above Balance Sheet and annexed Profit and Loss Account (Statement 3) have been kept and proper returns received from overseas offices, and the Accounts are in agreement

In our opinion the Balance Sheet and Profit and Loss Account, together with the notes on 31st December, 1965, and of the surplus for the year to that date.

We have examined the Group Accounts comprising the audited accounts of the Corporation and (Statement 10) of the subsidiary companies prepared from their respective audited accounts. The the Group Accounts give a true and fair view of the state of affairs at 31st December, 1965, and of so far as concerns the Corporation.

11 Ironmonger Lane, London, E.C.2
14th April 1966

DEVELOPMENT CORPORATION

SHEET AT 31.12.65 — STATEMENT 1

3: :2.64		Cost less sales	Depreciation and amounts written off	
£		£	£	£
	FIXED ASSETS			
3,893,060	Freehold and leasehold land, plantations, concessions, buildings and constructions	6,116,445	1,170,595	4,945,850
461,854	Plant and machinery	816,040	322,865	493,175
9,537	Ships and vessels	12,497	3,973	8,524
59,810	Land clearance equipment, tractors and agricultural equipment ...	208,292	121,744	86,548
29,881	Motor vehicles and rolling stock ...	84,751	57,497	27,254
71,488	Furniture, fixtures, office and hotel equipment	235,074	159,973	75,101
4,525,630		7,473,099	1,836,647	5,636,452
	EXPENDITURE ON DEVELOPMENT INCLUDING REVENUE EXPENDITURE CARRIED FORWARD AT COST LESS AMOUNTS WRITTEN OFF			
187,401	Land clearance		197,155	
675,160	General development, surveys and revenue expenditure carried forward		734,527	
870,000	Interest carried forward		920,000	
				1,851,682
	INVESTMENTS AT COST LESS AMOUNTS WRITTEN OFF			
5,068,462	Quoted (market value £4,763,310 [*1964 £4,775,968*])		5,329,826	
68,584,319	Unquoted		70,543,320	
				75,873,146
	SUBSIDIARY COMPANIES			
6,334,401	Shares at cost less amounts written off		7,957,072	
7,589,528	Loans and advances less amounts written off ...		9,990,543	
				17,947,615
93,834,901				101,308,895
	CURRENT ASSETS			
479,113	Stocks, stores and livestock at cost or market value whichever is lower or at valuation		465,995	
183,350	Growing crops at cost or valuation		215,916	
1,367,761	Interest and dividends receiveable on investments ...		1,327,813	
851,786	Debtors and prepayments less provisions		939,561	
450,653	Cash at banks and in hand		247,566	
				3,196,851
	CAPITAL ADJUSTMENT ACCOUNT			
	Special Losses Account balance at 31.12.64 ...		9,022,166	
	Fructification interest to 31.12.60		11,082,304	
20,104,470				20,104,470
£117,272,034				£124,610,216

of the Overseas Resources Development Act, 1959, by the Minister of Overseas Development
and have obtained all the information and explanations which we consider necessary. Proper books
therewith.

Statement 2, give respectively a true and fair view of the state of the Corporation's affairs at

Combined Statement of the Assets and Liabilities (Statement 8) and of the Profit and Loss Accounts
Accounts of certain of the subsidiary companies have been audited by other firms. In our opinion
the surplus for the year ended on that date of the Corporation and also of the subsidiary companies

(Signed) PEAT, MARWICK, MITCHELL & Co.
Chartered Accountants

NOTES FORMING PART OF THE ACCOUNTS

(1) The limits on Corporation borrowing powers are set out in Section 12(3) of the Overseas Resources Development Act 1959; accrued fructification interest is not borrowing which falls within these limits.

Maximum borrowing powers are—

(*a*) £150m;

(*b*) £10m temporarily by way of overdraft or otherwise.

(2) Assets and liabilities in overseas currencies have been converted at rates ruling at 31.12.65.

(3) The Corporation has contractual commitments for capital expenditure of £800,000 and to subscribe up to £16,000,000 for debentures, loans and shares including commitments to subsidiary companies £1,500,000. The Corporation has guaranteed liabilities of subsidiary companies (included in Statement 8) amounting to £6,500,000 including liabilities of East African building societies for public deposits amounting to £3,400,000.

(4) Total depreciation and amortisation charged by the Corporation for year to 31.12.65 was £190,359 (1964 £170,548).

(5) Interest attributable to assets of direct projects not yet in production, to investments represented by assets not yet in production and to equity investments in territorial Development Companies which have not yet started to pay dividends, has been carried forward. In certain instances this interest has been computed on the basis of estimates prepared by the Corporation. When the circumstances in which interest has been carried forward come to an end, interest accumulated in respect of those assets or the investment concerned is written off over a period of ten years.

(6) Owing to the seasonal nature of their businesses the accounts of Caribeach Ltd and its subsidiaries have been made up to 30.9.65.

(7) Under the arrangements with Government, the Corporation computes that by reference to the profits of the year, a sum amounting to £301,190 will be payable in reduction of the deferred liability to Government.

PROFIT AND LOSS ACCOUNT—YEAR TO 31.12.65

Year to 31.12.64				
£			£	£
252,150	NET SURPLUS OF DIRECT PROJECTS (per Statement 4)			258,102
752,471	INCOME FROM SUBSIDIARY COMPANIES (per Statement 4) ...			939,039
4,538,410	INCOME FROM INVESTMENTS (per Statement 4)			5,192,934
65,467	MANAGING AGENCY AND OTHER FEES (NET)			103,843
5,608,498				6,493,918
58,849	INVESTIGATION EXPENDITURE WRITTEN OFF		57,000	
344,074	ADMINISTRATIVE EXPENDITURE (head office and overseas offices)		384,917	
	Above administrative expenditure is stated after making allocations to:			
	1964 £ — £			
	41,081 Projects—revenue expenditure ... 38,785			
	3,838 —fixed assets 8,350			
	13,175 —expenditure on development 11,099			
	55,527 Managing agencies 60,139			
	39,463 Investigations 40,334			
	107,205 Subsidiary companies 142,621			
	£260,289 — £301,328			
	REMUNERATION OF MEMBERS	£		
8,116	Fees and expenses	8,555		
6,188	Salaries	6,500		
305	Insurance premium for pension for former member	305		
			15,360	
				457,277
5,190,966				6,036,641
103,000	OVERSEAS TAXATION (after crediting provisions made in prior years no longer required)		240,000	
85,373	INTEREST PAYABLE OTHER THAN TO GOVERNMENT		168,319	
				408,319
£5,002,593	OPERATING SURPLUS OF CORPORATION carried forward... ...			£5,628,322
5,002,593	OPERATING SURPLUS OF CORPORATION brought forward ...			5,628,322
103,380	*Add* Profits on realisation of investments and other assets ...			134,021
5,105,973				5,762,343
605,095	*Deduct* Transfer to Provision against book value of projects and investments		958,986	
	INTEREST PAYABLE TO GOVERNMENT	£		
3,622,053	Amount currently payable	4,051,374		
927,628	Provision for fructification interest	779,866		
		4,831,240		
100,000	*Less* Interest carried forward (net) transferred to Balance Sheet (note 5)	50,000		
			4,781,240	
				5,740,226
£51,197	BALANCE OF SURPLUS appropriated to Reserve Fund (Statement 1)			£22,117

Notes (4) and (5) on Statement 2 form part of this Profit and Loss Account.

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1964			Net trading	
Loss	Profit		Loss	Profit
£	£		£	£
		DIRECT PROJECTS		
—	18,449	Dominica Electricity Services	—	22,941
—	175	Fort George Hotel	—	8,330
—	18,859	Melville Hall Estate	2,772	—
—	19,617	Molopo Ranch	—	27,053
—	13,338	St Vincent Electricity Services	—	24,808
—	181,122	Swaziland Irrigation Scheme	—	180,232
25,542	—	Vipya Tung Estates	33,508	—
—	5,547	Vuvulane Irrigated Farms	—	10,054
—	20,585	SUNDRY INCOME	—	20,964
25,542	277,692		36,280	294,382
	25,542			36,280
	£252,150	NET SURPLUS FOR YEAR BEFORE CHARGING INTEREST PAYABLE ...		£258,102
Interest	Dividends		Interest	Dividends
£	£		£	£
		SUBSIDIARY COMPANIES		
25,102	78,000	Borneo Abaca Ltd	44,248	—
—	37,159	Borneo Housing Development Ltd	—	47,693
35,182	—	British Guiana Timbers Ltd	—	—
—	—	CDC Rhodesia (Private) Ltd	3,750	—
6,000	—	Fiji Development Co Ltd	7,620	—
41,255	11,330	First Permanent (East Africa) Ltd	37,355	11,350
6,239	—	Grenada Electricity Services Ltd	6,162	8,000
10,061	18,000	Jamaica Cooling Store Ltd	—	—
18,878	—	Johore Palm Processing Ltd	29,017	—
32,240	—	Kenya Building Society Ltd	29,918	—
64,026	67,834	Kulai Oil Palm Estate Ltd	61,017	72,679
—	—	Mhlume (Swaziland) Sugar Co Ltd (from 15.3.65) ...	133,700	28,125
16,483	29,700	Nigeria Hotels Ltd	16,500	33,000
87,500	58,500	Nigeria Housing Development Society Ltd	87,500	58,500
—	16,834	Swaziland Development Corporation Ltd	—	19,701
40,436	—	Tanganyika Wattle Co Ltd	36,978	—
41,676	14,000	Zambia Development Corporation Ltd	41,068	146,674
425,078	331,357		534,833	425,722
3,964		*Deduct* Sundry Interest (net)	21,516	
	421,114			513,317
	£752,471	INCOME FROM SUBSIDIARY COMPANIES FOR YEAR		£939,039

1964 Interest	1964 Dividends		Interest	Dividends
£	£		£	£
		INCOME FROM INVESTMENTS		
		LOANS TO GOVERNMENTS AND STATUTORY BODIES		
67,900	—	British Guiana Rice Development Co. Ltd.	74,419	—
75,438	—	Cameroons Development Corporation	75,438	—
1,283	—	Cayman Islands Corporation	1,144	—
36,654	—	Central African Airways Corporation	8,226	—
1,046,250	—	Central African Power Corporation	1,045,284	—
755	—	Central Electricity Corporation Ltd.—Lusaka	8,611	—
16,053	—	Electricity Supply Commission of Malawi	62,864	—
40,500	—	Federal Land Development Authority	40,500	—
—	—	Gibraltar Housing	3,345	—
66,234	—	Guma Valley Water Company	92,713	—
94,389	—	Kenya Central Housing Board	89,814	—
423	—	Kenya Land Development and Settlement Board	8,554	—
8,485	—	Kenya Meat Commission	7,753	—
41,823	—	Kenya Tea Development Authority	60,374	—
53,009	—	Lagos Executive Development Board	51,941	—
61,688	—	Malawi Housing	61,688	—
—	—	Mauritius Housing Corporation	7,159	—
95,125	—	Mudi River Water Board	100,721	—
8,404	—	Nairobi City Water Supply	7,704	—
616	—	Nairobi City Council—Kariakor Housing Scheme	4,276	—
410,345	—	National Electricity Board (Malaya)	400,560	—
59,375	—	Rhodesia Housing	29,687	—
27,452	—	Sarawak Electricity Supply Corporation	27,450	—
9,619	—	Swaziland Railway Board	52,321	—
64,137	—	Zambia Housing	64,951	—
		OTHER INVESTMENTS		
11,694	9,000	Bechuanaland Protectorate Abattoirs Ltd.	10,494	9,000
26,375	—	Bird & Co. (Africa) Ltd.	26,375	—
5,573	8,000	Block Hotels Ltd.	5,169	8,000
—	—	Bugambe Plantation Co. Ltd.	7,500	—
139,275	—	Caribbean Housing Finance Corporation Ltd.	189,171	—
3,459	—	Chinga Tea Factory Co. Ltd.	3,817	—
5,968	—	Coast Construction (Nigeria) Ltd.	5,115	—
—	—	Development Finance Company of Uganda Ltd.	4,734	45
4,050	—	Dorman Long & Amalgamated Engineering Co. Ltd. ...	3,400	—
11,426	—	Dunlop Nigerian Industries Ltd.	22,625	—
—	50,850	East Africa Industries Ltd.	—	106,220
83,588	—	Federation Chemicals Ltd.	84,250	—
12,575	—	Freetown Hotel Ltd.	11,951	—
—	—	Ilushin Estates Ltd.	687	—
—	—	Jamaica Cooling Store Ltd.	8,598	17,100
23,541	400	Jamaica Housing Development Co. Ltd.	21,056	400
232,336	—	Jamaica Public Service Co. Ltd.	229,245	—
—	—	Kangaita Tea Factory Co. Ltd.	1,333	—
192,500	—	Kenya Power Co. Ltd.	192,500	—
29,400	285,000	Kilembe Mines Ltd.	—	712,500
19,507	—	Kilombero Sugar Co. Ltd.	28,388	—
—	—	Litein Tea Factory Co. Ltd.	769	—
—	168,450	Malaya Borneo Building Society Ltd.	—	168,450
—	—	Malayan Flour Mills Ltd.	14,615	—
3,370	—	Mataara Tea Factory Co. Ltd.	3,807	—
167,700	62,500	Mhlume (Swaziland) Sugar Co. Ltd. (to 14.3.65)	34,000	37,500
—	—	Mwenge Tea Co. Ltd.	14,186	—
—	47,813	The Nigerian Cement Co. Ltd.	—	46,562
—	—	Nigerian Industrial Development Bank Ltd.	—	1,296
11,212	—	Northern Nigeria Investments Ltd.	—	36,000
—	700	Northern Housing Estates Ltd.	—	700
—	—	Nyankoba Tea Factory Co. Ltd.	769	—
5,694	—	The Oceanic Hotel Ltd.	5,228	—
15,000	1,600	Property Development (Industrial) Ltd.	14,380	3,200
9,123	—	Pyrethrum Processing Company of Kenya Ltd.	20,919	4,824
15,000	—	Savings & Loan Society Ltd.	9,500	—
1,526	3,500	Singapore Factory Development Ltd.	1,463	—
5,968	—	Stirling Astaldi (Ghana) Ltd.	5,115	—
—	—	Tana River Development Co. Ltd.	11,112	—
206,120	—	Tanganyika Electric Supply Co. Ltd.	217,500	—
2,832	1,600	Tanganyika Extract Co. Ltd.	921	5,625
14,056	—	Tanzania Millers Ltd.	12,529	—
—	—	Textile Printers of Nigeria Ltd.	4,058	—
—	34,264	Trinidad Cement Ltd.	—	31,389
7,218	—	Trinidad Mortgage Agency Co. Ltd.	7,111	—
—	—	Western Terminals Ltd.	7,978	—
13,875	18,750	Unga Millers Ltd.	12,364	20,000
264,430	—	Usutu Pulp Co. Ltd.	308,750	—
10,426	5,209	Sundry	32,071	1,073
3,840,774	697,636		3,983,050	1,209,884
	3,840,774			3,983,050
	£4,538,410	INCOME FROM INVESTMENTS FOR YEAR		£5,192,934

ASSETS AND LIABILITIES OF DIRECT PROJECTS—31.12.65

Projects	Fixed Assets at net book value	Land Clearance and Development at cost less amounts written off and Interest carried forward	Investments at cost less amounts written off	Investments in and loans and advances to subsidiary companies at cost less amounts written off	Current Assets	Current Liabilities including amounts owing to subsidiary companies
	£	£	£	£	£	£
Dominica Electricity Services ...	318,160	—	—	—	49,277	10,310
Fort George Hotel	88,680	—	—	—	15,890	19,649
Kasungu Tobacco Estates ...	64,244	22,045	—	—	19,941	812
Melville Hall Estate	91,647	15,696	—	—	19,840	2,721
Molopo Ranch	171,118	1,501	—	—	190,875	19,819
St. Vincent Electricity Services ...	409,632	—	—	519	37,069	13,260
Solomon Islands Agricultural Trials	6,656	13,648	—	—	3,339	2,355
Swaziland Irrigation Scheme ...	3,219,952	760,987	3,777	25,922	540,740	167,610
Vipya Tung Estates	770,382	—	—	—	70,048	11,902
Vuvulane Irrigated Farms ...	28,064	26,595	—	—	70,813	9,517
	5,168,535	840,472	3,777	26,441	1,017,832	257,955
Add HO and Overseas Offices ...	467,917	1,011,210	75,869,369	17,921,174	2,179,019	4,872,711
per Statement 1	£5,636,452	£1,851,682	£75,873,146	£17,947,615	£3,196,851	£5,130,666

STATEMENT 6

INVESTMENTS AT COST LESS AMOUNTS WRITTEN OFF

	£	£
SHARES IN ASSOCIATED COMPANIES		
Quoted		
Block Hotels Ltd	40,000	
Dunlop Nigerian Industries Ltd	50,000	
Malaya Borneo Building Society Ltd	1,166,940	
The Nigerian Cement Co Ltd	248,333	
Nigerian Industrial Development Bank Ltd	75,000	
(market value £2,093,310)		1,580,273
Unquoted		
Bechuanaland Protectorate Abattoirs Ltd	150,000	
Bland Aerial Ropeway Ltd	49,000	
Development Finance Co (Eastern Nigeria) Ltd	667,000	
Development Finance Co of Uganda Ltd	500	
East Africa Industries Ltd	146,000	
Electra House Ltd	35,000	
Freetown Hotel Ltd	75,000	
Hong Kong Building & Loan Agency Ltd	9,375	
Industrial Commercial Developments Ltd	50,000	
Ilushin Estates Ltd	265,000	
Kangaita Tea Factory Co Ltd	500	
Kilembe Mines Ltd	1,140,000	
Kilombero Sugar Co Ltd	976,859	
Litein Tea Factory Co Ltd	500	
Malaya Borneo Building Society Ltd	1,067,500	
Malayan Cocoa Ltd	51,333	
Mostyn Estates Ltd	446,250	
Nyambeni Tea Co Ltd	96,000	
Nyankoba Tea Factory Co Ltd	500	
Northern Housing Estates Ltd	10,000	
Northern Nigeria Investments Ltd	1,800,000	
Property Development (Industrial) Ltd	40,000	
Pyrethrum Processing Company of Kenya Ltd	42,000	
Realty Development Corporation of Malaysia Ltd	175,000	
Singapore Factory Development Ltd	227,500	
Swaziland Iron Ore Development Co Ltd	214,272	
Tanganyika Development Finance Co Ltd	125,000	
Tanganyika Extract Co Ltd	5,000	
Trinidad Cement Ltd	575,000	
Trinidad Mortgage Agency Co Ltd	10,000	
United Cocoa Development Co Ltd...	21,190	
Unga Millers Ltd	250,000	
Usutu Pulp Co Ltd	3,050,000	
Western Storage Ltd	55,582	
Western Terminals Ltd	55,583	
Sundries...	651	
		11,883,095
LOANS TO GOVERNMENTS AND STATUTORY BODIES		
British Guiana Rice Development Co Ltd	945,000	
Cameroons Development Corporation	1,000,000	
Cayman Islands Corporation...	22,200	
Central African Power Corporation...	14,979,687	
Central Electricity Corporation Ltd—Lusaka	147,627	
Electricity Supply Commission of Malawi	1,200,000	
Federal Land Development Authority	600,000	
Gibraltar Housing	120,000	
Guma Valley Water Company	1,450,000	
Kenya Central Housing Board	1,520,000	
Kenya Land Development & Settlement Board	157,000	
Kenya Meat Commission	125,000	
Kenya Tea Development Authority...	900,000	
Lagos Executive Development Board	1,137,908	
Malawi Housing	1,000,000	
Mauritius Housing Corporation	175,000	
Mudi River Water Board	1,438,000	

INVESTMENTS AT COST LESS AMOUNTS WRITTEN OFF (*contd*)

	£	£
Nairobi City Council—Kariakor Housing Scheme	125,000	
Nairobi City Water Supply	105,010	
National Electricity Board (Malaya)	6,372,429	
Rhodesia Housing	1,000,000	
Sarawak Electricity Supply Corporation	420,000	
Swaziland Railway Board	1,250,000	
Zambia Housing	969,042	
		37,158,903
DEBENTURES, SECURED AND UNSECURED LOANS		
Quoted		
Bird & Co (Africa) Ltd	50,000	
Kenya Power Co Ltd	3,499,553	
Textile Printers of Nigeria Ltd	200,000	
(market value £2,670,000)		3,749,553
Unquoted		
Bechuanaland Protectorate Abattoirs Ltd	170,000	
Bird & Co (Africa) Ltd	300,000	
Block Hotels Ltd	65,500	
Bugambe Plantation Co Ltd	100,000	
Caribbean Housing Finance Corporation Ltd	3,364,000	
Chinga Tea Factory Co Ltd	43,500	
Coast Construction (Nigeria) Ltd	77,500	
Development Finance Co of Uganda Ltd	75,000	
Dorman Long & Amalgamated Engineering Co Ltd	50,000	
Dunlop Nigerian Industries Ltd	300,000	
Federation Chemicals Ltd	1,336,364	
Freetown Hotel Ltd	158,002	
Ilushin Estates Ltd	30,000	
Jamaica Housing Development Co Ltd	270,754	
Jamaica Public Service Co Ltd	3,150,000	
Kangaita Tea Factory Co Ltd	71,500	
Kilombero Sugar Co Ltd	778,000	
Litein Tea Factory Co Ltd	55,500	
Malayan Flour Mills Ltd	280,000	
Mataara Tea Factory Co Ltd	43,500	
Mostyn Estates Ltd	218,423	
Mwenge Tea Co Ltd	254,186	
Nyambeni Tea Co Ltd	11,000	
Nyankoba Tea Factory Co Ltd	55,500	
The Oceanic Hotel Ltd	61,370	
Property Development (Industrial) Ltd	189,000	
Pyrethrum Processing Company of Kenya Ltd	272,026	
Stirling Astaldi (Ghana) Ltd	93,000	
Tanganyika Electric Supply Co Ltd	3,000,000	
Tangold Mining Co Ltd	106,583	
Tana River Development Co Ltd	311,112	
Tanzania Millers Ltd	171,503	
Trinidad Mortgage Agency Co Ltd	92,884	
Unga Millers Ltd	171,256	
Usutu Pulp Co Ltd	5,250,000	
Western Storage Ltd	100,000	
Western Terminals Ltd	400,000	
Sundries...	24,359	
		21,501,322
per Statement 1	... ...	£75,873,146

INVESTMENTS IN AND LOANS AND ADVANCES TO SUBSIDIARY COMPANIES AT COST LESS AMOUNTS WRITTEN OFF—31.12.65

31.12.64		Shares	Loans and advances	Total
£		£	£	£
2,859,981	Borneo Abaca Ltd	2,288,178	719,302	3,007,480
116,667	Borneo Development Corporation Ltd	175,000	2,523	177,523
565,380	Borneo Housing Development Ltd ...	676,667	75,319	751,986
923,799	British Guiana Timbers Ltd	173,662	700,818	874,480
894,708	Caribeach Ltd and its subsidiaries ...	371,700	595,875	967,575
50,098	CDC Rhodesia (Private) Ltd	100	52,585	52,685
116,000	East Africa Development Corporation Ltd	100	315,900	316,000
237,981	Fiji Development Co Ltd	135,135	112,916	248,051
753,169	First Permanent (East Africa) Ltd ...	151,000	602,257	753,257
289,796	Grenada Electricity Services Ltd ...	200,000	94,047	294,047
223,232	Industrial and Agricultural Co Ltd ...	—	—	—
234,752	Jamaica Cooling Store Ltd	—	—	—
338,673	Johore Palm Processing Ltd	—	375,779	375,779
511,401	Kenya Building Society Ltd	100	—	100
983,546	Kulai Oil Palm Estate Ltd	193,810	700,165	893,975
201,912	Malaya Developments Ltd	6	201,253	201,259
306,430	Maramba Estate Ltd	225,000	113,596	338,596
—	Mhlume (Swaziland) Sugar Co Ltd ...	1,595,669	2,648,712	4,244,381
351,509	Nigeria Hotels Ltd	110,000	250,089	360,089
2,204,975	Nigeria Housing Development Society Ltd	975,000	1,219,475	2,194,475
—	St Lucia Electricity Services Ltd ...	125,000	300	125,300
30,865	Sierra Leone Investments Ltd	60,000	8,774	68,774
100	Swaziland Development Corporation Ltd	100	—	100
1,175,944	Tanganyika Wattle Co Ltd	500,000	594,193	1,094,193
551,093	Zambia Development Corporation Ltd	100	605,620	605,720
1,918	Regional companies	745	1,045	1,790
	per Statement 1	£7,957,072	£9,990,543	£17,947,615
£13,923,929	1964...	£6,334,401	£7,589,528	£13,923,929

COMBINED STATEMENT OF ASSETS AND LIABILITIES OF SUBSIDIARY COMPANIES—31.12.65

31.12.64			Cost, net book value at date of acquisition of shares or valuation, less sales	Deprecia-tion	
£	£		£	£	£
		FIXED ASSETS			
6,537,050		Freehold and leasehold land, plantations, concessions, buildings and constructions	11,400,185	2,128,109	9,272,076
1,159,256		Plant and machinery	4,670,673	1,419,333	3,251,340
43,354		Ships and vessels	243,376	210,814	32,562
62,007		Land clearance equipment, tractors and agricultural equipment	524,547	355,920	168,627
112,809		Motor vehicles and rolling stock	466,429	310,549	155,880
474,800		Furniture and fittings, office and hotel equipment ...	667,191	278,664	388,527
8,389,276			17,972,401	4,703,389	13,269,012
	281,056	FORESTRY CROPS at cost less amounts written off		261,025	
	370,891	LAND CLEARANCE AND DEVELOPMENT at cost less amounts written off		349,415	
651,947					610,440
		INVESTMENTS at cost less amounts written off			
	840,971	Quoted (market value £693,572 [*1964 £1,101,516*])		735,491	
	3,906,656	Unquoted		3,925,508	
	4,747,627			4,660,999	
	12,102,957	BUILDING SOCIETY AND HOUSING ADVANCES ON MORTGAGE		12,408,712	
16,850,584					17,069,711
		CURRENT ASSETS			
	—	Growing crops		843,701	
	704,527	Stocks, stores and livestock at cost or market value, whichever is lower or at valuation less advances		954,068	
	840,887	Debtors and prepayments less provisions		1,126,628	
	78,082	Amounts owing by Corporation		338,956	
	561,646	Cash at banks and in hand		436,827	
2,185,142					3,700,180
28,076,949					34,649,343
		Deduct CURRENT LIABILITIES			
	1,072,214	Creditors, accrued charges and taxation		1,640,025	
	4,766,876	Building Society deposits		5,320,511	
	105,851	Bank overdrafts		325,513	
5,944,941					7,286,049
22,132,008					27,363,294
	6,793,598	*Deduct* Secured and other loans (£5,106,740 secured)		6,955,095	
	7,589,528	Loans and advances by Corporation		9,990,543	
	1,776,909	Minority shareholders' interests		2,096,166	
16,160,035					19,041,804
£5,971,973		NET TANGIBLE ASSETS ATTRIBUTABLE TO CORPORATION INVESTMENTS			£8,321,490
		Represented by—			
6,334,401		Shares in subsidiary companies held directly by the Corporation at cost less amounts written off			7,957,072
13,739		*Add* post acquisition surpluses less deficits carried forward by subsidiary companies applicable to the Corporation (excluding deficits for which provision has been made by the Corporation) to 31.12.65			453,233
6,348,140					8,410,305
376,167		*Deduct* net adjustments in respect of the excess of the cost of shares in subsidiary companies less amounts written off, over the net tangible assets of subsidiary companies at dates of acquisition			88,815
£5,971,973					£8,321,490

NOTES:—

(1) Assets and liabilities in overseas currencies have been converted at the rates ruling at 31.12.65.

(2) There are contractual commitments for capital expenditure of £600,000 and for debentures, loans and partly paid shares of £2,000,000.

(3) There are contingent liabilities under guarantees and for bills discounted, etc., of £1,550,000.

	Fixed assets at net book value	Forestry crops, Land clearance and Development at cost less amounts written off	Investments and loans (including Building Society advances) at cost less amounts written off
	£	£	£
Borneo Abaca Ltd	2,802,617	4,092	—
Borneo Development Corporation Ltd	142,322	—	183,605
Borneo Housing Development Ltd	11,176	—	3,064,693
British Guiana Timbers Ltd	467,959	27,167	28,652
Caribeach Ltd and its Subsidiaries	977,013	34,089	—
CDC Rhodesia (Private) Ltd	—	—	50,000
East Africa Development Corporation Ltd	—	—	316,000
Fiji Development Company Ltd	70,638	5,160	158,559
First Permanent (East Africa) Ltd	579,406	—	4,150,237
Grenada Electricity Services Ltd	415,279	—	—
Home Finance Co Ltd	—	—	282,382
Johore Palm Processing Ltd	425,018	—	3,797
Kenya Building Society Ltd	—	—	1,433,184
Kulai Oil Palm Estate Ltd	972,488	—	—
Lagos Hotel Ltd	125,459	3,351	—
Malaya Developments Ltd	26,136	—	175,000
Maramba Estate Ltd	352,288	—	—
Mhlume (Swaziland) Sugar Co Ltd	4,332,612	—	—
Nigeria Housing Development Society Ltd	109,564	—	3,681,256
Nigeria Hotels Ltd	828,497	—	—
St Lucia Electricity Services Ltd	242,477	20,499	—
Sierra Leone Investments Ltd	10,448	—	93,500
Swaziland Development Corporation Ltd	—	—	3,000,000
Tanganyika Wattle Co Ltd	377,615	516,082	—
Zambia Development Corporation Ltd	—	—	448,846
Regional Companies	—	—	—
	£13,269,012	£610,440	£17,069,711

SUBSIDIARY COMPANIES—YEAR TO 31.12.65

Current assets (including amounts owing by Corporation)	Current liabilities	Secured and other loans	Loans and advances by Corporation	Total net tangible assets	Minority share-holders' interests	Net tangible assets attributable to Corporation investments
£	£	£	£	£	£	£
350,524	363,656	—	719,302	2,074,275	51,859	2,022,416
52,362	13,021	98,733	2,523	264,012	176,435	87,577
14,639	304,352	1,591,122	75,319	1,119,715	281,725	837,990
315,369	83,299	13,909	700,818	41,121	1,595	39,526
33,520	72,411	210,000	595,875	166,336	10,979	155,357
109	10	—	52,585	(Cr) 2,486	—	(Cr) 2,486
—	—	—	315,900	100	—	100
8,931	85,202	—	112,916	45,170	—	45,170
148,867	4,102,629	1,178,750	602,257	(Cr)1,005,126	100,000	(Cr)1,105,126
42,182	23,448	—	94,047	339,966	138,320	201,646
669	4,223	181,833	—	96,995	—	96,995
29,655	11,603	—	375,779	71,088	29,167	41,921
483,712	244,995	296,991	—	1,374,910	—	1,374,910
95,327	117,474	—	700,165	250,176	—	250,176
107,442	77,469	—	—	158,783	3,113	155,670
—	—	—	201,253	(Cr) 117	—	(Cr) 117
12,362	4,918	—	113,596	246,136	57,186	188,950
1,202,096	424,325	—	2,648,712	2,461,671	246,167	2,215,504
227,577	936,303	200,000	1,219,475	1,662,619	665,047	997,572
142,185	285,019	120,820	250,089	314,754	217,492	97,262
42,807	52,910	32,937	300	219,636	90,438	129,198
131	3,138	30,000	8,774	62,167	26,643	35,524
46,707	47,295	3,000,000	—	(Cr) 588	—	(Cr) 588
185,307	28,209	—	594,193	456,602	—	456,602
157,280	130	—	605,620	376	—	376
420	10	—	1,045	(Cr) 635	—	(Cr) 635
£3,700,180	£7,286,049	£6,955,095	£9,990,543	£10,417,656	£2,096,166	£8,321,490

COMBINED STATEMENT OF PROFITS AND LOSSES OF SUBSIDIARY COMPANIES—YEAR TO 31.12.65

1964 *Loss*	*1964* *Profit*			Net trading Loss	Net trading Profits
£	£			£	£
—	107,033	Borneo Abaca Ltd.		—	44,780
—	5,999	Borneo Development Corporation Ltd.		—	3,715
—	72,081	Borneo Housing Development Ltd.		—	98,397
—	35,760	British Guiana Timbers Ltd.		20,781	—
102,261	—	Caribeach Ltd. and its subsidiaries (year to 30.9.65)		91,889	—
—	—	CDC Rhodesia (Private) Ltd.		—	1,982
—	6,901	Fiji Development Co. Ltd.		—	2,191
—	99,883	First Permanent (East Africa) Ltd.		—	53,016
—	11,789	Grenada Electricity Services Ltd.		—	17,308
—	6,695	Home Finance Co. Ltd.		—	9,335
—	9,161	Industrial and Agricultural Co. Ltd.		—	—
—	39,513	Jamaica Cooling Store Ltd.		—	—
—	18,878	Johore Palm Processing Ltd.		—	29,017
—	32,921	Kenya Building Society Ltd.		—	48,540
—	132,328	Kulai Oil Palm Estate Ltd.		—	265,599
—	31,091	Lagos Hotel Ltd....		—	42,324
7,586	—	Maramba Estate Ltd.		24,936	—
—	—	Mhlume (Swaziland) Sugar Co. Ltd. (from 15.3.65) ...		—	564,408
—	78,736	Nigeria Hotels Ltd.		—	122,738
—	194,485	Nigeria Housing Development Society Ltd.		—	222,686
—	—	St. Lucia Electricity Services Ltd. (from 1.7.65) ...		—	7,136
9,541	—	Sierra Leone Investments Ltd.		8,821	—
—	16,834	Swaziland Development Corporation Ltd.		—	19,701
—	76,673	Tanganyika Wattle Co. Ltd.		—	84,434
—	56,923	Zambia Development Corporation Ltd.		—	158,008
119,388	1,033,684			146,427	1,795,315
	119,388				146,427
	£914,296	Net trading profits for the year			£1,648,888
421,114		*Less* Interest payable to Corporation		513,317	
141,789		Overseas taxation		189,990	
1,200	564,103	Preliminary expenses written off		1,934	705,241
	350,193				943,647
		Less Dividends paid or provided by subsidiary companies	£		
		Payable to Corporation	425,722		
		Less Overseas income tax	67,942		
266,677				357,780	
		Payable to minority shareholders ...	110,537		
		Less Overseas income tax	33,300		
67,923	334,600			77,237	435,017
	£15,593	Surpluses less deficits carried forward in accounts of subsidiary companies			£508,630
	9,424	Applicable to minority shareholders			52,834
	6,169	Applicable to Corporation investments			455,796
	£15,593				£508,630

Note: Total depreciation and amortisation charged by subsidiary companies for the year to 31.12.65 was £765,175—*1964* *£557,043*.

I. CARIBBEAN

Regional Controller:
G. I. Firmston-Williams

Regional Office:
Strathmore
Culloden Road,
St Michael 16,
Bridgetown,
Barbados.

1 Regional Summary

(1) At the end of 1965, CDC had 23 projects in the region (1964 19). Total capital committed at 31.12.65 was £19,653,000 (1964 £16,234,000) of which £13,963,000 (1964 £12,308,000) was invested. The projects cover a wide range of activities including agriculture (bananas, copra, cocoa and rice) timber, port development, warehousing and cold storage, mortgage finance for housing, electricity supply, hotels, and factories for cement, fertilizers and other products.

(2) The six new projects approved during the year, and CDC's commitments to them are:—

Duhaney Park low cost housing loan (Caribbean Housing Finance Corporation Ltd Jamaica) ...	£1,000,000
Trinidad & Tobago Mortgage Finance Co Ltd ...	£2,000,000
Western Storage Ltd (Jamaica)	£ 450,000
Industrial Commercial Developments Ltd (Jamaica)	£ 550,000
St Lucia Electricity Services Ltd	£ 325,000
Cane Farming Development Corporation Ltd (British Guiana)	£ 312,515

There are two new housing projects. New mortgage facilities for Duhaney Park in Kingston provide for the extension of an estate for which a loan of £2,000,000 was agreed in 1963; the latest houses are terraced and will be sold at the lower price of £1,575. The new mortgage company in Trinidad and Tobago represents another attempt, this time in partnership with the Trinidad and Tobago Government, to help meet the urgent need for medium and lost cost housing there. Western Storage Ltd is associated with the new harbour development at Kingston (para 15); the company has taken over Jamaica Cooling Store Ltd a successful wholly-owned CDC project, and will build a warehouse and cold store on land acquired at Newport West. Through Industrial Commercial Developments Ltd, a development company sponsored by Jamaican private interests, CDC is extending a line of credit for new industries in the island. The establishment after long negotiations of St Lucia Electricity Services Ltd as a joint company with the St Lucia Government and Castries Town Council, means that CDC now participates in the electricity supply in all four

Windward Islands. In British Guiana CDC has agreed with other lenders to make loans to the Cane Farming Development Corporation for on-lending to sugar cane smallholders.

(3) It was stated in last year's report that it was not easy to be confident about the future prospects of the Worcester Porcelain Co (Jamaica) Ltd in which CDC had been associated with Royal Worcester Ltd and the Jamaican Government, through Development Finance Corporation (DFC), since its start in 1963. Continuation of the company's operations required a further injection of capital early in 1965 which DFC was ready to provide, so it seemed best to dispose of CDC's interest to DFC (at a considerable loss) in order to clear the way for a capital reorganisation. This project accordingly falls out of the list, as does Jamaica Cooling Store Ltd though in rather different circumstances.

(4) We also mentioned last year that a management team under Mr Eric Hall had been brought across from Nigeria Hotels Ltd (Para 111) to see the Caribeach Hotels in Antigua, Grenada and St Lucia through their teething troubles. A further £200,000 is being spent to remedy defects in the layout of the hotels shown up in the first season's operation; the kitchen and service areas and the water supplies will be particularly improved. The hotels were fully booked for the recent Caribbean holiday season and operating results should again be better, but it will be necessary to increase booking in the off-season before worthwhile profits can be earned.

(5) As mentioned above, CDC now has a substantial investment in the electricity supply undertakings in each of the four Windward Islands and provides them with management and technical services. During the year major expansion programmes financed by CDC were in hand in Dominica and St Lucia, estimated to cost £243,000 and £389,000 respectively; in Grenada and St Vincent additional generating plant was installed. To justify continued capital expenditure on expansion and modernisation, it is essential that CDC should earn a fair return on its existing investment, having regard to the Treasury interest it has to pay. In fact, although the projects in Dominica and St Vincent have been in operation for 13 years, CDC has paid away more interest during this period in respect of these two projects than they have earned in profits. The revenue obtained by CDC in 1965 from the more recent undertakings in Grenada and St Lucia also fell short of the respective interest payments.

(6) Constitutional evolution of the smaller territories in the region continues. British Guiana is to become an independent member of the Commonwealth on 26th May 1966 under the name Guyana, while the Barbados Government has resolved to seek independence this year also. Constitutional changes for the Windward and Leeward Islands (except Montserrat) have been proposed.

(7) The Corporation's present scholar at the University of the West Indies in Trinidad is due to graduate in Engineering this year. A number

of executive and accountancy posts on projects in the region have been filled by qualified local recruits. The policy of further recruitment and training of West Indian staff to assume senior positions continues.

(8) Regional revenue, after overseas tax and regional administration costs, but before charging Head Office costs including interest payable and provisions against book value of projects and investments represented 5·8% on capital employed (1964 5·8%).

2 **Caribeach Ltd**—Managing Director: E. de S. Hall

(1) The company through three subsidiaries owns and operates tourist hotels in Antigua, Grenada and St Lucia. During 1964 CDC took over management responsibility from West Indies and Caribbean Developments Ltd, the original sponsors and majority shareholders; CDC decided as the result of its first season's experience as managers that large-scale improvements were required to the service facilities at the hotels—in particular to the water supply in Antigua. It was further decided that the £200,000 estimated cost should be met by an increase in share capital to be subscribed by CDC. As at 31.12.65 £118,491 had been spent on improvements and was represented by advances on current account pending issue of the shares.

(2) As at 31.12.65, the project was capitalised as under—

(*a*) Issued share capital £459,000 of which CDC holds £410,000 and West Indies and Caribbean Developments Ltd £49,000—and CDC current account £175,278 in advance of calls on shares;

(*b*) loan capital £699,300 7½% debentures 1966/77 of which CDC holds £489,300, the remaining £210,000 being held by British American Investment Trust Ltd, and Barclays Overseas Development Corporation. In addition CDC had lent short-term seasonal finance, balance at 31.12.65 £58,460.

(3) The North American tourist season is highly concentrated on the 4 months mid-December to mid-April. Operations in the 1964/65 season were hampered by the defects of layout and services already mentioned and the time available in the off season of summer 1965 was all too short to remedy these defects fully. Labour difficulties were experienced in Grenada and Antigua. However, owing to the efforts of the staff supported by experts from Nigeria Hotels Ltd (para. 111) the essential improvements were sufficiently completed to enable all three hotels to start the 1965/66 tourist season with good prospects of getting through it without major difficulty.

(4) The year to 30.9.65 showed a loss of £137,037. This was some improvement on the previous year's loss of £248,634 and would have been better, if the Jolly Beach Hotel in Antigua had not had to be closed down at the beginning of May owing to the water shortage in the island: it did not reopen until December 1st.

(5) Bookings in Grenada and St Lucia in the off-season (Antigua being closed) were better than in the previous year and all three hotels are well booked for the current season. Economies are being made and staffs are being trained so that a further improvement in results can be con-

fidently expected for the current year. But these smaller islands have to be sold as attractive tourist resorts in the off-season and there is still much room for improvement in the inter-island air services.

BRITISH GUIANA

(G$4·80=£1)

3 British Guiana Rice Development Co Ltd

(1) The British Guiana Government and the British Guiana Rice Marketing Board own the G$2m capital of this company which borrowed £1,042,000 from CDC in 1953 to finance equipment for its mills. The loan, which is guaranteed by the British Guiana Government, fell due for repayment on 31.12.62, but limited extensions have been granted at the request of the Government to enable decisions to be taken on the future organisation of the rice industry. The balance of £945,000 outstanding will fall due on 30.4.66 in the absence of further deferment.

(2) Operations for the year ended 31.8.65 resulted in a loss of £143,031, thus reversing the more favourable trend of recent years and increasing the accumulated loss to £424,249. Interest on the loan has continued to be paid.

4 British Guiana Timbers Ltd—General Manager: J. M. Golds MBE

(1) (*a*) Issued capital G$1,449,600 (£302,000) of which CDC holds G$1,424,640 (£296,800), the remainder being held by Guiana Merchants Ltd, a company in the Booker Group;

(*b*) balance of CDC loan G$3,810,655 (£793,886) remained unchanged.

(2) Results fell away from the improved level attained in 1964. Serious labour unrest was experienced in the first part of the year while the forest extraction rate declined due to increasing mechanical failure of ageing equipment so that timber had to be bought in at high prices to make up contracts for shipment. The position should be significantly improved in 1966 as the result of a three-year agreement with the labour union, negotiated towards the end of 1965, and by the decision to inject sufficient funds for the renewal and expansion of forest extraction equipment to increase output.

(3) (*a*) Greenheart prices rose during the second half of the year and forward contracts have been made at the higher levels for 1966 delivery;

(*b*) deliveries from the forest were 20,476 tons (1964 24,930 tons).

(4) Net loss for the year before charging CDC loan interest was £20,781 (1964 profit £35,760).

BRITISH HONDURAS

(BH$4=£1)

5 Fort George Hotel—Manager: A. Witter.

(1) A wholly owned CDC project managed through Caribeach Ltd (para 2). Capital at 31.12.65 £84,921 (1964 £97,015).

(2) Results showed a marked improvement on 1964, resulting in a profit of £8,330 (1964 £175).

CAYMAN ISLANDS

(J£1=£1)

6 **Cayman Islands Corporation**

Loan of £55,500 (1953) for airport construction ; outstanding at 31.12.65 £22,200 (1964 £24,975).

DOMINICA

(EC$4·80=£1)

7 **Dominica Electricity Services**—Manager : H. B. Entwistle

(1) Owned and managed by CDC from 1953, this project supplies electricity from a hydro-electric station on the Roseau River with diesel stand-by generators. Capital employed at 31.12.65 was £357,127 (1964 £318,603).

(2) Construction work on a second hydro-electric generating station on the same river, more than doubling installed capacity, continued during 1965. Difficulties over land acquisition caused delays in the construction programme and the projected commissioning date is now November 1966: capital expenditure during the year exceeded £40,000.

(3) Sales of electricity increased by 18·5% to 4·28m units (1964 3·61m units) with gross revenue £76,876 (1964 £66,923).

(4) The ice and cold storage plant was sold to private interests at year end.

(5) Net profit before payment of interest to British Government £22,941 (1964 £18,449), all of which was ploughed back into the project in new capital investment.

8 **Melville Hall Estate**—Manager: A. L. E. Pugh

(1) This is a wholly owned CDC project comprising two estates, Melville Hall and Castle Bruce, under one management. Capital employed at 31.12.65 was £124,432 (1964 £113,948).

(2) Planted acreage was maintained at something under 900 acres, comprising bananas, coconuts and cocoa as the main crops. Copra and coconut production continued to provide a reasonable return during the year but unfavourable growing conditions and a disastrous fall in prices made banana operations unprofitable. Cocoa results were also affected by the low level of prices ruling during most of the year, although Melville Hall cocoa continued to attract a premium in the market. Deliveries of wet cocoa by smallholders increased towards end-year largely owing to the depressed banana price.

(3) Net loss for the year was £2,772 (1964 profit £18,859), bringing CDC's accumulated deficit on corresponding interest obligations to £23,294.

GRENADA

(WI$4·80=£1)

9 **Grenada Electricity Services Ltd**—Manager: W. S. Richardson

(1) (*a*) A CDC subsidiary formed with the Grenada Government to take over existing installations from Government on 1.1.61 and to expand

the electricity services; share capital WI$1,618,520 (£337,192) of which CDC holds WI$960,000 (£200,000) and the Government the remainder;

(*b*) CDC has lent £84,000.

(2) A new 1,000 kW diesel generating set was commissioned towards the end of 1965 to meet increasing demand. Further extension of the existing distribution system is under consideration.

(3) Sales of electricity increased by 15·8% to 5·95m units (1964 5·14m units) with gross revenue £122,928 (1964 £109,458).

(4) Net profit after debenture interest £11,146 (1964 £5,550). A maiden dividend of 4% (CDC £8,000) was declared, reducing CDC's accumulated deficit on corresponding interest obligations to British Government to £52,738.

JAMAICA

(J£1 = £1)

10 Caribbean Housing Finance Corporation Ltd—Manager: M. G. Fray

(1) A company formed by Sceptre Trust Ltd (subsidiary of Eagle Star Insurance Co Ltd) and CDC who hold equal interests in the J£150 share capital, to provide mortgage finance for buyers of houses on approved estate developments. At 31.12.64 Harbour View, Hope Pastures, St Andrew Park and Duhaney Park Estates had been so approved. During 1965 the Hope Pastures scheme was completed and CDC agreed to lend an additional £1m through Caribbean Housing Finance Corporation Ltd for mortgages on lower cost houses being built by West Indies Home Contractors Ltd on a site adjacent to Duhaney Park. A sale price of £1,575 freehold has been fixed for these houses, representing a reduction on the £1,750 cost of the original Duhaney Park houses and a further step in the provision of facilities for house purchase within the reach of prospective purchasers in the lower income brackets.

(2) The additional £1m commitment raised the total CDC loan commitment to £5m at 31.12.65, the Sceptre Trust commitment remaining at £2·5m. As at the end of the year CDC had lent £3,364,000 (1964 £1,808,000) net of repayments and Sceptre Trust £2,119,500 (1964 £1,907,200).

(3) Surplus over company's administration expenses, including loan interest, was £12, 442 (1964 deficit £5,437).

11 Industrial Commercial Developments Ltd

(1) This company was formed by the Matalon interests in Jamaica in 1962 to promote and acquire participation in enterprises for the manufacture and distribution of a wide range of products. During 1965 CDC agreed to subscribe for £50,000 share capital and to provide a £500,000 sterling line of credit to enable expansion of the company's operations in approved investments.

(2) CDC acquired its shares on 30.12.65. As an essential part of the arrangements with CDC, the Jamaica public will be invited during 1966 to subscribe to a new issue of shares. The issued capital was increased to £741,175 by a 1 for 4 bonus issue on 31.12.65.

(3) No drawings had been made against the line of credit at 31.12.65 but two investments involving drawings totalling £110,000 have been approved as eligible.

12 Jamaica Housing Development Co Ltd

Standard Life Assurance Company of Edinburgh and CDC each own one half of share and loan capital of this company, which was formed to provide mortgage finance to house owners on Mona Housing Estate near Kingston; CDC investment at 31.12.65 was £500 shares and loan J£270,754 (1964 J£300,404).

13 Jamaica Public Service Co Ltd

(1) (*a*) A public company incorporated in Jamaica with issued capital of £5·24m ordinary shares (all held by the Canadian parent, Jamaica Public Service Ltd) and £1·56m preference shares. There are long-term secured loans totalling £6·38m, and a £1·85m loan for frequency conversion which is due to be repaid by 1970.

(*b*) CDC loans, included in the above mentioned amounts, outstanding at 31.12.65 were £1·3m for general development and £1·85m for frequency conversion, £150,000 of the latter having been repaid during the year.

(2) The company is the principal supplier of electricity in Jamaica and has recently concluded negotiations with the Jamaica Government for an island-wide licence for 25 years. A non-political Public Utility Commission is to be appointed to regulate the company's operations.

(3) The company has submitted an application to the International Bank for Reconstruction & Development for a loan of £8·5m to finance the purchase of plant for the substantial programme of development which has been planned for the five years 1966–1970.

(4) Sales of electricity in year ended 31.12.65 were 430m units (1964 373m units), an increase of 15·3%. Surplus for the year, after interest and taxation, was £641,800 (1964 £643,200).

14 Western Storage Ltd

(1) Incorporated in December 1965 with equity capital of £340,000 held as to £120,000 by Western Terminals Ltd (para 15), £120,000 by Foreshore Development Co Ltd and £100,000 by CDC.

(2) The company was formed to exploit the development of new deep water harbour at Newport West, Kingston, by building a cold store and dry warehouse on land bought from Western Terminals Ltd. It has also acquired CDC's holding in Jamaica Cooling Store Ltd which owns a cold store in Kingston itself.

(3) CDC received £200,000 in shares and £100,000 debentures for its holding in Jamaica Cooling Store Ltd and exchanged £100,000 of the shares for a similar holding in Western Terminals Ltd. CDC has agreed to

subscribe up to a further £250,000 loan towards the financing of the new cold store and warehouse.

15 Western Terminals Ltd

(1) This company was formed by Jamaican interests to undertake a large part of the dredging and construction work involved in building a new deep water harbour at Newport West to serve Kingston. Phase I of the programme comprised as reported last year three lateral wharves capable of accommodating the largest passenger and cargo ships likely to use the port together with transit sheds, warehouses and a passenger terminal. During 1965 it was decided to go ahead with the construction of a fourth berth with ancillary buildings and facilities: by the year-end work on the first three berths was substantially completed and the fourth berth was in course of construction.

(2) The Western Terminals Ltd capitalisation was increased to finance the additional commitments. At 31.12.65 it comprised issued share capital of £500,000 held as to £300,000 by Lascelles de Mercado & Co Ltd, £100,000 by Foreshore Development Co Ltd and £100,000 by CDC. Lascelles de Mercado & Co Ltd will be subscribing an additional £100,000 and £70,000 will be offered to the public to bring the total to £670,000. Issued debenture capital will be £1,800,000 towards which CDC will lend £1,050,000 and the balance will be found by a number of financial institutions together with the Jamaican public. Conversion rights exercisable between 1.1.67 and 1.1.69 attach to £130,050 of the issued debenture stock of which CDC will hold £65,040.

(3) CDC investment at 31.12.65, £100,000 ordinary shares and £400,000 loan.

ST LUCIA

(EC$4·80=£1)

16 St Lucia Electricity Services Ltd—Manager: A. R. Boyd

(1) Company formed under CDC management to take over installations in Castries, Soufriere and Vieux Fort operated by St Lucia Government and Castries Town Council, and to expand electricity supply services. Vesting date was 1.7.65.

(2) Issued share capital £212,500 of which CDC has subscribed £125,000: Government and Castries Town Council have been allotted £35,417 and £52,083 shares respectively. Additionally £12,708 debentures were issued to Government and £20,229 to Castries Town Council as consideration for existing assets taken over. CDC has agreed to lend £200,000: nil drawn at 31.12.65.

(3) Generating plant and distribution lines in Castries were in poor condition on take-over and heavily overloaded so that priority had to be given to remedying this state of affairs. Conversion of the Vieux Fort system from 110 to 240 volts was completed by year-end as a measure of standardisation with the Castries and Soufriere systems which provide a 240 volts service for domestic purposes. Installation of a new 1,020 kW

diesel generating set was completed in November. The foundation for a second unit of the same size had been laid down by the end of the year and it was hopd to commission this unit in March 1966.

(4) In the six months of operation, sales of electricity were 2·60m units with gross revenue £63,128.

(5) Net profit for the period after payment of debenture interest £7,136.

ST VINCENT

(EC$4·80=£1)

17 **St Vincent Electricity Services**—Manager: D. A. Bryan

(1) Owned and managed by CDC, this project established in 1953 represents an investment at 31.12.65 of £433,960 (1964 £417,147) and supplies electricity from hydro-electric stations on the Colonarie and Richmond Rivers, supplemented by a diesel peaking and stand-by installation in Kingstown.

(2) Generating capacity was increased during the year by installation of a 460 kW diesel set and distribution services were extended.

(3) Sales of electricity increased by 10% to 6·05m units (1964 5·5m units) with gross revenue £93,344 (1964 £85,089).

(4) Net profit for the year before interest payable to British Government £24,808 (1964 £13,338): over the same period CDC ploughed back £39,000 in new capital assets.

TRINIDAD

(TT$4·80=£1)

18 **Federation Chemicals Ltd**

(1) CDC has lent this wholly owned subsidiary of W. R. Grace & Co, New York, a total of £1,350,000 for original establishment (1958/60) and expansion (1963) of a chemical plant in Trinidad for the production of fertiliser and liquid ammonia from natural gas.

(2) Ammonia and urea production capacity is being further extended and the new plant is expected to begin operations early in 1966.

(3) The company operated at a profit although experiencing difficulties with new plant.

(4) CDC holding of 7,093 shares in W. R. Grace & Co, the parent company, sold in 1965 for £142,665 ; loan repayable 1967/69.

19 **Trinidad Cement Ltd**

A subsidiary of The Rugby Portland Cement Co Ltd. CDC original investment of TT$5,520,000 (£1,150,000) in 5% cumulative preference shares is redeemable in equal annual instalments 1955/75 ; outstanding at 31.12.65 £575,000 (1964 £632,500). The company had a profitable year and the preference dividend was duly paid.

20 **The Trinidad Mortgage Agency Co Ltd**

(1) Formed in 1961 under the sponsorship of S. G. Warburg & Co Ltd and the Bank of London & South America Ltd, to provide mortgage

finance for buyers of houses on an approved estate development. Share capital of TT$96,000 (£20,000) is held 50% by CDC and 50% by other financial institutions. Progress by developers in building houses was disappointing and lending operations were suspended after the grant of 92 mortgage loans totalling £224,385, towards which CDC had provided £94,820 at 31.12.65. Debentures outstanding at 31.12.65 totalled £142,230. Administration charges exceeded revenue by £1,688 (1964 £4,200).

(2) During 1965 CDC and Trinidad Government formed a new company, Trinidad & Tobago Mortgage Finance Co Ltd (para 21) with wider terms of reference to meet the continuing demand in the islands for mortgage finance.

21 Trinidad & Tobago Mortgage Finance Co Ltd—Manager: A. R. Knight

(1) The company was incorporated on 4.12.65 with an authorised capital of 2 million shares of TT$4·80 each (£2,000,000). CDC will subscribe the equivalent of £1m equity and lend the company a further £1m, and the Trinidad & Tobago Government will subscribe the equivalent of £0·25m equity and £0·25m loan. It is expected that further funds from local sources will raise the total funds available above £3m.

(2) It has been agreed that in the first instance the company will provide mortgage finance for medium and low cost houses built on estates being developed by the National Housing Authority of Trinidad and by approved private enterprise developers.

(3) CDC has entered into a five-year managing agency agreement with the company. The office was opened on 9.12.65 when the manager took up residence.

(4) No investment had been made at 31.12.65.

II. EAST ASIA AND PACIFIC ISLANDS

Regional Controller:
W. A. Belsham

Regional Office:
13/15 Ampang Street,
Kuala Lumpur
Malaya.

22 Regional Summary

(1) At 31.12.65 total commitment in the East Asia and Pacific Islands region had increased marginally to £23,613,000 (1964 £23,570,000) with the approval of one new project and total investment had increased to £17,120,000 (1964 £16,188,000). The greater part of the investment continues to be in Malaysia although the Malayasian share of the total fell slightly.

(2) In August Singapore separated from Malaysia and was subsequently accepted as a member of the Commonwealth in its own right. Statements have been made on behalf of both governments promising continued co-

operation in the economic and commercial fields but the constitutional separation has thrown up a number of uncertainties affecting investment decisions which it is hoped in the interests of all concerned will be resolved before too long. For its part, CDC looks forward to being able to continue to operate usefully in both countries.

(3) Projects cover a wide spread of activity including estate and smallholder agriculture, forestry, industrial financing and factory development, mortgage finance for housing and commercial development, and loans for power and water supply.

(4) Regional revenue, after overseas tax and regional administration costs, but before charging Head Office costs including interest payable and provisions against book value of projects and investments, represented 6% on capital employed (1964 5·5%).

Malaysia and Singapore

(5) The public's appetite for housing finance has shown no sign of abating and both Malaya Borneo Building Society Ltd (para 33) and Borneo Housing Development Ltd (BHD) (para 25) made substantial progress during the year, the mortgage asset of the latter being increased by M$5·71m. The expansion of mortgage loans was financed entirely from locally raised funds in the former case—but BHD raised M$1·5m additional capital from its shareholders to provide a basis for additional loan capital amounting to M$4·4m.

(6) In the agricultural sector, the chief feature was the progress of the CDC oil palm interests. The fully developed Kulai Oil Palm Estate (para 32) produced a record crop and record profits of £265,599. In Sabah, the joint company with North Borneo Timbers Ltd, Mostyn Estates Ltd (para 28), completed the planting of 5,395 acres and expects completion of its programme of 6,400 acres in 1966; increasing yields from earlier plantings provided further evidence that the decision to pioneer this crop in Sabah will prove to have been right. At the neighbouring Borneo Abaca estate (para 23) 2,322 acres of palms are now planted and it has been decided to step up the programme to 6,000 acres. The possibility of undertaking a similar development in Sarawak has been further studied with the co-operation of the State Government and proposals for a project are in the hands of that Government for consideration.

(7) In the industrial sphere CDC has channelled its investment largely through local development companies. Malaysian Industrial Development Finance Ltd (para 36) made an increasing contribution to development in Malaysia and has plans to call up more capital. Singapore Factory Development Ltd (para 43), working closely with the Singapore Government's Economic Development Board, completed a record volume of business which was financed by increasing the share capital from M$1m to M$3·9m contributed equally by CDC and Economic Development Board. Borneo Development Corporation Ltd (para 24), whose activities are confined to the Borneo States, had a difficult year but

there are signs that after a period of consolidation a basis exists for future expansion; however, the projected Malaysian Common Market which seems unlikely to afford protection to Borneo industries against other industries within the free trade area, is likely to create problems for this company.

Western Pacific

(8) Fiji Development Co Ltd (FDC) (para 40) which looks after the Corporation's interests in the South West Pacific was actively engaged during the year investigating new projects. A CDC hotel consultant visited Fiji; the Solomon Islands were visited first by a CDC irrigation engineer, and later by a rice agronomist, with the object of assessing prospects for irrigated rice development on a commercial scale in the light of the programme of agricultural trials which have been carried out over the last two years. Following encouraging progress with oil palms in both Fiji and the Solomons, it is hoped during 1966 to make a preliminary assessment of prospects for this crop in both areas.

(9) FDC manages the Government Lomaivuna Settlement Scheme, producing bananas for export. As a result of the success achieved by the original settlers despite a hurricane visitation, the number of settled families was doubled during the year to a total of 200 in the extremely short period of six months. Other FDC investments showed satisfactory progress.

Hong Kong

(10) The Hong Kong Building and Loan Agency Ltd (para 41), formed at the end of 1964, opened for business in August 1965. Applications for loans were slow in coming in at the start due to a business recession in Hong Kong—but demand for mortgages now seems to be improving.

SABAH and SARAWAK

(M\$8·57=£1)

23 **Borneo Abaca Ltd**—General Manager G. D. Gilbert.

(1) Issued capital M\$17·14m (£2·0m) of which M\$16·7m (£1·95m) held by CDC and M\$428,600 (£50,000) by Harrisons & Crosfield Ltd. CDC current account at 31.12.65 £719,302 (1964 £571,803).

(2) (*a*) Crop acreages at 31.12.65 were—

	Mature	*Immature*	*Total*
Abaca	3,994	482	4,476
Rubber...	8,395	4,647	13,042
Cocoa	1,023	520	1,543
Oil Palms	—	2,322	2,322
Coconuts	—	50	50

(*b*) notwithstanding continuing labour shortage 265 acres of new abaca, 187 acres of cocoa and 1,448 acres of oil palms were planted and 500 acres of rubber replanted. Of the total rubber acreage 58·5% (7,632 acres) is post-war planting, of which 39·1% (2,985 acres) is in tapping;

(*c*) during the year changes in the development programme were approved increasing the planned oil palm area from 4,000 acres to 6,000 acres while further planting of rubber and cocoa was suspended. Plans for the palm oil factory were finalised and orders placed; the mill is expected to be commissioned by mid-1967.

(3) Confrontation with Indonesia continued to overshadow the labour situation as reported last year. The experiment of recruiting labour from elsewhere in Malaysia has not proved successful owing to an inordinate wastage rate, and the general shortage continues. Despite an increase in productivity per head, the shortage has had a most adverse effect upon production, particularly in the case of rubber. While it has been possible to maintain tapping coverage of young fields, tappers have been increasingly unwilling to undertake the more onerous task of harvesting the old areas. So long as State financial assistance in the recruitment of labour from Malaya is lacking, it is difficult to foresee any real improvement in the labour situation whilst Indonesia's "confrontation" policy continues; in the meanwhile it will be for the project management to make the best use of resources at their disposal.

(4) Production of both rubber and hemp was sharply down: in the latter case due to agricultural factors as well as labour shortage. Production of cocoa rose but revenue suffered from the current low price. Logging operations alone did something to retrieve the situation.

	1965	*1964*
Hemp	2,511 tons	3,494 tons
Rubber	4,754,000 lb	5,530,000 lb
Cocoa	325 tons	208 tons
Timber	1,041,000 cu ft	858,000 cu ft

(5) Summaries Profit & Loss Account—

	1965	*1964*
Gross profit (loss)	£	£
Hemp	(2,135)	103,040
Rubber	(687)	15,681
Cocoa	(4,657)	373
Timber	119,655	67,627
Total	112,176	186,721
Administration, education and research, etc. ...	67,396	79,688
Net profit before CDC interest	44,780	107,033
Interest on CDC current account	44,248	25,102
Net profit	£532	£81,931

24 **Borneo Development Corporation Ltd**—General Manager: E. J. Neal

(1) Issued capital M\$3m (£350,000) of which 50% held by CDC, 25% by Sabah Government, 12½% by Sarawak Government and 12½% by Sarawak Development Finance Corporation. CDC has approved a total investment of \$3·31m (£386,000) of which \$1·5m (£175,000) was paid up at 31.12.65.

(2) (*a*) During 1965 the company's main activities have been in the field of site development for housing, commerce and industry. In Kuching, Sarawak, where the company's head office is situated, development of 170 acres for low and medium cost housing has started; in Sibu 12 warehouses have been constructed and sold, and 31 acres are under development for sale as industrial sites;

(*b*) in Sabah negotiations have taken place with the State Government with the aim of organising the reclamation and subsequent development for housing, commercial and industrial purposes of 418 acres of swamp and foreshore in Jesselton. It is envisaged that the company will manage the project on the State Government's behalf. To facilitate this and to provide a base for future business in the State generally, the company has recently opened an office in Jesselton; branch management is in the hands of a senior Malaysian executive.

(3) Total funds committed by the company as at 31.12.65 were £556,420 of which £321,220 has been invested. Profit for the year was £3,715 (1964 £5,999).

25 Borneo Housing Development Ltd—Manager: Yap Hyun Phen

(1) (*a*) Issued ordinary capital was increased during the year from M$4·55m to M$6·05m, held as to M$4·8m by CDC and M$1·25m by the Governments of Sabah and Sarawak. CDC also holds M$1m preference shares and the Government of Sabah and Sarawak M$0·5m each;

(*b*) during the year the company negotiated additional loan finance of M$4·4m and at 31.12.65 total borrowings of the company, including bank overdrafts, stood at M$16·74m. Lenders include the Governments of Sabah and Sarawak, the Malayan Employees Provident Fund and other pension and provident funds. Negotiations are proceeding for a further M$12m additional loan finance from Malaysian sources.

(2) (*a*) 614 loan applications (1964 307) were approved during the year, involving a sum of M$10·20m (1964 M$5·04m); the mortgage asset increased by M$5·71m (1964 M$3·07m) to M$26·7m at 31.12.65. Active mortgage accounts totalled 1,816 (1964 1,409). Territorial distribution of the mortgage asset at 31.12.65 was Sarawak 52·1% and Sabah 47·9%;

(*b*) the company has expanded rapidly since it started business in 1959 and, under good management, has made a major contribution to the reconstruction and expansion of towns in Sabah and Sarawak.

(3) Net profit for the year was £98,397 (1964 £72,081). The 7% dividend has been maintained.

26 Electra House Ltd

(1) A joint enterprise between CDC, Sarawak Government and Sarawak Electricity Supply Corporation, with paid-up capital of M$900,000 (£105,000) of which each has an equal share. The balance of funds required for the building has been provided by Hongkong & Shanghai Banking Corporation as a seven-year loan. Borneo Development Corporation Ltd (para 24) are managers and secretaries.

(2) The company owns a 7-storey commercial building in Kuching incorporating shops, showrooms, offices, car park and a proposed restaurant, with a total lettable area of 47,461 sq ft. The building was completed during the year at a cost of M$2,704,987. It was opened on 24.8.65 by the Chief Minister of Sarawak.

(3) During the first five months of operation to 31.12.65 there was a small loss of M$1,330. The company has broken even since early 1966 and it is expected that the building will be fully let in 1966.

27 Kuching Water Board

CDC has agreed to lend £350,000, guaranteed by the Federal Government, to finance part of the Board's expansion programme within its second five year development programme due for completion 1970. Nil advanced at 31.12.65.

28 Mostyn Estates Ltd (and Mostyn Palm Processing Ltd)—Manager: W. Tully

(1) Authorised capital M$20·75m (£2·42m) of which M$7·65m (£892,500) had been issued at 31.12.65. The shares are held equally between CDC and North Borneo Timbers Ltd (a subsidiary of Bombay Burmah Trading Corporation Ltd and Wallace Brothers & Co (Holdings) Ltd); Borneo Abaca Ltd (para 23) acts as secretaries and agents. In addition CDC had advanced £218,423 on current account by 31.12.65, with a matching contribution by North Borneo Timbers Ltd; the joint further investment during the year being £395,690.

(2) The company pioneered the commercial planting of oil palms in Sabah and plans to plant 6,400 acres at Darvel Bay on the east coast of the country: 1,082 acres were planted during the year, bringing the total area planted at 31.12.65 to 5,395 acres. Completion of the programme is expected during 1966.

(3) Part of the land is reserved for allocation to smallholders, each farming 12 acres of oil palms and 2 acres of food crops. After withdrawal of 7 former members, who preferred paid employment with the company, the smallholder scheme now has 26 members (11 Kadazans and 15 Cocos Islanders).

(4) (*a*) Mostyn Palm Processing Ltd was formed in 1961 as a subsidiary of Mostyn Estates Ltd to process fruit from Mostyn and from smallholders. From January 1966 it accepted fruit also from the neighbouring Giram Estate. It is exempt from tax for four years under the Sabah Pioneer Industries Ordinance 1956;

(*b*) factory capacity in 1965 consisting of one 3-ton hydraulic press was fully extended in the peak cropping months September and October; a 4½-ton automatic press representing the first stage of the planned factory extension was installed during the year and is now in use.

(5) As more palms became mature production rose steeply: 13,236 tons of fruit (including fruit from smallholder area) were harvested during the year (1964 5,877 tons) and yielded 1,861 tons oil (1964 812 tons) and 175 tons kernels (1964 91 tons).

(6) Eradication of old abaca for replanting with oil palm reduced abaca estate from 532 acres to 187 acres which will be eliminated by mid-1966. Crop for the year was 137 tons (1964 228½ tons).

(7) Net profit £17,909 (provisional) is not comparable with 1964 net profit £13,729 due to higher allocation to revenue expenditure of upkeep costs in respect of new producing areas which are maturing earlier than expected.

29 Sarawak Electricity Supply Corporation

(1) Secured loan of £420,000 to finance construction of a new power station at Sibu opened in 1965. Repayment 1967/81.

(2) In 1965 CDC agreed to make a further loan of £580,000 for the current expansion programme; loan to be drawn 1966/68 and repaid by fifteen annual instalments starting 1970.

STATES OF MALAYA

(M$8·57=£1)

30 Federal Land Development Authority

(1) Loan of £600,000 for the promotion and development of land settlement schemes; repayment 1970/94.

(2) At 31.12.65 the Authority had 106,808 acres under rubber and 26,477 acres under oil palms. Fruit from the first oil palm scheme of 4,000 acres is processed by Johore Palm Processing Ltd (para 31).

(3) 9,500 families have been settled since the Authority was formed in 1956.

31 Johore Palm Processing Limited—Manager: J. Stewart

(1) (*a*) A subsidiary of Kulai Oil Palm Estate Ltd (para 32) with authorised capital M$525,000 (£61,250);

(*b*) the company processes fruit from Kulai Oil Palm Estate Ltd, Kulai Young Estate (Tebrau Rubber Estates Ltd) and the neighbouring smallholder scheme of the Federal Land Development Authority (para 30) all of whom have subscribed shares in proportion to planted acreage. In addition fruit is purchased from other growers in the area.

Issued share capital at 31.12.65 was

	M$	£
Kulai Oil Palm Estate Ltd	262,500	30,625
Federal Land Development Authority	200,000	23,333
Tebrau Rubber Estates Ltd	50,000	5,834
	512,500	59,792

(*c*) CDC loan investment at 31.12.65 was £370,000 (1964 £338,673), the additional funds being used for factory expansion.

(2) Factory capacity in 1965 consisted of five 1½-ton presses. This has now been expanded by the addition of a second production line of two 4½-ton presses brought into operation in January 1966.

(3) 6,705 tons of oil (1964 4,836 tons) and 1,555 tons of kernels (1964 1,133 tons) were processed during the year, including oil and kernels produced from fruit purchased by the company. Oil extraction rate was 17·33% (1964 17·07%).

(4) The company acts for its shareholders on a co-operative basis, passing on to them the sale proceeds of oil and kernels less processing, forwarding and administrative costs.

32 **Kulai Oil Palm Estate Ltd**—Manager: J. Stewart

(1) (*a*) Kulai Oil Palm Estate Ltd is a wholly owned CDC subsidiary; CDC's investment at 31.12.65 was £893,975 (1964 £983,546).

(*b*) Guthrie Agency (Malaya) Ltd are managing agents.

(2) Total area planted with oil palms at 31.12.65 was 5,250 acres. Production rose sharply as compared with the previous year being 6,149 tons oil (1964 4,715 tons) and 1,444 tons kernels (1964 1,108 tons) from a total producing area of 4,671 acres (1964 4,158 acres). Fruit is milled by Johore Palm Processing Ltd (para 31).

(3) Increased profit of £265,599 (1964 £132,328) reflects higher production and a substantially higher average selling price.

33 **Malaya Borneo Building Society Ltd**

(1) (*a*) Issued ordinary capital of M$25·5m is held as to $10·3m (£1·2m) by CDC, $10·0m by the Malaysian Government and $5·2m by the public. CDC also holds M$9·1m (£1·06m) in preference shares and Government M$5·0m;

(*b*) At 31.12.65 long term borrowings by the Society totalled M$48·2m and deposits M$15·8m. During the year the Society negotiated further loan finance of M$25·0m from the Malayan Employees Provident Fund. At 31.12.65 the Fund had advanced M$35·4m (31.12.64 M$28·4m). Depositors include the Government of Malaysia, the State Government of Perak, insurance companies, co-operative societies and banks. The Society launched two deposit schemes in March 1965 on the occasion of its fifteenth anniversary to encourage public participation (a fixed deposit scheme and a fixed term savings scheme); response to these two schemes is, as expected, encouraging;

(*c*) under the Trustee Investments Act 1965 the Society's ordinary shares, which are quoted on the stock exchange of Malaysia, are now classified as trustee securities. The Society has applied to qualify as an approved company for the investment of trustee funds on deposit or loan.

(2) 2,229 applications for loans were approved and accepted during the year involving a sum of M$23·8m (1964 2,958 applications approved and accepted for M$30·3m); the mortgage asset increased by M$11·0m during the year (1964 increase M$7·88m) to M$113·6m; active mortgage accounts totalled 16,056 (1964 14,767); 77·7% of the mortgage asset is in the States of Malaya and 22·3% in Singapore.

(3) The Society continues to provide advisory and management services to public, private and trustee bodies in connection with their housing loan and property investment schemes.

(4) The Society's lending rate remained at 7½% during the year; profit for the year was M$2·75m (1964 M$2·39m); ordinary dividend has been maintained at 7½%; reserves at 31.12.65 had increased to 6·2% of the mortgage asset (1964 5·8%).

34 Malayan Cocoa Ltd

(1) Issued capital M$1,650,000 comprising shares M$1,320,000 held as to one-third each (£51,333) by CDC, Cadbury Bros Ltd and the Harrisons & Crosfield Ltd group and 7½% redeemable preference shares M$330,000 held equally by Cadbury Bros Ltd and the Harrisons & Crosfield Ltd group.

(2) (*a*) Production in the year ended 30.6.65 was 353,200 lb (700 lb per acre) continuing the recent upward trend and compared with 287,371 lb for the previous year; 1965/66 crops appear encouraging;

(*b*) in 1965 some sales have been to a new chocolate factory in Singapore, at satisfactory prices.

(3) The original 500 acres planted in 1956 have been subject to attacks of dieback which have greatly reduced the estimated yield. The recovery since 1962 has been encouraging enough for the company to accept Cadbury Bros Ltd's offer of a loan of up to £130,000 to finance development of cocoa on the remaining 500 acres of jungle reserve land; 50 acres are being prepared for planting in 1966, and a start is being made to prepare a further 100 acres for planting in 1967.

(4) Profit for the year ended 30.6.65 £1,035 (15 months to 30.6.64 (£1,346).

35 Malayan Flour Mills Ltd

(1) A new company incorporated in Malaya to construct and operate a wheat flour mill at Lumut, Perak. M$12·0m share capital has been subscribed by the sponsors David Sung & C. F. Sung (Hong Kong flour millers) and their associates.

(2) During 1965 secured loans totalling £910,000 were provided by CDC, Mercantile Bank Ltd and Malaysian Industrial Development Finance Ltd (para 36); CDC's share was £280,000, repayable 1967/74.

(3) The mill started production in January 1966 and expects to achieve target output rate of 155,000 tons per annum by mid 1966.

36 Malaysian Industrial Development Finance Ltd

(1) Issued share capital M$25m. Shareholders include the Malaysian Government, Malaysian Central Bank, International Finance Corporation, commercial banks, insurance companies and the Malaysian public; CDC's holding M$2·5m of which 60% or M$1·5m (£175,000) has been called.

(2) M$22·5m (£2·6m) of the M$37·5m (£4·4m) Malaysian Government interest-free loan has been drawn in addition to US$3·43m (£1·22m) of the US$8m (£2·8m) line of credit extended by the World Bank to help meet the foreign exchange costs of industries financed.

(3) (*a*) The growth of new business noted in 1964 has been sustained in 1965. M$14·46m of new commitments in 42 industries were entered into during the year, making a total of M$51·1m in investments and commitments at year end. Several major industrial investments were

under investigation at end of the year involving new issues and underwriting activities. In order to finance the increased level of business it is likely that the remaining share capital will be called up in 1966 and additional loan funds sought;

(*b*) a subsidiary company, Malaysian Industrial Estates Ltd., provides facilities for small entrepreneurs by constructing and financing standard factory units on industrial estates;

(*c*) following the separation of Singapore from Malaysia the branch office in Singapore has been closed.

(4) Book value of investments at 31.12.65 M$47·32m (31.12.64 M$38·12m). Net profit for year ended 31.3.65 after taxation was M$930,008 (1963/64 M$576,390) which was put to reserve.

37 **National Electricity Board—Malaya** (Formerly Central Electricity Board)

Loan of £7,077,950 guaranteed by Malaysian Government for the construction of Connaught Bridge Power Station; repayment 1961/85. Balance outstanding at 31.12.65 £6,372,429 (1964 £6,531,138).

38 **Realty Development Corporation of Malaysia Ltd**

(1) (*a*) Authorised capital M$50m of which M$4·4m had been issued and paid up at 31.12.65; shareholders include CDC (M$1·5m), South East Asia Development Corporation Ltd and some 20 other institutions; the Malaysian public will be invited to participate at a later stage;

(*b*) South East Asia Development Corporation Ltd, an associate of Development Finance Corporation Ltd of Sydney, act as financial advisers and secretaries.

(2) The company was incorporated in Malaysia with the object of undertaking property development in Malaysia and Singapore, including housing and the redevelopment of old and sub-standard city centre property.

(3) CDC has agreed to make available to the company sterling loans of up to £1m for specific developments. Under this arrangement the company has negotiated loan facilities of up to £300,000 for the development of a middle income housing estate on 73 acres near Kuala Lumpur, which should show profitable results in 1966.

39 **United Cocoa Development Co Ltd**

(1) CDC holds £21,190 shares in the £160,000 capital of this company which was formed with Harrisons & Crosfield Ltd by firms interested in the international confectionery business, to pioneer (with Malayan Cocoa Ltd (para 34)) cocoa growing in Malaya.

(2) The company has 581 acres of cocoa, mainly Amelonado planted between 1956 and 1961 and during 1965 planted a 10-acre trial with Upper Amazon seed.

(3) Crop in the year to 30.6.65 was 201,000 lb (1963/64 132,000 lb). Loss £8,157 (1963/64 loss £10,890).

(F£1·11=£1)

40 Fiji Development Co Ltd—Manager: S. Hunter

The Pacific Lumber Co Ltd

Home Finance Co Ltd

Fiji Agricultural Investigations

(1) Fiji Development Co Ltd is a wholly owned CDC subsidiary incorporated in Fiji in 1960. Authorised share capital F£500,000; issued at 31.12.65 F£150,000 (£135,135).

(2) The company was set up to investigate and formulate development schemes in Fiji and other British territories in the Western Pacific and as a channel for CDC investment in them. Manager FDC is also responsible for the supervision of the Corporation's investigations in the Solomons (para 44).

(3) The company has investments in The Pacific Lumber Co Ltd, for which it also acts as secretaries, and in Home Finance Co Ltd. It is managing agent for the Government's Housing Authority and for the Land Development Authority's Lomaivuna Settlement Scheme, and has initiated crop field trials.

(4) FDC holds F£65,000 shares in The Pacific Lumber Co Ltd, the balance being held by The Fletcher Timber Co Ltd (F£65,000), who are managers, and the Native Land Trust Board (F£50,000). There was a continued improvement in the company's performance during the year ended 30.9.65. Production increased from 2·8m to 3·8m bd ft and sales from £155,508 to £161,921. The mill installation was further improved and additional accommodation provided for staff and labour. Since the year end in September, production has further improved, but future sales outlook must be regarded as less certain due to the impact of falling sugar prices throughout the Fiji economy. Profit for the year ended 30.9.65 £19,378 (1964 £8,822).

(5) FDC and the Fiji Government are partners in Home Finance Co Ltd, formed in 1962 to operate on building society lines. At 31.12.65 FDC held 100,000 shares 2/- paid (£9,009) and had advanced £77,838 on loan against a £90,000 commitment. In 1965 54 new loans amounting to £60,607 were approved and the mortgage asset at 31.12.65 amounted to £282,382. Profit for the year after charging interest, but before tax £4,088 (1964 £3,041). A 7% dividend has been recommended (1964 7%).

(6) FDC manages Government's Housing Authority, which is charged with provision of housing for low income workers. Land acquisition problems and significant increases in building costs during the latter part of 1965 resulted in a lower volume of building work than achieved in 1964. In Suva, Raiwaqa housing estate was virtually completed and the Lautoka estate progressed further towards completion (expected 1966). The Ba estate was further developed. In addition, the Authority continued its loan activities in the above areas and in Labasa. Plans for providing low income workers with flats were advanced and it is hoped that 10 blocks will be started in 1966.

(7) Land Development Authority's Lomaivuna Settlement Scheme has been established under FDC management to produce bananas on an estate scale for export to New Zealand and elsewhere. Despite a new banana disease identified in 1964, and serious hurricane setbacks in December 1964 and February 1965, which put the Scheme totally out of production at the end of February, substantial production was resumed in November and a record 10,500 cases of fruit were shipped to New Zealand in December. In June, Fiji Government approval was given to an extension of the Scheme; by December development of this second stage was virtually complete, with 100 new settlers housed on the Scheme, 500 acres of land cleared from virgin bush, over 6 miles of new road built and 400 acres of bananas planted. It is hoped that the Lomaivuna type of development will eventually provide Fiji with access to the Japanese market.

(8) A rubber-growing trial on the Lomaivuna Settlement Scheme using clonal material imported from Sabah was seriously affected by the hurricane and growth rates are so far somewhat disappointing. Steps are in hand to lay down a tea trial at Lomaivuna in 1966. At FDC's Navonu Oil Palm Pilot Scheme 30 acres of palms have continued to show good growth. If this continues, it should be possible to make a tentative assessment of oil palm possibilities in Fiji during the latter part of 1966. Several possibilities for commercial and industrial investment were also investigated during the year.

(9) FDC profit for the year after charging CDC interest but before tax £736 (1964 £5,471).

HONG KONG

(HK$16=£1)

41 **The Hong Kong Building & Loan Agency Ltd**—Manager: W. E. L. Fletcher

(1) (*a*) Issued share capital of HK$2m divided into 20,000 shares of HK$100 each ($25 called up) has been allotted to CDC (30%), Government of Hong Kong (30%) and four banks operating in Hong Kong (10% each);

(*b*) shareholders have agreed to make available to the company loan capital of up to HK$70m as required before 16.12.67, of which CDC will provide HK$15·4m (£962,500).

(2) The company was formed in November 1964 but began operation in August 1965, to provide mortgage finance for middle-income purchasers of lease-hold flats in approved developments. Schemes approved by end-1965 involve potential commitment of HK$64m if all purchasers apply for and are granted mortgages. The Agency made its first mortgage advances early 1966.

(3) CDC is providing management and consultancy services to the company.

(4) Investment at 31.12.65 £9,375.

42 Property Development (Industrial) Ltd

(1) Private company owning flatted factories. Issued capital at 31.12.65 was 320,000 shares of HK$10 each; CDC held HK$640,000 (£40,000) and local institutions HK$2,560,000. Managers are Harriman Realty Co Ltd; secretaries are Wheelock Marden & Co Ltd.

(2) CDC has also provided £20,000 loan capital; repayment 1965/79. £189,000 outstanding at 31.12.65.

(3) The company built and owns a 10-storey block of flatted factories in New Kowloon, Hong Kong. The building is fully let. 38 tenants manufacture a diversity of products comprising clothing, footwear, furniture, electrical and radio appliances, metal and plastic goods, etc.

(4) Profit for the year to 30.4.65 was £45,825 before tax (1963/64 £17,953). A dividend of 8% (1963/64 4%) has been declared.

SINGAPORE

(M$8·57=£1)

43 Singapore Factory Development Ltd—Manager: Lee Ek Hua

(1) Issued share capital, increased during the year from M$1m (£116,667) to M$3·9m (£455,000), is held equally by CDC and Singapore Government's Economic Development Board (EDB). Loan capital was provided by CDC (£22,517) and EDB (£175,000).

(2) (*a*) The company provides mortgage finance for the construction and purchase of factory buildings and itself constructs standard and non-standard factory buildings for sale with or without mortgage finance;

(*b*) industries already established on five major industrial estates, as well as on private sites, include chemical, electrical, food and motor industries, printing shops, mechanical engineering, manufacturing of textiles, footwear, printing and paper products, containers and building materials.

(3) During the year the company approved 21 loan applications and advanced £344,457 for factory construction: loans to factory owners totalling £579,279 were outstanding at 31.12.65 (1964 £247,752) and there were forward commitments of £193,676 (1964 £317,721).

(4) Net profit £20,758 (1964 £10,716).

WESTERN PACIFIC ISLANDS

44 Solomon Islands Investigations

(1) A member of CDC staff, R. H. W. Johnson, was posted to the Solomon Islands in October 1963 to investigate potential projects for CDC support under the general supervision of Fiji Development Co Ltd (para 40). Agricultural trials have been directed towards the elucidation of the problems of large scale irrigated rice production, dry land rice, soya beans and oil palms.

(2) CDC's Irrigation Engineer visited the Solomons in early 1965 and reported favourably on the technical feasibility of large scale irrigated rice production. He was followed towards the end of the year by a rice

expert from Swaziland Irrigation Scheme (para 98) to assess the agricultural possibilities following two years of trials in local conditions. The agronomist's report indicates the need for further trials to find the solutions to the severe problems of controlling insect pests and weeds at economic cost and the raising of yield levels.

(3) During the year the oil palm nursery was planted out into a 25 acre pilot scheme. Growth to date is very promising. It is hoped to make an initial assessment of the development possibilities of this crop during 1966.

(4) CDC acts as secretary/treasurer of Government's Agricultural and Industrial Loans Board. Land has been acquired in Honiara where it is intended, with other interested parties, to erect a commercial office block.

(5) Advanced to 31.12.65 £21,228 (1964 £9,915).

III. EAST AFRICA

Regional Controller:
P. M. Wise.

Regional Office:
Commonwealth House,
Government Road,
Nairobi, Kenya.

45 Regional Summary

(1) There are now 44 projects in the region bringing total commitment at 31.12.65 to £27,491,000 (1964 £22,181,000): £18,387,000 (1964 £17,438,000) had been invested at year end. Projects cover a very wide range of economic activity and include agricultural enterprises producing sugar, tea, sisal, cocoa and wattle extract, industrial companies producing edible fats and soaps, pyrethrum extract and canned meats, service undertakings such as housing finance, electricity and water supply and hotels, and development finance companies which themselves have a very wide investment portfolio in a variety of industrial and commercial projects.

(2) Eight new projects were approved during the year. They were—

	£
Kenya	
Kisumu Cotton Mills Ltd	195,000
Tana River Development Co Ltd	3,500,025
Housing Finance Co of Kenya Ltd	530,000
Kangaita Tea Factory Co Ltd	80,000
Litein Tea Factory Co Ltd	80,000
Nyankoba Tea Factory Co Ltd	80,000
Nairobi City Council—Sasamua Dam Scheme	300,000
Uganda	
Uganda Tea Growers Corporation	1,260,000

(3) The three national development finance companies—in Kenya, Tanzania and Uganda—in which CDC is associated with the respective

national governments and the overseas development agency of the West German Government—and as to the Tanzania Company with the Netherlands Government agency as from 1965—all had a busy year. The Tanzania company has 16 projects with investment commitments of £1,051,400; the Kenya company now has 15 approved projects and its commitments are £1,331,500; the Uganda company has 9 projects and £845,000 invested and committed. CDC was able to help with management as well as money: in all three companies the Manager has been seconded from CDC. Schemes for the training of local senior staff have been approved by the three company boards. With current uncertainty of the future of the Common Market in East Africa, some major projects for industrial development have failed to get off the ground, and, for the most part, the development finance companies' investments have been in relatively small scale enterprises which tend to be viable within the national, rather than the East African context.

(4) Over the years 1961/63 CDC at the request of the governments concerned gave heavy financial support to the three building societies operating in East Africa—the First Permanent and Kenya Building Societies and the Savings and Loan Society Ltd. All new lending was suspended and the undertakings restricted themselves to running off existing mortgages. CDC has always had it in mind that after the position had been stabilised and confidence had returned it should complete the salvage operation by sponsoring a resumption of mortgage lending. In 1965, it seemed that the financial climate in the three countries had improved to a point where the re-establishment of machinery for a resumption of mortgage lending on a limited scale would be justified and negotiations were started with the governments. In the event negotiations with Kenya Government for the setting up of a joint company with initial resources of £700,000 were completed before the year end. Negotiations with Tanzania and Uganda Governments continue.

(5) Regional revenue, after overseas tax and regional administration costs, but before charging Head Office costs including interest payable and provisions against book value of projects and investments, represented 8·8% on capital employed (1964 6·6%).

Kenya

(6) CDC investments in Kenya in 1965 was focused on three main fields; these were the Kindaruma phase of the Tana River hydro-electric scheme—a major development which will provide power for most of Kenya's growing requirements, the continuation of CDC investment in the smallholder tea industry with three new factories started and finally CDC's investment in the Development Finance Co of Kenya Ltd which, in close co-operation with the Government is playing a valuable role in the establishment of medium-sized industries.

(7) As recorded earlier, mortgage lending on new houses has been resumed with the establishment of the Housing Finance Co of Kenya Ltd. Further progress was made in running down the existing mortgage asset of the First Permanent and Kenya Building Societies and the Savings and Loan Society Ltd repaid the outstanding £150,000 balance

of its CDC loan. The run down at Macalder Mines continued during the year. Copper sulphide ore will be finally exhausted in the second quarter of 1966. The company will, however, continue gold mining on a small scale.

(8) Commonwealth House—CDC's new office block in Nairobi—was completed during the year and was formally opened by the Hon. J. S. Gichuru, Minister for Finance, in the presence of Lord Howick, Chairman of CDC.

Tanzania

(9) The existing partners in Tanganyika Development Finance Co Ltd—National Development Corporation of Tanzania, Deutsche Gesellschaft fur Wirtschaftliche Zusammenarbeit and CDC—welcomed a fourth partner—Nederlandse Overzeese Financierings Mij. NV (NOFC)—at the end of the year and the company's issued capital was increased to £2m by the NOFC subscription of £0·5m. The company continued to be very active in promoting the growth of medium sized industry in Tanzania and now has 16 projects with a total committed investment of £1,051,400. Administration costs have been commendably low and the company showed a profit of £3,882 on the year's operation.

(10) The Kilombero Sugar Co Ltd produced 24,813 tons of refined sugar during its fourth campaign in 1965 and thereby helped Tanganyika to achieve self-sufficiency in sugar for the first time. The Tanganyika Wattle Co Ltd had another satisfactory year, despite a slight weakening in mimosa extract price. Plans are well advanced to process in the factory substantial deliveries of bark from the local Bena Wattle Scheme: the extract will be accommodated within the company's sales quotas. It is disappointing to record that at the Tangold Mining Co Ltd, further exploration at the deeper levels had disclosed no additional ore and the company will cease operations in 1966.

Uganda

(11) Kilembe Mines—CDC's longest standing investment in Uganda—had a very good year with copper prices at record levels. Operating in security conditions which were difficult, but with much help and understanding from the Uganda Government, the company yielded excellent returns both to Government—by way of royalty and tax payments—and to its shareholders.

(12) The Development Finance Co of Uganda Ltd in which CDC, Uganda Development Corporation Ltd, and the Deutsche Gesellschaft fur Wirtschaftliche Zusammenarbeit are partners, has dealt with an increasing number of enquiries during its first full year and now has 9 approved projects and a total committed investment of £845,000.

(13) Towards the end of 1965, final agreement was reached between Uganda Government, International Development Association and CDC to launch in Uganda a similar scheme for smallholder tea development to that so successfully started in Kenya. The scheme provides for expansion of smallholder tea by 9,700 acres by 1970 and for the construction of factories to process the additional green leaf. Total finance requirements are estimated at approximately £4,200,000 towards which CDC contribution might be of the order of £1,260,000.

Mauritius

(14) The Mauritius Housing Corporation called on CDC for £175,000 advances during the year: CDC has been asked to advise in connection with a scheme for smallholder development.

KENYA

(EA Shs 20=£1)

46 Block Hotels Ltd

(1) A public company which owns and operates two of Nairobi's leading hotels, the New Stanley and the Norfolk. CDC holds £53,332 stock and £65,500 debentures (1964 £71,500).

(2) Net profit before tax for the year to 30.6.65 was £196,875 (1964 £192,960). 1965 dividend 15% (1964 same).

47 Development Finance Co of Kenya Ltd—Manager: C. M. Southall

(1) (*a*) The company's capital of £1·5m is to be contributed equally by the partners, the Industrial & Commercial Development Corporation (of Kenya), the Deutsche Gesellschaft fur Wirtschaftliche Zusammenarbeit (DEG) of the Federal Republic of Germany and CDC. Negotiations for increasing the capital of the company have begun;

(*b*) CDC's investment at 31.12.65 was £275,000 (1964 £75,000);

(*c*) each of the three partners has nominated two directors; Chairman is Alderman C. W. Rubia, the Mayor of Nairobi. The manager has been seconded from CDC.

(2) During the year the company approved investments in 8 projects (making total of 15 approved since company's formation). Total commitments at 31.12.65 were £1,331,500 (£234,700 at 31.12.64) of which £666,800 had been invested (£154,700 at 31.12.64). Projects cover a variety of enterprises, predominantly in the fields of processing and light industry, but also in hotels, insurance, and agricultural enterprises. Further projects are being investigated.

(3) Profit for the year £1,766 (1964 loss £6,046).

48 East Africa Building Societies—General Manager: F. G. Weaver

First Permanent (East Africa) Ltd
Kenya Building Society Ltd
Housing Finance Co of Kenya Ltd

(1) Over the years 1961/63 CDC, at the request of the Governments concerned, gave heavy financial support to the three building societies operating in East Africa—the First Permanent and Kenya Building Societies and the Savings & Loan Society Ltd. In the event CDC took over management responsibility for the first two concerns, whereas help given to the Savings & Loan Society Ltd (a subsidiary of the Pearl Assurance Company Ltd) was confined to a £650,000 loan; the £150,000 outstanding balance of this last loan was repaid during 1965, well within the contractual time limits originally envisaged.

(2) During 1965 further steps were taken to integrate the administration of Kenya Building Society Ltd with that of First Permanent (East Africa) Ltd with consequential cost economies. Further progress was made in running down the mortgage asset of both companies, First Permanent

being reduced by £456,983 to £4,280,115 and Kenya Building Society by £194,014 to £1,146,539. Repayments to loan creditors according to contract were £146,250 by First Permanent and £396,245 by Kenya Building Society—the excess over mortgage realisations in the latter case being due to the fact that two annual repayment instalments (for 1964 and 1965) were actually made in the calendar year 1965.

(3) CDC investment in First Permanent remained at £1,000 ordinary shares, £150,000 7½% preference shares and £595,300 loan as at the end of the previous year. CDC investment in Kenya Building Society was £100 ordinary shares (same) and fixed loan £347,247 reduced by £171,086 from £518,333 (1964). Surplus funds in the hands of the two companies are normally transferred to CDC as temporary deposits.

(4) First Permanent earned £44,826 profit before tax (1964 £64,387): interim 10% has been paid on the £1,000 ordinary share capital. Kenya Building Society earned a profit of £6,570 (1964 loss £7,721): no dividend will be paid.

(5) It was decided in the early part of 1965 that the situation had been so soundly restored as to justify discussions with the three East African Governments of plans for a resumption of mortgage lending in order to encourage new house building and to help meet a growing demand for housing finance in the urban areas. Housing Finance Co of Kenya Ltd was launched in November 1965 with an EA Shs 1,000,000 capital held as to 60% by CDC and 40% by Kenya Government. Loan capital will be provided by CDC £500,000 and by Kenya Government EA Shs 3,000,000. First Permanent (East Africa) Ltd has been appointed manager. Discussions continue with Tanzania and Uganda Governments.

49 East Africa Industries Ltd

(1) Issued capital EA Shs 15,000,000 divided into shares of EA Shs 20/- of which Unilever hold 411,000, CDC 226,000 and Kenya Industrial and Commercial Development Corporation 113,000.

(2) The company has an edible oil refinery and manufactures margarine and cooking fats and laundry and toilet soaps. Plans for a non-soapy detergent unit and a toothpaste plant have been agreed and construction is expected to be completed in 1966.

(3) Despite restrictions upon the laundry soap trade with Tanzania, total sales have shown a satisfactory increase over 1964 and profits have improved upon the previous year. An interim dividend (net of tax) of EA Shs 5/- per share has been declared in respect of 1965. (1964 total EA Shs 6/12 per share).

50 Kenya Central Housing Board

(1) Loan £2m (1954/58) for municipal and private housing schemes; repayment 1960/84. Amount outstanding 31.12.65 £1,520,000 (1964 £1,600,000).

(2) During 1965 the Board issued £244,358 to 13 local Councils and other bodies, bringing the total amount advanced since 1953 to £4,861,170.

51 Kenya Land Development and Settlement Scheme

(1) CDC is lending up to £825,000 to Kenya Government under the joint World Bank and CDC scheme for financing the development of smallholdings which can be expected to provide the African farmers with an adequate net income after meeting all costs; the British Government has provided the funds to purchase European farms in the former "White Highlands" for sub-division and settlement. World Bank and CDC loans are being disbursed on the basis of a series of approved sub-projects.

(2) Three sub-projects were approved during 1965 which, together with the sub-projects approved last year, cover 140,000 acres settled by some 3,000 farmers involving a total CDC commitment of £511,095. Two additional sub-projects, which will complete the World Bank/CDC scheme, were appraised during the year, but final approval awaits certain essential modifications being made to them by Kenya Government. Livestock production and dairying are important activities in the scheme which includes also cash crops such as tea, pyrethrum, potatoes and cereals.

(3) Drawn at 31.12.65 £157,000 (1964 £71,000).

52 Kenya Meat Commission

Loan £250,000 (1955) to expand the Commission's undertaking, guaranteed by Kenya Government and repayable 1956/76. Amount outstanding 31.12.65 £125,000 (1964 £137,500).

53 The Kenya Power Co Ltd

£3·5m $5\frac{1}{2}$% debenture stock 1975/85 subscribed in 1955 out of a total public issue of £7·5m. The share capital of EA Shs 2,000/- is owned equally by Kenya Government, Power Securities Corporation Ltd and The East African Power & Lighting Co Ltd. Proceeds of the CDC loan were used to construct the power line from Uganda to feed into the last company's distribution network in Nairobi.

54 Kenya Tea Development Authority

Chinga Tea Factory Co Ltd
Kangaita Tea Factory Co Ltd
Litein Tea Factory Co Ltd
Mataara Tea Factory Co Ltd
Nyankoba Tea Factory Co Ltd

(1) The Kenya Tea Development Authority is a statutory body concerned with promotion and development of tea grown by African smallholders. It was originally set up in 1960, under the title of Special Crops Development Authority, but its Constitution was revised and modified in 1964. An important feature following this revision is the election of growers' representatives to the Authority's Board, through a three-tier structure of Divisional, District and Provincial Committees.

(2) The First and Second Plans together envisage the planting of 25,500 acres of tea by 1970 to be financed by a CDC loan (£900,000), the Kenya Government (£212,000 on lent from funds made available by the Federal Republic of Germany) and a loan of £1m from the International Development Association (an affiliate of the World Bank). At 30.6.65, 22,343 smallholders had planted 12,683 acres, of which 2,024 acres were planted

during the financial year 1964/65. At 30.6.65, the Authority had drawn £860,000 from CDC, £212,000 from Kenya Government, and £14,100 from the International Development Association.

(3) KTDA revenues consist of two cesses levied on green leaf produced by smallholders. The first, 10 cents per pound, is designed ultimately to cover KTDA administration costs in respect of field staff, leaf collection and inspection services and headquarters organisation. With increasing acreages coming into bearing, the Authority's revenue from this source is gradually increasing and in the year to 30.6.65 covered about 27% of costs. The second 7 cents per pound, is levied to cover the cost of the tea stumps supplied by the Authority, interest on loans and to go towards meeting any excess of the KTDA administration costs over revenue during the early years when income from the 10 cents cess is inadequate.

(4) (*a*) During the year to 30.6.65, the Authority's Ragati factory produced 787,500 lb made tea (1964 649,900 lb) achieving an operating surplus of £57,347 (1964 £28,177). Initial and final payments to KTDA for green leaf were £114,285 (1964 £80,659) after transferring £11,470 to reserve;

(*b*) total green leaf purchased by the Authority from growers for the year to 30.6.65 was 11,655,177 lb (1964 6,022,951 lb) involving gross payments to growers of £303,070 (1964 £147,923). Average gross payment per lb green leaf was 52 cents (1964 49 cents).

(5) (*a*) The KTDA First Plan envisaged six factories at an estimated capital cost of £120,000 each, of which CDC will provide £80,000. Five of these factories have already been constructed or are in course of construction (see below). Under the Second Plan, ten additional factories are proposed so that the First and Second Plan factories plus Ragati would make seventeen factories in all. As to the Second Plan factories, CDC has agreed in principle to finance up to half the cost of each factory with a maximum commitment of £750,000 for the ten factories. As in the case of the six First Plan factories referred to above, it is proposed that separate companies will be formed to own and operate each factory and each such company will be a partnership between KTDA, CDC and private enterprise experienced in the tea industry. There will be provision for participation by the African small-holders in the factory finance and for ultimate ownership by them;

(*b*) the first two factory companies were formed in 1963. They are situated on the eastern slopes of the Aberdare mountains; Chinga in Nyeri district and Mataara in Kiambu. Each company has a share capital of £41,000 subscribed in equal proportions by CDC and KTDA. The factories are planned in two stages in step with production from the areas they serve. The balance of cost of Stage 1 has been met by loans of which CDC has provided £43,500 and KTDA £11,500, the latter's overall investment being financed by loans from Arbuthnot Latham & Co Ltd and Dalgety and New Zealand Loan Ltd; the subsidiaries of these companies, Smith Arbuthnot (Kenya) Ltd and Dalgety (East Africa) Ltd, are managing agents and brokers respectively for the factory companies. Both factories started tea manufacture early in 1964;

(*c*) during the financial year ended 30.6.65 production of made tea at Chinga was 585,570 lb and at Mataara 270,820 lb. Results were substantially better than those for the previous year in spite of very dry weather conditions. At Chinga there was a profit of £13,112 and a dividend of 8% was paid early in 1966, but Mataara fared rather less well than Chinga with a loss of £1,954. Quality was excellent and prices were favourable throughout the year;

(*d*) the formation of three new factory companies was completed during the year, the factories being situated at Kangaita in the Kirinyaga district, Litein in the Kericho district and Nyankoba in the Kisii district. Each factory is estimated to cost £120,000, £80,000 of which will be provided by CDC and the remaining £40,000 will come from George Williamson Africa Ltd for the Kangaita factory and from James Finlay & Co Ltd for the Litein and Nyankoba factories. George Williamson Africa Ltd are managing agents for Kangaita and James Finlay & Co Ltd for Litein and Nyankoba. Tea manufacturing started at Kangaita at the end of 1965 and the Litein and Nyankoba factories are expected to begin manufacture towards the end of the first quarter of 1966;

(*e*) CDC investment at 31.12.65 was £900,000 for the agricultural programme (1964 £780,000) and £312,000 in the five factories (1964 £128,000 in two factories).

55 Kisumu Cotton Mills Ltd

(1) Kisumu Cotton Mills Ltd was set up in 1965 to build and operate a factory at Kisumu with a capacity to weave and spin approximately 9m linear yards of cotton piece goods per annum.

(2) Sponsors, Messrs D. M. Khatau and R. M. Goculdas of India, who with their associates have a majority equity interest in the company, are responsible for arrangements for management, technical services and the training of operatives in Kenya. Khataugoculdas (East Africa) Ltd are secretaries and treasurers.

(3) Estimated capital cost is £860,000, of which £280,000 will be subscribed in equity and £580,000 in secured loan. Other investors include the Standard Bank Finance and Development Corporation Ltd and the Development Finance Co of Kenya Ltd (para 47). CDC has agreed to invest £25,000 in equity and £170,000 in secured loan, repayable 1974/75.

(4) Advanced at 31.12.65 nil.

56 Nairobi City Council

(*a*) *Kiburu Diversion*

Loan £125,000 (1963), guaranteed by Kenya Government and repayable 1964/73, to assist in financing the expansion of the City's water supply. Amount outstanding 31.12.65 £105,010 (1964 £115,349).

(*b*) *Sasamua Dam*

(1) CDC has agreed to lend Nairobi City Council £300,000, repayable over 25 years, towards the cost of extending the treatment works at Sasamua and of providing a new service reservoir at Kabete. The Govern-

ment of Kenya is also making a loan of some £950,000, from funds made available by the United States Agency for International Development, to meet the costs of raising the existing Sasamua dam embankment by 26.5 feet to provide an additional 3,500m gallons capacity; and of installing new distribution mains.

(2) Work has already begun at Sasamua and is expected to take three years to complete.

(3) Advanced at 31.12.65 nil.

(*c*) *Kariakor Housing*

Loan £125,000 (1964), guaranteed by Kenya Government and repayable 1966/88, towards redeveloping the Kariakor Estate in Nairobi. Fully drawn at 31.12.65 (1964 £50,000).

57 Nyambeni Tea Co Ltd

(1) Capital £250,000 in shares of EA Shs 20 each; CDC and Eastern Produce (Holdings) Ltd each hold 120,000 shares and the Meru County Council holds 10,000 shares. Provision exists for an increase in the African shareholding up to one-third of the total. At 31.12.65 all shares were Shs 16 paid and investors had agreed to advance the company £23,000 in proportion to their shareholdings, repayable by 31.12.67; CDC investment £107,000 (1964 £96,000).

(2) This company was formed in February 1960 to establish a nucleus plantation of about 500 acres north-east of Mount Kenya in the Meru district. The company is operating a factory designed to process leaf from both the nucleus estate and about 700 acres of African smallholders' tea being established in the neighbourhood under the Kenya Tea Development Authority (para 54). At 30.6.65 444 acres of estate tea and 375 acres of smallholders' tea had been planted. On the estate the small amount of outstanding development was not completed during the year due to unsuitability of part of the originally planned areas. However, alternative areas are being sought. There has been some reluctance on the part of smallholders to plant more tea, but there are signs that this is now being overcome.

(3) Eastern Produce Africa Ltd are managing agents.

(4) For the financial year ended 30.6.65 260,540 lb of made tea (estate 156,540 lb, smallholders 104,000 lb) were manufactured. Profit for the year was £5,706.

58 Oceanic Hotel Ltd

Loan £125,000 (1957) originally repayable 1959/66, but repayment period was extended to 1973 to enable the company to expand the hotel's facilities. Amount outstanding 31.12.65 £61,370 (1964 £66,712).

59 Pyrethrum Processing Co of Kenya Ltd

(1) (*a*) This company was formed in 1963 in association with the Pyrethrum Board of Kenya and Mitchell Cotts Pyrethrum Ltd to rationalise the pyrethrum processing industry in Kenya; it owns two factories in Nakuru and one in Nairobi which has been placed upon

a care and maintenance basis. CDC has a 12% participation in the company's EA Shs 7m capital which comprises EA Shs 21,000 ordinary shares and EA Shs 6,979,000 7½% redeemable preference shares ;

(b) CDC has also lent £300,000 in debentures secured on the assets of the company, repayable 1965/74, of which the balance outstanding at 31.12.65 was £272,026 (1964 £300,000).

(2) During the year to 30.6.65 the company processed 3,676 tons flowers; estimates for the 1965/66 season provide for a substantial increase to 6,000 tons, which should not be impossible to achieve, although production at 3,120 tons for the 6 months to 31.12.65 fell short of the estimate by 340 tons.

(3) Net profit before tax for year to 31.6.65 £100,242 of which £32,164 net of tax has been distributed as dividend (CDC share £3,860).

60 Tana River Development Co Ltd

(1) Issued capital of this company, subscribed in July 1965, is EA Shs 2,000/- held equally by Kenya Government, Power Securities Corporation Ltd, The East African Power & Lighting Co Ltd (EAPL) and CDC. Company was formed to develop in stages the hydro-electric potential in the Seven Forks area near the confluence of the Tana and Thiba rivers some 70 miles north-east of Nairobi. It is intended that the works will be financed with borrowed money under guarantee. Stage 1 of the development programme, the Kindaruma Scheme, will operate as a run-of-the-river power station. This scheme, together with related transmission lines and sub-station, is expected to cost about £7m and will provide 40MW when commissioned early in 1968. Later stages will include the Reservoir Scheme and the Gtaru Scheme. The Reservoir Scheme involves the construction of a dam about 200 ft high to form a reservoir which will regulate the flow of the river and another power station of 40MW capacity. The Gtaru Scheme will include an underground powerhouse with a capacity of about 170MW and may be built in stages. There are other possible hydro-electric sites on the Tana River downstream of Seven Forks which may also be developed.

(2) CDC has agreed to lend £3·5m secured by debentures, guaranteed by Kenya Government and repayable 1971/87, towards the cost of Stage 1—the Kindaruma Scheme. Additional finance will be provided by EAPL (£735,000) and a consortium of London banks headed by Glyn, Mills & Co, guaranteed by ECGD (£1·84m).

(3) President Kenyatta inaugurated the Seven Forks project on 5.3.65. The access road to the Kindaruma site has been completed and work on the main civil works started. Amount advanced at 31.12.65 was £300,000.

61 Unga Millers Ltd

(1) (a) The group owns flour maize and provender mills through associated and subsidiary companies in each of the three East African countries ;

(*b*) CDC holds 16% of the equity of Unga Millers Ltd (£250,000) and has a loan to the company, repayable 1959/71, of which the balance outstanding at 31.12.65 was £171,256 (1964 £193,602).

(2) 1965 saw a reconstruction of the milling industry in Kenya. The group's operating subsidiary, Unga Ltd, and another large flour milling concern, Maida Ltd, were taken over by Kenya National Mills Ltd, a company in which Unga Millers hold 50% of the equity. Other shareholders are Maida (Holdings) Ltd and Development Finance Co of Kenya Ltd (para 47), while a substantial block of shares is held by trustees pending conversion to a public company.

(3) (*a*) Consumption of milled wheat and maize was at least 25% higher in Kenya during 1965 than in the previous year, with increases of 15% or more in Uganda and Tanzania. This coincided with a severe drought, the effects of which were felt particularly in Kenya; a large volume of grain had to be imported from the USA;

(*b*) for the financial year ended 31.7.65 Unga Millers Ltd share of group profits, including those of Tanzania Millers Ltd (para 72), was £279,540 after tax (1963/64 £182,870); dividend on ordinary shares 8% (1963/64 $7\frac{1}{2}$%).

MAURITIUS

(Rs $13{\cdot}33\frac{1}{3} = £1$)

62 Mauritius Housing Corporation

(1) CDC has agreed to lend £500,000 over the years 1964/67, repayable 1968/89; at 31.12.65 £175,000 had been advanced (1964 £50,000). In 1966 CDC is seconding a manager to the Corporation.

(2) The Mauritius Housing Corporation, which was established and took over the housing activities of the Mauritius Agricultural Bank on 1.1.63, makes loans on building society terms. Loans outstanding 1965 £1,407,656 (1964 £1,172,425); profit 1965 £13,593 (1964 £21,278).

TANZANIA

(EA Shs 20 = £1)

63 Bird & Co (Africa) Ltd

(1) This public company owns sisal and tea estates. There now remain outstanding £50,000 $7\frac{1}{2}$% convertible debenture stock (1973) and £300,000 non-convertible debenture stock (1967/72) of CDC loans made in 1958-59.

(2) The company incurred a loss of £64,349 for the year ended 30.6.65 against a profit of £579,198 for 1963/64. This was principally due to the very substantial fall in the price of sisal, increased wages in the sisal industry and reduced tea production owing to the severe drought. Sisal prices continue low.

64 Kilombero Sugar Co Ltd

(1) This is a public company formed to develop a sugarcane estate with a mill in the Great Ruaha River Valley near Mikumi in central Tanganyika; it is financed, apart from the £38,563 shares taken up by the Tanzania public, by a consortium consisting of International Finance

Corporation (IFC), CDC, Nederlandse Overzeese Financierings-Maatschappij NV (NOFC), NV Vereenigde Klattensche Cultuur-Maatschappij (VKCM), and the Standard Bank Ltd.

(2) A scheme for reconstruction of the company's capital was approved early in 1964. The principal investors IFC, CDC and NOFC had increased their commitments to enable the company to complete the development of its estates and factory to an annual output of 31,500 tons of sugar by 1967/68. At 31.12.65 share and loan capital of the project totalled £4,452,500, of which CDC's interest was £1,019,105 ordinary shares, £360,000 income notes and £418,000 debentures (£1,797,105).

(3) Further changes were introduced in management on the recommendation of HVA Internationaal NV, who are associated with two successful sugar estates in Ethiopia, and who had been technical consultants until May 1965 when they accepted the managing directorship of the company. The helpful attitude of the Tanzania Government has been much appreciated.

(4) During its fourth milling season, 1965/66, the factory operated above its rated capacity from early June until Christmas and produced 24,800 tons of sugar (1964/65 20,497 tons). Work is well in hand on erection and installation of the plant and machinery required for the next phase of development.

(5) A £99,029 profit (1963/64 loss £293,160) was earned for the year to 30.4.65 which reduced the accumulated losses incurred in the first two years of operation to £445,417 at that date. A further modest profit is expected for the current year.

65 Maramba Estate Ltd

(1) Issued share capital after reconstruction was £300,000 held by CDC (£225,000) and Holland Tanganyika Compagnie NV (£75,000); in addition CDC had advanced £118,000 at 31.12.65 (1964 £85,000). CDC manages since 1963.

(2) The company was formed by Holland Tanganyika Compagnie NV to develop an estate in the Usambara foothills for the production of fine cocoa as a main crop. The original development programme has been cut back and at present 847 acres of cocoa are being maintained, with coffee and kapok as subsidiary crops. After the review of the company's prospects, forecast in last year's report, CDC has agreed to continue financing the company's operations on a year to year basis to be reviewed in the light of experience.

(3) Due to drought in the early part of the year the 1965/66 cocoa crop was delayed and only 25 tons were harvested during the calendar year (1964 60 tons). The crop was of good quality and has already been sold forward at a satisfactory price.

(4) Reduced sales and lower prices resulted in a greatly increased net loss £24,936 (1964 £7,586).

66 Mbeya Exploration Co Ltd

(1) A joint company set up by NV Billiton Maatschappij of The Hague and CDC to investigate a pyrochlore (ore of niobium/columbium) deposit at Panda Hill in south-west Tanganyika. Billiton, who are

consulting engineers and managing agents, have a 70% interest and CDC 30% in the company.

(2) Exploratory work on the deposit was completed in 1961. Metallurgical research work continued after that date—but has not yet resulted in the discovery of an economic process for handling the ore.

(3) Net book value of CDC investment at 31.12.65 (as written down) was £1,770 (1964 £1,770).

67 **Tanganyika Development Finance Co Ltd**—Manager: J. Leech

(1) (*a*) The company's £2m share capital is now owned equally by four partners, the National Development Corporation, the Deutsche Gesellschaft fur Wirtschaftlich Zusammenarbeit (DEG) of the Federal Republic of Germany, CDC and the Nederlandse Overzeese Financierings-Maatschappij NV. The accession of the last named at the end of 1965 was most welcome;

(*b*) at 31.12.65 the EA Shs 20 shares were Shs 5.00 called; CDC's investment was £125,000 (1964 £75,000);

(*c*) each of the four partners has nominated two directors; Chairman is Mr J. S. Kasambala.

The manager has been seconded from CDC.

(2) During the year the company approved investments in two projects (making total of 16 approved since company's formation). Total commitments at 31.12.65 were £1,051,400 (£921,500 at 31.12.64) of which £398,480 had been invested (£197,447 at 31.12.64). Projects cover a wide range of enterprises, predominantly in the field of light industry, but also including hotels, fishing and property development.

(3) Profit for year to 31.12.65 £3,882 (1964 loss £368).

68 **Tanganyika Electric Supply Co Ltd**

(1) The Tanzania Government now owns the whole of the company's issued ordinary stock of £5,347,535.

(2) CDC holds £3,000,000 7¼% sterling debenture stock issued in respect of its contribution towards the cost of the Hale hydro-electric development completed at the end of 1964. CDC has the right to convert up to £750,000 of its debenture stock into ordinary stock before 31st December, 1968.

(3) Units sold in Tanganyika in 1965 totalled 180,051,678 (1964 161,117,661). Due to rising operating costs and increased charges for depreciation and debenture interest, net revenue declined. Company is introducing a new national tariff in early 1966 to remove anomalies and increase revenue to help meet the financing of a substantial development programme.

69 **Tanganyika Extract Co Ltd**

(1) This company, formed by Mitchell Cotts Group, produces extract from pyrethrum flowers purchased from growers licensed by the Tanganyika Pyrethrum Board. Share capital at 31.12.65 was held as to EA Shs 1,920,000 by the Mitchell Cotts Group and as to EA Shs 160,000 (£8,000) by CDC. The £20,000 balance of the CDC loan was repaid in August 1965.

(2) Despite poor flower deliveries during the latter half of 1964 the Tanzania pyrethrum crop for the year ended 30.6.65 was 2,896 tons which was above expectations. Helped by good weather conditions, deliveries to the factory in the last six months of 1965 have been satisfactory.

(3) Net profit after tax for the year to 30.6.65 was £73,465 (1963/64 £38,469) from which there has been paid a dividend of £58,500 (less tax).

70 **Tanganyika Wattle Co Ltd**—General Manager: M. W. F. Leburn, MBE

(1) A wholly owned CDC subsidiary with issued share capital EA Shs 10m (£500,000). CDC loan at 31.12.65 £600,000 (1964 £700,000).

(2) The company has a 99 year right of occupancy of 44,000 acres in the Njombe area of the Southern Highlands of Tanganyika, on which are planted 27,000 acres of wattle and 500 acres of pines. High grade mimosa tanning extract is manufactured from the wattle bark.

(3) Total production in 1965 at 6,377 tons was restricted to a lower level than the previous year (7,629 tons) to bring stocks into line with expected sales. Prices remained steady and sales amounted to 6,378 tons (1964 6,705 tons).

(4) During the year the company purchased 229 tons of bark from African owners of areas planted under the Bena Wattle Scheme. Agreement has been reached to increase this figure substantially in future years and the company's own regeneration programme will be reduced accordingly.

(5) Net profit for year was £47,456 (1964 £36,237) reducing accumulated net loss to £63,233.

71 **Tangold Mining Co Ltd**—Mine Manager: J. C. Loretto

(1) (*a*) Issued capital is EA Shs 22,600,000 held equally by CDC and Consolidated Gold Fields Ltd; CDC has lent £700,000 in debentures of which £495,000 remained outstanding at 31.12.65;

(*b*) Falconbridge of Africa Ltd continued as consultants and general managers during the year.

(2) The tonnage of ore mined was on target and the grade was slightly above estimate for the year. The improved grade resulted in increased revenue and working surplus, assisted by a further decrease in operating expenditure—an excellent achievement in the face of generally rising costs. Operating results (provisional) for the year were (with 1964 comparative figures)—

	1965	*1964*
Ore treated (short tons)	192,000	186,600
Average grade (dwts/tons)	3·96	3·88
Gold production (fine ozs)	34,795	33,256
Value of production	£445,416	£428,462
Operating costs	£387,489	£392,772
Working surplus	£57,927	£35,690
Less capital expenditure and renewals ...	£7,135	£27,878
Net surplus before servicing CDC debentures	£50,792	£7,812

(3) Production from the 1,550 ft level began on schedule in April. A further small exploratory winze was sunk from the 1,550 ft level which confirmed that the orebody had pinched out. The mine, therefore, will now close by the end of 1966 and arrangements for the disposal of the equipment and stores are being made.

(4) Book value of CDC investment (as written down) £106,583 (1964 £143,353).

72 **Tanzania Millers Ltd**

(1) A subsidiary of Unga Millers Ltd (para 61) incorporated in 1959 to take over Unga's business in Tanganyika; issued capital EA Shs 8m.

(2) CDC loan, which is repayable 1960/71 is secured on the assets of Tanzania Millers Ltd and guaranteed by Unga Millers Ltd; amount outstanding at 31.12.65 £171,503 (1964 £193,815).

(3) The company has flour, maize and provender mills and is further expanding its milling capacity to meet rising demand.

(4) During its financial year to 31.7.65 the company earned good profits following an upsurge in demand which has continued through to December 1965.

73 **Tanzania Mining Investigations**

Liganga Iron Ltd
Rungwe Coal Co Ltd
Tanganyika Coalfields Ltd

(1) These investigations into the coal and iron deposits in South Tanganyika were undertaken in 1949/54 at Government's request. The coal deposits in the Rungwe district were excluded from the main investigation as being of minor importance, but were later investigated separately in 1955/57 as a possible source of power for Mbeya Exploration Co Ltd (para 66). No commercial development has taken place pending an improvement of communications in the area. Some speculative interest was aroused in connection with the survey for a Tanzania—Zambia rail link.

(2) CDC was associated in these investigations with Anglo American Corporation of South Africa Ltd and Frobisher Ltd of Canada (now Falconbridge Nickel Mines Ltd) in respect of Tanganyika Coalfields and Liganga Iron and with NV Billiton Maatschappij of The Hague in respect of Rungwe Coal.

(3) Total cost of the investigations was £556,250, of which CDC share was £376,004.

UGANDA
(EA Shs 20 = £1)

74 **Bugambe Plantation Co Ltd**

(1) (*a*) The company is a subsidiary of Agricultural Enterprises Limited, itself a subsidiary of Uganda Development Corporation Ltd whose share capital is wholly owned by the Government of Uganda; the company has a paid up capital of £260,000;

(*b*) CDC has lent £100,000 an security repayable 1971/74. The loan which was advanced during 1964 helped finance construction of a tea factory and other capital development.

(2) In spite of drought which the Estate experienced during the year, a further 300 acres were planted. Established acreage at the end of the year was 1,340 acres and the programme to plant up 2,000 acres of tea by 1968 should be accomplished. Owing to the drought the Estate suffered considerable loss in crop and only produced some 280,000 lb of made tea against an estimate of 400,000 lb.

75 **Development Finance Co of Uganda Ltd**—Manager: N. G. Rennie

(1) This company, established in 1964, is a partnership between Uganda Development Corporation Ltd (UDC), the Deutsche Gesellschaft fur Wirtschaftliche Zusammanarbeit (DEG) of the Federal Republic of Germany and CDC, to help in the promotion of industrial and commercial projects in Uganda.

(2) (*a*) The company has a share capital of £1,500 equally subscribed by the three partners, each of whom has also undertaken to provide £500,000 against income notes. UDC has transferred investments against issue of £475,000 income notes; the £1,025,000 balance of the income notes is to be subscribed in cash. CDC and DEG had each subscribed £75,000 at 31.12.65;

(*b*) each partner nominates two directors; Chairman is Mr S. Nyanzi, who is also Chairman of UDC. The manager has been seconded from CDC.

(3) During its first full year of operation the company received many enquiries and investigated a number of promising applications. The Board has approved investments in 5 new projects; total commitments at 31.12.65 were £845,000 (£655,000 invested) covering a widening range of enterprises mainly in the field of light industry. Further projects are being investigated.

(4) All operating companies in the DFCU portfolio have traded at a profit during the year. Net profit for the year after payment of £53,797 income note interest (1964 £52,250) but before tax was £3,356; dividend 9% (1964 11%).

76 **Kilembe Mines Ltd**

(1) (*a*) Issued capital EA Shs 114,000,000 held by Kilembe Copper Cobalt Ltd of Toronto 70%; CDC 20% (£1,140,000); Uganda Development Corporation Ltd, Uganda Crane Industries and Omukama of Toro 10%;

(*b*) Falconbridge of Africa Ltd are general managers and consulting engineers.

(2) During the year no significant changes have been made to the company's proved and probable ore reserves, but work on geological exploration is being actively progressed. Copper price was buoyant throughout the year and, with satisfactory tonnage and grade, operations resulted in a record net surplus of £3,344,197 after providing £698,000 for tax and royalties.

(3) Revised terms and conditions of service for employees were negotiated and housing for the labour force has been further improved at a cost of £335,000.

(4) Dividends received by CDC £712,500 (1964 £285,000).

77 Mwenge Tea Co Ltd

(1) (*a*) The company is a subsidiary of Agricultural Enterprises Ltd, itself a subsidiary of Uganda Development Corporation Ltd whose share capital is wholly owned by the Government of Uganda; it has a capital of £316,902;

(*b*) CDC has agreed to lend the company £360,000 repayable 1972/78 and carrying conversion rights as to £100,000 of the loan. The money will be used for developing the Estate and construction of tea factories.

(2) 300 acres of tea were planted during the year bringing the total established tea to 1,728 acres against a final programme of 2,000 acres. Mwenge was fortunate not to suffer from the drought which affected most tea growing areas in East Africa and a satisfactory crop of 707,000 lb of made tea was harvested from the company's garden and 54,000 lb from outgrowers.

(3) Drawn to 31.12.65 £240,000 (1964 nil).

78 Uganda Tea Growers Corporation

(1) Uganda Tea Growers Corporation (UTGC) is a statutory corporation charged with responsibility for planning and implementing the development of tea growing by smallholders. The Board of Directors is appointed by the Minister of Agriculture and Co-operatives and provisions have been made for smallholders' representation.

(2) The immediate aim is to expand the smallholder tea industry, estimated at 4,000 acres at the end 1965, to 13,700 acres by 1970 and to negotiate for the financing and construction of processing factories at the appropriate time.

(3) The total cost of field development is estimated at £2,409,000, of which CDC will lend £301,000 to UTGC. International Development Association (IDA) (an affiliate of the World Bank) has agreed to lend to Uganda Government a sum of £1,214,000 of which £903,000 will be on-lent to UTGC for the field sector and the remainder to be used by Government towards the provision of the necessary extension services which are to be provided at no cost to UTGC. The balance of finance required for the field work will be found from the Corporation's own revenues and by Government.

(4) Prospects for the success of the scheme will be measurably increased by the concessionary terms which have been made possible by new interest waiver terms granted to CDC by British Government during the year (see Part 1 General Review). As a result of this, IDA money on-lent by Government will also be subject to an interest concession.

(5) CDC has also undertaken in principle to contribute up to one half of the finance required for each processing factory (subject to a maximum commitment of £900,000) provided that adequate technical and commercial standards are met for their establishment, and that the forecast financial results provide a reasonable return on the investment.

(6) Advanced at 31.12.65 nil.

IV. CENTRAL AFRICA

Regional Controller :
D. F. Fairbairn

Regional Office :
Woodgate House,
Cairo Road,
Lusaka, Zambia.

79 Regional Summary

(1) Total commitment in twelve projects at 31.12.65 amounted to £24,164,000 (1964 £25,953,000) of which £23,084,000 had been invested at the year end (1964 £22,872,000). The main weight of investment in this region is in basic development, including housing and major power and water schemes ; there are also agricultural and industrial enterprises.

(2) One new project was approved during the year, an investment of £365,000 in David Whitehead & Sons (Malawi) Ltd towards the cost of establishing a cotton textile mill in Blantyre. Central African Airways Corporation repaid the balance of the CDC loan during the year and this project now drops from the list. A supplementary loan of £138,000 has been made to Mudi River Water Board and approval given for an additional loan of £65,000 to Electricity Supply Commission of Malawi.

(3) Following a long period of political uncertainty Rhodesia seized independence illegally on 11.11.65. CDC operations in Rhodesia were suspended and plans which had been made some time before to move Regional Office to Lusaka on 1.1.66 were brought forward to early December 1965. CDC is closely involved in the fortunes of two common service organisations which have headquarters in Salisbury, through its £15m loan to the Central African Power Corporation and the personal responsibilities devolving on D. F. Fairbairn, the regional controller, as Chairman of Central African Airways. Instalments on the Central African Power Corporation loan have been paid on due date. CDC's financial interest in CAA ceased in March 1965 when the balance of its loan was repaid: negotiations for a second CDC loan to finance the purchase of two BAC One-Eleven aircraft by CAA were ended with UDI.

(4) The tempo of economic activity in Malawi and Zambia tended to increase with hardening determination in both countries to strengthen their economies which in the past have been over-dependent on Rhodesia. In Zambia there is full realisation of the need to diversify the economy, at present so dependent on copper, by the development of agriculture and secondary industry. Although the level of new CDC investment in the region has not been high in recent years, much work has been done in the investigation of new projects which are now likely to come forward. CDC has recently mounted missions to Zambia to report on the production of tea, coffee, tobacco, oil palms and cigar leaf and hotel and housing consultants have visited the two northern countries.

(5) Regional revenue, after overseas tax and regional administration costs, but before charging Head Office costs including interest payable and

provisions against book value of projects and investments, represented 6·6% on capital employed (1964 6·2%).

Malawi

(6) Negotiations were concluded during the year for the setting up of a cotton textile mill in the Blantyre/Limbe industrial area in association with David Whitehead Limited and Malawi Development Corporation. Based on supplies of local raw cotton the mill will make a substantial contribution to the economy of Malawi and is expected to come into production during 1966. A further loan of £65,000 has been approved for Electricity Supply Commission of Malawi towards the cost of constructing a power line to a new sugar estate and factory, and a supplementary loan of £138,000 was made during the year to Mudi River Water Board.

(7) As a result of an encouraging increase in the demand for water and electricity both the Mudi River Water Board and Electricity Supply Commission of Malawi recorded satisfactory progress in 1965. Individual farmers on the Kasungu Tobacco Growers Scheme had mixed fortunes. Yields generally were satisfactory—but prices were disappointing. The Malawi Government took over responsibility as from 1.1.66 but CDC will continue to act as managers until 30.6.66. Vipya Tung Estates again lost money due to a shortfall in crop and low prices for tung oil.

Zambia

(8) Although there has been no new investment in Zambia during the year there has been considerable activity in the investigation of new projects. Early in the year a team of agriculturalists investigated the prospects of growing tea and coffee and since then CDC, at the request of Government, has carried out a number of feasibility surveys including oil palms, tobacco and cigar leaf. The emphasis in all cases has been on the establishment of out-grower or smallholder schemes in association with a nucleus estate and factory, a field in which CDC has considerable experience,

(9) The increase in building activity resulted in a record year for Chilanga Cement Ltd, which worked at full capacity. Negotiations were concluded for Government to acquire a substantial shareholding in Chilanga Cement Ltd alongside CDC and private shareholders. At the same time, with government co-operation, plans for a great expansion of capacity have been agreed comprising the addition of a third kiln and ancillary plant at Chilanga which will increase production there by 50% and the setting up of a new factory on the Copperbelt to come into operation in 1968.

Rhodesia

(10) Following the illegal declaration of independence in November 1965 CDC operations in Rhodesia have been suspended. CDC has a £1m loan to the Rhodesian Government for African housing and a £50,000 share investment in Industrial Promotion Corporation (Central Africa) Ltd of which the registered office is in Salisbury.

80 Central African Power Corporation

(1) Loan of £15m (1956) for Stage 1 of the Kariba hydro-electric undertaking, the total cost of which was £77·6m. The Governments of Rhodesia and the Republic of Zambia each guarantee one half of the loan which is repayable by annuities over thirty-eight years starting 1965. Balance outstanding at 31.12.65 £14,979,687.

(2) Sales by CAPC in the year to 30.6.65 totalled 3,664 million units, a 9·5% increase over the previous year, resulting in a decrease of 6% in the average selling price per unit. Net operating surplus for the year to 30.6.65 increased to £870,175 (1963/64 £626,955) and at that date CAPC's reserves and surplus amounted to £2·572m (£1·734m at 30.6.64).

81 Industrial Promotion Corporation Central Africa Ltd

(1) Issued capital Rh£1m in £1 shares, of which CDC holds 50,000 shares.

(2) This Rhodesian company is empowered to invest in a wide range of industrial and agricultural enterprises for the promotion or expansion of economic development in Rhodesia, Zambia and Malawi. Investments and commitments at 31.12.65 totalled £878,980 (1964 £796,100), of which £758,517 in Rhodesia.

(3) Group net profit before tax £42,876 (1964 £47,165). A dividend of 4% was declared on 14.4.65.

MALAWI

(M£1 = £1)

82 Electricity Supply Commission of Malawi

(1) Loan commitment of £1·85m (1970/84) towards cost of constructing Stage 1 (2 × 8MW) of hydro-electric project at Nkula Falls.

(2) The balance of funds required for Stage 1, which is now estimated to cost £2·52m, is being provided by Standard Bank Ltd, Barclays Overseas Development Corporation Ltd, the Malawi Government and the Electricity Supply Commission of Malawi.

(3) Civil and mechanical engineering contractors have maintained satisfactory progress in 1965. The intake works and the $\frac{2}{3}$ mile tunnel are almost finished and it is expected that plant acceptance tests will begin in April prior to the official opening of the project in July 1966. The barrage at Liwonde, 40 miles upstream from Nkula Falls, was inaugurated by the Malawi Prime Minister on 1st August 1965.

(4) Negotiations are in progress for a further investment by CDC of £65,000 towards the £130,000 cost of a 43 mile power line connecting a sugar estate and factory at Nchalo in the Shire Valley.

(5) £1·2m drawn at 31.12.65 (1964 £525,000).

83 Kasungu Tobacco Growers Scheme—Manager: B. G. Hartley

(1) Agreement was reached during the year for the transfer of the project assets to Malawi Government as from 1.1.66 when Government will

assume responsibility for the scheme within the framework of its agricultural development programme. CDC will continue to act as managers until 30.6.66, pending finalisation of arrangements for future management.

(2) There are at present fourteen trainees undergoing a two year course of instruction in addition to twelve growers already settled on individual plots of 10–20 acres adjacent to the nucleus estate. The nucleus estate and growers together will plant 300 acres of flue-cured tobacco in the 1965/66 season.

(3) High yields were obtained for the 1964/65 season both by the estate and by the more successful individual farmers but the price realised was disappointing owing to the depressed state of the market for the better grades of tobacco. Final results for the season show a gross realisation of £42,538 giving an average price of 30·3d per lb of flue-cured tobacco. Three farmers earned net incomes ranging from £300–£600 but there was a wide range between the individual results and several farmers failed to show a profit. Nucleus estate yields averaged 1,015 lb/acre giving a £14,186 deficit, after scheme administrative expenses £13,478 and depreciation/amortisation £4,464.

84 Malawi Housing

Loan £1m (1957/58) for housing schemes in Zomba, Lilongwe and Blantyre. Loan fully drawn, repayable 1967/86.

85 Mudi River Water Board

(1) Loan £1,438,000 (1967/81) towards the cost of Walkers Ferry scheme to supply water to Blantyre/Limbe; original loan of £1·3m was supplemented by an additional loan of £138,000 on 30.6.65. Loans are guaranteed by Malawi Government.

(2) In the year to 31.3.65 the Board made an operating surplus of £109,364 (1964 £134,764) but after finance charges there was a loss of £51,954 (1964 £36,240). Demand for water during 1965 increased to 1·8 million gallons per day (1964 1·5 million gallons per day).

86 Vipya Tung Estates—Manager: F. S. Dorward

(1) A CDC direct project with capital at 31.12.65 of £828,528 (1964 £847,164).

(2) Located 30 miles from the shore of Lake Malawi on the edge of the Vipya Plateau in the Northern Province, Vipya Tung Estates comprise five units with a total area under cultivation of 5,219 acres of which 4,227 acres (81%) are now regarded as fully mature.

(3) (*a*) After a promising start the prices obtained for tung oil fell sharply during the year from a peak of £198 per ton fob Beira to £140 per ton. Average price obtained to date for the 1965 crop is £154 per ton (1964 crop £157 per ton);

(*b*) oil yields in 1965 were considerably less than expected at 489 tons (1964 615 tons). This is ascribed principally to the biennial bearing tendency in mature tung combined with exceptionally dry weather conditions over the past eighteen months. Excessive dryness of the nuts has also led to problems in mechanical dehusking and milling.

(4) The combination of low yields and poor prices is reflected in the net operating loss of £33,508 (1964 loss £25,542). As a marginal project Vipya Tung Estates continues to seek cost economies and new sales outlets, but any substantial improvement in prospects must depend on a sustained increase in tung oil prices.

87 David Whitehead & Sons (Malawi) Ltd

(1) A new company incorporated in Malawi with an authorised share capital of £660,000, of which £600,000 shares have been allotted equally between CDC, David Whitehead & Sons (Holdings) Ltd and Malawi Development Corporation. CDC and the Farmers Marketing Board have also agreed to lend £150,000 and £200,000 respectively. David Whitehead & Sons (Technical Services) Ltd have been appointed Technical Advisers.

(2) Work has already started on the construction of an integrated textile mill in the Blantyre/Limbe industrial area at an estimated total cost of £1·25m. The mill, which is expected to start production in October 1966, is designed to produce annually 8 million yards of cloth at full capacity.

RHODESIA

(Rh£1 = £1)

88 Rhodesia Housing

Loan of £1m (1957) for African urban housing estates. Loan fully drawn, repayable 1966/85.

ZAMBIA

(Z£1 = £1)

89 Central Electricity Corporation Ltd (Lusaka)

Loan of £200,000 (1965) for extensions to Lusaka electricity system repayable by annuities over 20 years. £147,627 was outstanding at 31.12.65.

90 Chilanga Cement Ltd

(1) Issued share capital is £1·5m in 5/- ordinary shares. During the year negotiations were concluded whereby Zambia Government acquired 40% of the capital by purchase of shares from Premier Portland Cement Co (Rhodesia) Ltd and CDC, thus becoming the largest shareholder. CDC now has a 30% holding and the rest of the shares are held by Premier and the public.

(2) Agreement was also reached during the year with Government on the part to be played by Chilanga in the future development of the cement industry in Zambia. As a result a third kiln and ancillary plant is being installed at Chilanga which will increase total production to 300,000 tons per annum; it is expected to be in production early in 1967. Plans are in hand for the construction of a new factory on the Copperbelt to start production in 1968.

(3) Both existing kilns have been working to capacity during the year

and additional imports of cement and clinker have been necessary to meet demand. Sales for the year amounted to 260,591 tons (1964 167,369 tons).

(4) Net profit before tax of £605,393 compares with £420,898 in 1964. An interim dividend of 5d per share after tax was paid in November and a final dividend of 7d has been recommended by the Board, a total of 1/– (1964 9d).

91 Zambia Housing

Loan £1m (1962) repayable 1965/82, for housing for lower and middle income groups. Balance outstanding 31.12.65 £969,042.

V. SOUTHERN AFRICA

Regional Controller:
J. C. Cater, MBE

Regional Office:
Palace Building,
52, Pritchard Street,
Johannesburg.

92. Regional Summary

(1) Total commitment in the region at 31.12.65 was £22,994,000 (1964 £23,202,000) of which £21,938,000 had been invested (1964 £19,404,000). The increase in investment was mainly due to the purchase of the Hulett's Sugar Corporation shares in Mhlume (Swaziland) Sugar Co Ltd £1,093,750 and the expenditure on the Sand River Dam £920,000 at Swaziland Irrigation Scheme.

(2) Constitutional evolution in all three territories pursues its rapid course. Bechuanaland, which elected its first internally self-governing administration in February 1965, will achieve full independence on 30th September 1966 as Botswana. Basutoland will become independent on 4th October 1966 as Lesotho provided the necessary resolutions are passed by the Basutoland legislature. Swaziland had its first general election in June 1964, and internal self-government will follow at the end of this year.

(3) All three territories suffered in some degree from the disastrous drought which ravaged Southern and Central Africa during 1965. The worst affected was Bechuanaland, where many thousands of cattle died in the Kalahari and there was a complete grain crop failure. If it had not been for the ability of the expanded and modernised abattoir at Lobatsi to handle all the cattle offered, the dimensions of the disaster would have been much greater.

(4) Regional revenue, after overseas tax and regional administration costs, but before charging Head Office costs including interest payable and provisions against book value of projects and investments, represented 6·8% on capital employed (1964 5·1%).

Swaziland

(5) This small country is well endowed with natural resources and is capable of much further development, especially of agriculture under irrigation. It is now relatively prosperous, having altered out of all

recognition in the past decade, and with a continuation of political stability should continue to make good progress. The projects in which CDC has played a leading part provide a livelihood for at least 10% of the population and in 1965 achieved sales of exported products worth more than £9m.

(6) The irrigation system built by CDC in the north eastern lowveld in 1957 has turned a large area, formerly usable only for ranching, into a highly-developed irrigation complex in which the Swazi Nation and many others share with CDC the development potential which water creates: by 1964 some 20,000 acres of various crops were under irrigation. A £1m scheme to enlarge the main canal and to provide storage for 33,000 acre feet of water was started in 1964 and the Sand River Dam which provides the chief feature was completed 12 months later in October 1965. The dam wall contains over a million cubic yards of material and the reservoir when full will cover some 2½ square miles, much the largest body of water in Swaziland. The existence of this reserve storage capacity will both safeguard existing agricultural development against future drought hazards and also enable a further 15,000 acres to be brought under cultivation.

(7) Of the agricultural projects which depend on the CDC canal for irrigation water, the Corporation's wholly-owned Swaziland Irrigation Scheme again grew a good rice crop which sold well: production of sugarcane and citrus fruit were increased and earned profits but beef production suffered from severe drought conditions which affected the grazing in much of Swaziland. Early in 1965 CDC acquired from Hulett's Sugar Corporation the controlling interest in Mhlume Sugar Company in which CDC had previously been a minority shareholder. Much time and effort has gone into the affairs of the Swaziland Sugar Association which was set up in connection with the admittance of Swaziland into the Commonwealth Sugar Agreement. Swaziland was reasonably well treated in the matter of quotas and it seems that everyone might be better off if some of the energy now expended on pursuing disputes internal to the Association were directed to the growing of sugarcane. In the calendar year 1965 the Mhlume mill made 64,986 tons of sugar (1964 51,983 tons) and a programme of mill expansion was embarked on which should enable some 79,000 tons of sugar to be produced in 1966 if full cane quotas are delivered to the mill.

(8) Vuvulane Irrigated Farms is a settlement scheme on CDC land organised and largely financed by CDC—but Swaziland Government helps by meeting administrative expenses and Oxfam makes a valuable contribution by providing subsistence loans to the Swazi settlers for the initial period before they are self supporting. The project is now well established as a new and prosperous agricultural community complete with school, clinic and shop. There are 87 smallholders with a further 30 to be established in 1966 on leasehold farms varying from 8 to 16 acres and 5 Swazi farmers on 60-acre freehold cane farms. The success of the project can be judged from the incomes being earned by the farmers and by the fact that there are now half a dozen applicants for every farm offered for occupation. The settlers grow cane for sale to Mhlume Sugar Company's factory: they also produce excellent crops of potatoes, cotton,

maize, onion, etc. It has been pleasant to see the settlers' enthusiasm and hard work and their increasing skill in agricultural practices under irrigation: the proportion of failures has been remarkably low.

(9) Usutu Pulp Co Ltd is a partnership between CDC and Courtaulds, with the Swazi Nation a preference shareholder. The company manufactures unbleached kraft pulp from timber grown on the 100,000 acres of pine plantations established by CDC in the 1950s. Production in 1965 was 94,635 tons, some 7,000 tons being lost through an explosion in the recovery boiler in October which put the mill out of operation for three weeks: markets were well maintained, though over-production of pulp in Europe and North America caused a setback to pulp prices in the second half of 1965. Nonetheless the company will have made a modest profit in the current year for the first time, and prospects are reasonably encouraging.

(10) The Swaziland Railway, for which CDC has lent £4¼ million was completed in September 1964 and has operated successfully throughout 1965. Its main freight is iron-ore mined by Swaziland Iron Ore Development Co Ltd which sold 850,000 tons of iron ore to Japan and traded profitably.

Bechuanaland Protectorate

(11) On February 1st 1966, the newly established Bechuanaland Meat Commission took over the Lobatsi Abattoir and the monopoly concession of BP cattle exports enjoyed by Bechuanaland Protectorate Abattoirs Ltd and its subsidiary Export and Canning Co (Pty) Ltd. This date marked the end of a period during which CDC had in effect controlled the BP export cattle industry—first as sole owner of the abattoir at Lobatsi, completed in 1954, and then as joint owner with the BP Government and Trustees for the Cattle Producers and as managing agents of Bechuanaland Protectorate Abattoirs Ltd to which company the concession and business was transferred in 1960.

(12) During the years from 1954 to 1965 facilities at Lobatsi were expanded and improved including the building of a cannery in 1961 and the expansion and complete modernisation of the abattoir in 1964/65. New markets outside the traditional markets in Africa were developed in Britain and in the continent of Europe. Cattle offtake was doubled from an average figure between 60,000 and 70,000 in the early years to 127,000 in 1964—and in 1965 the kill rose to 142,736, the expanded facilities immediately proving their worth by enabling cattle to be slaughtered and marketed which would otherwise have died of drought on the veld. Value of exports more than tripled from £1·90m in 1955 to £6·10m in 1965.

(13) CDC's connection with Lobatsi will continue through a loan of £320,000 to the Meat Commission and representation on the Board, of which Mr J. C. Cater, CDC's Regional Controller, will be first Chairman by invitation of the Bechuanaland Government. CDC is proud of its role in establishing this industry on the international scene and of being able to hand over to the Commission the most modern abattoir in the Southern hemisphere. We wish the Commission well for the future.

Basutoland

As previously reported, CDC has been willing, subject to the enactment of suitable legislation, to make a loan of £200,000 to the Basutoland Government to enable it to increase the generating capacity of the Maseru power station and to begin a programme of rural electrification. The Electricity Loan Bill had not become law by the end of March 1966, and the offer of a CDC loan was accordingly withdrawn. CDC remains ready to do business in Basutoland.

BECHUANALAND PROTECTORATE
(R2 = £1)

93 Bechuanaland Protectorate Abattoirs Ltd—Manager: G. P. A. Boguslawski (until 31.1.66)

(1) On 1.2.66 a new statutory corporation, Bechuanaland Meat Commission, took over the Lobatsi abattoir and the company's monopoly of BP meat exports, thus bringing to an end a 15-year period during which CDC had carried the major operational responsibility for Bechuanaland's sole considerable industry. This development is accepted by CDC as a natural extension of Bechuanaland's progress through internal self-government in March 1965 towards political independence during 1966. The Commission will employ its own management staff: CDC's Regional Controller has been invited by the BP Government to serve as the first Chairman of the Commission thus providing continuity of policy during the early days of the new organisation.

(2) CDC first became associated with the Bechuanaland cattle industry in 1950, and by 1954 had completed the new abattoir at Lobatsi designed to process and sell the whole of the country's exports of carcases based on an estimated exportable surplus of 70,000 head a year. By the early 1960s it was becoming evident that the original design would shortly be inadequate to deal with the increased number of cattle being tendered for slaughter, particularly in times of emergency—such as drought or foot and mouth disease—and plans were drawn up to expand and modernise the abattoir. The construction of the new slaughter hall, the first and major part of the programme, was completed just 10 months after the building contractor had arrived on the site and was used for the first time in January 1965; it was very soon working near its maximum rated throughput. Fitted with what is believed to be the first moving overhead line system in Africa, it allows a standard of carcase dressing and hygiene as good as anywhere in the world, an essential attribute at this time of rising standards in world food hygiene. The record day's kill was increased from 758 to 1,226 head, and the previous record kill for a whole year of 111,758 head was passed on 26th July. Total kill for the year reached 142,736 head, enabling many cattle, which would otherwise have died on the veld as in previous disaster years, to make a contribution to their owners' income and the country's export earnings.

(3) During the 1960s there was a significant shift in the relative importance of export markets for BP beef. Sales in Africa have declined, mainly due to a trend downwards in sales to S. Africa, so that overseas exports have had to absorb not only the annual increase in offtake but also a regularly greater part of the original volume of offerings. CDC pioneered sales of the Lobatsi beef to UK and Europe, but a landmark

was reached in the formation of Export & Canning Co (Pty) Ltd. in 1961 as a joint company with Mr. Cyril Hurvitz in which the abattoir company held control. This company greatly expanded overseas sales during recent years.

(4) The following table shows the growth of the industry and of its contribution to the BP economy during the 15 years from 1950 to 1965—

	Carcases	Live	Total	Value
				(£m)
1950	—	70,169	70,169	1·45
1951	—	77,995	77,995	1·85
1952	—	73,168	73,168	1·80
1953	—	71,116	71,116	1·70
1954	5,823	68,780	74,603	1·65
1955	65,605	6,392	71,997	1·90
1956	67,165	3,548	70,713	2·15
1957	58,313	6,782	65,095	1·95
1958	61,484	7,275	68,759	2·00
1959	87,026	10,188	97,214	2·80
1960	77,342	8,377	85,719	2·30
1961	76,567	12,624	89,191	2·65
1962	90,334	18,228	108,562	2·90
1963	100,706	27,348	128,054	3·50
1964	108,372	15,045	123,917	4·30
1965	137,559	19,568	157,127	6·10

(5) Until the end of 1960 the abattoir was operated under direct CDC ownership and management. The business was then transferred to Bechuanaland Protectorate Abattoirs Ltd in which CDC held half the shares, the remainder being held by Bechuanaland Government and the Livestock Producers' Trust. CDC retained management responsibility through a managing agency agreement. Dividends were limited to 6%: thus all revenues, after providing for processing costs, prudent reserves and a very modest dividend, were returned to the cattle producers. Under the arrangements for takeover by the new Bechuanaland Meat Commission, CDC exchanged its £150,000 shares and £170,000 loan for a new £320,000 loan to the Commission repayable over 10 years and guaranteed by the Government. The Commission took over the recently modernised abattoir with ancillary services and employee housing estates which stands in the book at only £811,539.

(6) Turnover of the abttoir company and its subsidiary for 1965 were records, high prices for meat being added to record killings. In accordance with custom, the dividend to shareholders was restricted to 6%, CDC receiving R18,000: supplementary payments to producers totalled R1,630,777 (1964 R803,479).

94 **Molopo Ranch**—Manager: E. J. Transfeldt

(1) A direct CDC project with capital £353,459 (1964 £362,269).

(2) The ranch is situated on 300,000 acres at the southern end of the Kalahari desert. Beef cattle are bred from Akrikander-type cows and Hereford and Afrikander bulls. Experiments with Brahman breeding stock have been successful and are being extended. The ranch also buys substantial numbers of cattle for fattening, though less in 1965 (750 head)

than in 1964 (3,412 head) owing to drought; a market is thus provided for African-bred cattle which are not ready for slaughter but for which there is often little or no water or grazing elsewhere.

(3) 1965 was the most severe of a succession of drought years and has been recorded as the worst this century. Heavy losses have occurred in herds in Southern Africa during 1965 but at the ranch mortality was kept down to 2·7% (1964 2·0%). This reflects a great achievement by the ranch and indicates the benefit which can be derived in the BP by investment in improvements to grazing and watering facilities.

(4) (*a*) Herd strength 13,763 head at 31.12.65 (31.12.64 15,315 head); 2,205 births in the 1964/65 season represented a calving percentage of 57% (1963/64 66%); the continuing decline in the calving percentage is attributable to the succession of droughts, the effects of which will inevitably be reflected in the results of the ranch for some years to come;

(*b*) 4,344 head of cattle were sold, mainly to the abattoir at Lobatsi for slaughter (1964 3,979 head).

(5) Successful drilling of three new boreholes and the establishment of two further new watering points by piping water from existing boreholes has brought further areas of the ranch into use during 1965.

(6) Net profit for the year £27,053 (1964 £19,617).

SWAZILAND
(R2 = £1)

95 **Mhlume (Swaziland) Sugar Co Ltd**—Manager: E. W. Steward

(1) Issued share capital R2·5m held originally as to 40% by CDC and 60% by Huletts Sugar Corporation Ltd. In March 1965 CDC acquired control of the company by purchasing an additional 50% of the equity. In addition CDC has an outstanding loan of £2,580,000 secured on the company's assets making total investment at 31.12.65 £4,173,750.

(2) The Swaziland Sugar Association, formed in October 1964 to promote the interests of the sugar industry, was admitted to the Commonwealth Sugar Association (CSA) with effect from 1.1.65 and was awarded an Overall Agreement Quota (OAQ) of 123,200 short tons for the preferential markets of the United Kingdom and Canada. In addition, Swaziland is entitled to sell sugar on the world market and during 1965 was granted a United States quota of 9,648 short tons besides contracting to supply 20,000 short tons to South Africa on favourable terms.

(3) Production quotas have been divided equally between the two Swaziland mills, Ubombo and Mhlume, since the start of the industry in 1958. To ensure Mhlume's continued ability to fulfil its half share of production quota in future, the company has embarked upon a programme of expansion which, when completed in May 1966, will enable the mill to produce virtually double its original designed output of 48,000 tons in an 8-month season. Estimated cost of the mill expansion programme is £720,000.

(4) The company is licensed to grow cane equivalent to 52·6% of the raw material requirements of the mill (Swaziland Irrigation Scheme (para 98) and Vuvulane Irrigated Farms (para 101) are also licensed growers). During the year the area under cane was increased to 10,620 acres by the

development of 900 acres of land bought in 1964 from CDC. Soil drainage problems and, more recently, attack by Dynastid beetles in some parts of the estate (as elsewhere in Swaziland) pose a threat to cane yields which the company is actively combating by means of field drainage and the investigation of alternative cultivation and irrigation methods. There was a further fall in the average tonnage of cane harvested per acre and also in the sucrose content, but weather conditions were not favourable and there were signs that the remedial action being taken was becoming effective.

(5) Sugar production in the year to 30.4.65 was 54,125 tons (1963/64 41,723 tons) and for the 8 months to 31.12.65 was 55,015 tons. Estimated production in 1966 is 78,700 tons: achievement of this target will depend on the one hand on the mill expansion programme being completed on time in May, and on the other hand on other licensed growers fulfilling their delivery obligations, which was not the case during 1965.

(6) The company's accounting year has currently been changed to close on December 31st to conform with CDC practice. Net profit, after payment of debenture interest, was R627,544 for the year to 30.4.65 (1963/64 R576,393), and was R789,016 for the 8 months to 31.12.65. Due to the large proportion of its sugar production sold at favourable negotiated prices, the company's results were less affected by the current very low world price (around £20 per ton) than would otherwise have been the case. A 7½% dividend was paid for the year to 30.4.65 and an interim dividend of 2½% has been declared for the 8 months to 31.12.65. Retained profit at 31.12.65 (including general reserve) amounted to R2,423,341 (30.4.65 R1,690,575).

96 Swaziland Development Corporation Ltd

(1) This is a wholly owned CDC subsidiary through which is channelled the R6 million (£3m) loan made by Anglo American Corporation of South Africa Ltd for financing Swaziland Railway (para 99). The company has issued debenture stock to Anglo American Corporation of South Africa Ltd as security for this loan.

(2) 1965 surplus distributed as dividend £19,701 (1964 £16,834).

97 Swaziland Iron Ore Development Co Ltd

(1) A company promoted by Anglo American Corporation of South Africa Ltd and Guest, Keen and Nettlefolds Ltd to exploit the iron ore deposits at Ngwenya on the western escarpment of Swaziland. CDC holds 7% of the issued capital of R6m (£3m).

(2) The company initially contracted with Yawata Iron & Steel Company, Fuji Iron & Steel Company and General Ore International Corporation to supply to Japan 12m long tons of lump ore over a period of 10 years starting in the second half of 1964. In 1965 the same companies agreed to take a further 2½m tons over the same period.

(3) Open-cast mining operations started in August 1964 and regular movement of ore over the Swaziland Railway (para 99) to Goba and thence to Lourenço Marques has been maintained since 1st October 1964. Facilities constructed by the Government of Mozambique at the port include a new wharf and ore-loading plant and the harbour had to be

deepened in order to accommodate the 80,000 ton ore carriers exclusively engaged in shipping the ore to Japan, of which the third came into operation during September 1965. Total shipments to 27.12.65 were over 1m tons.

(4) Accumulated profit before tax to 27.12.65 R1,397,371 (£698,685) (1964 accumulated loss R311,862 (£155,931)).

98 **Swaziland Irrigation Scheme**—General Manager: L. Aldred

(1) This is the largest of CDC's direct projects and one of the oldest. Starting with the purchase in 1950 of 105,000 acres of arid bushveld in North East Swaziland the objective has been to develop the irrigation potential of the area. Completion of the Sand River storage dam during the year rounds off the main irrigation works and has raised CDC investment in the project to £4,383,768 (£3,481,868 at 31.12.64). There still remains scope for considerable agricultural development to take advantage of the additional water made available.

(2) Development has progressed steadily by planned phases after a lengthy period of survey, construction and experimentation during which it was established that many crops including rice, sugarcane, citrus, cereals and vegetables could be made to thrive on the estate under irrigation. A 42 mile canal from the Komati River was completed in 1957 at a cost of £1m to command some 40,000 acres. By degrees 20,000 acres of the original CDC purchase have been brought under irrigated cultivation comprising 11,000 sold to Mhlume (Swaziland) Sugar Co Ltd (para 95) and now under sugar cane, 2,500 transferred to Vuvulane Irrigated Farms (para 101) on which the farmers grow sugarcane and assorted crops and 6,500 retained by SIS on which are grown rice (3,500), sugarcane (2,330) and citrus (670). The canal also provides water for 4,000 acres under cultivation on neighbouring estates.

(3) The establishment of a sugar industry in northern Swaziland based on the Mhlume mill together with the employment given on the estates and farms has revolutionised the life of a significant section of the country. It is estimated that from this development some 15,000 Swazis, including their dependants (forming 6% of the total population of Swaziland) are housed, fed and brought within the scope of project schools and medical facilities, in an area which 15 years ago was wholly undeveloped and accessible only by bush tracks.

(4) The limitations of a 'run-of-river' canal system were recognised from the outset of the scheme. In order to protect the rapidly increasing irrigated area from the effects of low flows of the Komati River and to provide for further expansion, CDC put in hand in 1964 the building of the Sand River storage dam at an estimated cost of £1m. Construction started in September of that year and the work was far enough advanced for water to be pumped into the reservoir from September 1965 onward. The dam wall is 90 feet high and contains 1 million cubic yards of earthworks, with a storage capacity of 33,000 acre feet, which will enable some 10,000–15,000 additional acres (depending on the crops grown) to be brought under irrigated cultivation.

(5) Production of sugarcane increased by 155% from 31,926 tons in 1964 to 81,485 tons, reflecting increased growers quotas, and citrus production was more than doubled at 4,129 tons (1964 2,040 tons) as the trees matured. The fall in the rice production from 4,767 tons in 1964 to 3,937 in the current year was largely explained by a 15% restriction in acreage due to water shortage pending commissioning of the new Sand River dam. Prices generally moved against the main crops. The beef herd further contracted to 6,542 head owing to the effects of two years devastating drought and the steady encroachment of cultivation on former grazing areas.

(6) Net profit £180,232 (1964 £181,122).

99 Swaziland Railway

(1) As reported last year, the railway, which had been begun in 1962, was formally opened by Sobhuza II, Ngwenyama of Swaziland on 5th November 1964. It runs for 141 miles from Ngwenya in the West to the former Goba railhead in Mozambique and there links up with the railway to Lourenco Marques. Total cost including rolling stock has been approximately £9m of which CDC has lent £4·25m (1964 £3·5m) of which £3m, obtained from the Anglo American Corporation of South Africa Ltd, has been channelled through Swaziland Development Corporation Ltd (para 96). Anglo American Corporation lent an additional R3·5m (£1·75m) and other South African institutional investors provided the balance.

(2) The line came into regular operation on 1st October 1964 and has since maintained a steady flow of traffic. Initially this consisted only of iron ore for export, of which 372,963 tons were carried in the 6 operational months of the financial year to 31.3.65. The annual tonnage of ore to be delivered was increased by supplementary contract in 1965 and other traffic in both directions has built up progressively: it now includes, for export, kraft pulp from Usutu Pulp Co Ltd (para 100) citrus and sugar, including produce of Swaziland Irrigation Scheme (para 98) and Mhlume (Swaziland) Sugar Co Ltd (para 95), canned fruit and frozen meat. Coal also is being carried to Lourenco Marques from the colliery at Mpaka which supplies fuel for the railway. Imports over the line include fuel oils carried to storage depots established at Matsapa, where nearly all the industrial sites on the original spur line have been taken up and a second spur is now planned.

(3) It was expected that the railway would operate at a loss for a considerable period until the volume of traffic had been built up, and in fact the deficit on working account for the first six months to 31.3.65 was R199,452, but the railway is already operating profitably in the current year.

100 Usutu Pulp Co Ltd

(1) Jointly owned by Courtaulds Ltd and CDC this company was established in 1959 to build a pulp mill and exploit the 100,000 acres of pine forests planted by CDC from 1950 onwards. The Swazi Nation became a preference shareholder in 1962.

(2) Shareholdings at 31.12.65 were (R000's)—

	Courtaulds	*CDC*	*Swazi Nation*	*Total*
Ordinary shares	6,000	6,000	—	12,000
Cumulative preference shares ...	100	100	100	300
	6,100	6,100	100	12,300

CDC is also a secured creditor for £5·25m. To conserve the company's cash resources CDC had agreed at 31.12.65 that payments totalling £1,133,125 in respect of debenture interest and repayment instalments should be deferred; interest payments currently due in 1965 have been made.

(3) In the year 1965/66 target production was 110,000 tons but the actual achievement is likely to fall short by some 10% owing to an explosion in the recovery boiler which put the mill out of operation for 3 weeks, and late delivery of some essential equipment. The improvement in quality noted in last year's report has been maintained and Usutu pulp has now been established through the efforts of the Springwood selling organisation and on its own merits as a recognised quality pulp in world markets. This success is particularly important in view of the weakness in world pulp markets towards the end of 1965 which led to a most unwelcome reduction in pulp prices.

(4) A succession of drought years—probably the most severe in this century in Southern Africa—had adversely affected tree growth and led to a substantial back-log in regeneration of the felled areas of the forest until towards the end of 1965. However, useful rains which then fell helped to restore the regeneration situation and a survey conducted by the company's forestry consultant indicates that it should be possible to maintain and expand the present rate of production in future years from the company's own forests. Damage to young trees by the beetle Hylastes angustatus, which caused concern in 1964, appears to have been successfully countered by pest control measures taken on expert entomological advice.

(5) Particular attention was paid during the year to increasing efficiency and cost reductions with considerable success in the mill. Messrs Sandwell, the well-known forest consultants, from Vancouver, were asked to investigate and report on the timber extraction operations which largely determine the cost of timber to the mill. Their report has been received and the resulting recommendations have been broadly accepted: a start has been made on implementation.

(6) Total sales in 1965 were 100,130 short tons (1964 88,200 short tons). An important feature in 1965 has been the supply of substantial tonnages to South African buyers and the steady progress made in the important UK market. Contractual reservations already cover a high proportion of the 1966 output, of which nearly half is likely to be sold in the UK and Southern Africa. Export pulp is now routed over the Swaziland Railway (para 99) being handled through a company-owned siding at Matsapa, 25 miles from the mill and a large pulp store at Lourenco Marques, which were completed and commissioned during the year.

(7) The company was still operating at a loss during the year to 31.3.65 but the loss was much reduced at R279,170 (after charging R812,010 interest on loans) as compared with the previous year's loss of R1,128,118. A modest profit is likely for the current year to 31.3.66. Accumulated losses totalled R4,260,855 at 31.3.65 and a scheme of capital reorganisation is under consideration now that the company appears to be established on a sound basis.

101 **Vuvulane Irrigated Farms**—Settlement Officer: J. S. Mulholland

(1) A direct CDC project, the investment in which represents development costs of leased land, cost of administration buildings and agricultural equipment together with amounts due from settled farmers. Capital employed at 31.12.65 was £115,955 (1964 £110,500).

(2) The main programme has provided for 30 Swazi smallholders to be settled each year; 87 smallholders were in possession at end 1965. In each of the first two years 16 acres, of which 8 acres was reserve land, were allotted per family, but in 1965 the size of each new holding was restricted to 8 acres in order to enable the benefit of the scheme to be spread eventually as widely as possible. Demand for farms continues to be many times the number who can be satisfactorily settled on the land in any year.

(3) CDC clears the land and brings irrigation water to the boundary of the individual plots. CDC also provides the supervisory staff comprising an experienced Settlement Officer and a staff of Swazi [illegible] instructors to supervise development and provide guidance in all aspects of farming: the Swaziland Government has been meeting the cost of this establishment with an annual subvention. The Oxford Committee for Famine Relief also contributes by making subsistence advances to farmers until their holdings can support them.

(4) The main crop is sugarcane which occupies 75% of each smallholding—but maize, cotton, beans, potatoes and winter vegetables are also grown in rotation. Yields have been impressive; all but six of the first thirty farmers had cleared off their initial establishment debts by the end of 1965 and were enjoying incomes well above those obtainable from traditional Swazi farming—so that the scheme has got off to an encouraging start. Equally impressive has been the improvement in the general health of the farmers and their families due to the more varied diet than that traditionally available.

(5) There are also larger farms. The five Swazi established on 60 acre cane farms in 1963 generally achieved heavy cane yields. First deliveries were made to the Mhlume mill (para 95) during the year.

(6) Project income derives from farm rentals, payments for plant hire and other services and interest on development and working capital advances. Excess of income over expenditure, before providing for £8,257 interest payable to the British Government on capital employed, was £10,054 (1964 £3,922).

VI. WEST AFRICA

Regional Controller:
P. Meinertzhagen, CMG.

Regional Office:
Akuro House,
Custom Street,
Lagos,
Nigeria.
Cameroons Development Corporation,
Bota, Victoria,
West Cameroon.

102 Regional Summary

(1) At the end of 1965 total commitment in West Africa region was £14,158,000 (1964 £13,470,000) of which £10,377,000 had been invested (1964 £9,434,000). The two Nigerian development companies, Northern Nigeria Investments Ltd (NNIL) and Development Finance Company (Eastern Nigeria) Ltd (ENDEV) were largely responsible for the increases with additional industrial investments.

(2) 1965 proved in some ways a disappointing year for CDC in West Africa so far as new business was concerned. The business methods of many overseas promoters of projects operating in the area were not such as in CDC's opinion would lead to the establishment of sound undertakings and unfortunately in recent years these methods often enjoyed enough success to damage the chances of adoption of more honestly conceived schemes. There will be heavy liabilities to be met over the next few years in respect of government guaranteed short term loans for expensive machinery incorporated in projects not necessarily well adapted to local conditions and unbacked by the professional management and long term financial investment which is essential to the establishment of a successful industrial operation in developing countries.

(3) Changes of regime have taken place in Ghana and Nigeria since the end of 1965. There are already encouraging signs in Nigeria that CDC operations will be welcomed by the new government.

(4) Regional revenue, after overseas tax and regional administration costs, but before charging Head Office costs including interest payable and provisions against book value of projects and investments, represented 5·7% on capital employed (1964 5·9%).

Cameroun

(5) CDC acts as managing agents of Cameroons Development Corporation to which a loan of £1m was made in 1960. That Corporation had a more successful year, with a trading surplus of £706,604 (1964 £473,499) and net profit £67,857 (1964 net loss £85,315). A development programme was approved during the year involving a large expansion of oil

palms and rubber over the next few years subject to negotiation of the necessary finance. CDC finance is not available since Cameroun is no longer a member of the Commonwealth: negotiations with international agencies are in hand. 1966 has been set as the year for the merging of the economics of East and West Cameroun: some drastic price adjustments are likely which will pose difficult problems for Camdev and its management.

Ghana

(6) CDC's sole investment in Ghana is a loan to a contracting company, Stirling Astaldi (Ghana) Ltd. The company had a successful year. Prospects of further CDC investment in Ghana may have been improved by the recent change of regime.

Nigeria

(7) Apart from a £200,000 loan to Textile Printers of Nigeria Ltd, a project sponsored by the Anglo-Dutch Textile Investigation Group, CDC's contribution during the year to new projects in Nigeria was channelled through the two development companies, NNIL (with the Northern Nigeria Development Corporation, an agency owned by the Northern Nigeria Government) and ENDEV (with the Eastern Nigeria Government). These companies between them committed £1,123,800 in eight new projects and a further £462,000 to expand projects in which they already had investments. To provide finance for expansion of the development company's operations, the share capital of ENDEV was doubled during the year to £2m of which CDC and Eastern Nigeria Government will contribute £1m each and CDC has also agreed to lend £500,000. At the year end NNIL was again in sight of committing its available resources and discussions were proceeding for CDC and Northern Nigeria Development Corporation (Government) each to lend a further £500,000.

(8) NNIL now has investments in 27 industries and ENDEV in 12 industries. Inevitably some of these new industries are suffering from teething troubles and CDC bears the primary responsibility for supporting the development company managements with technical staff and consultancy services both to help assess new projects and advise on problems of existing investments. To this end, technical staff have been posted to the region and are supported, where necessary by the technical divisions in London. Overall both development companies had successful years—NNIL earned an increased profit of £294,545 and is paying a maiden 2% dividend. ENDEV earned an increased profit of £19,393 and should soon be in the dividend list.

(9) As to other existing projects, the CDC subsidiaries, Nigeria Hotels Ltd and Nigeria Building Society continued in particular to expand and prosper. Nigeria Hotels completed the second phase of the Ikoyi Hotel development programme comprising new public rooms, including a banqueting hall, new kitchen, service and staff premises and a swimming pool, and 13 new bedrooms were put into service at the Bristol Hotel: the year's profit reached £118,544, a new record. The planning of Phase III to build an additional bedroom block at Ikoyi Hotel is now in hand. This company is an outstanding example of successful promotion of

Nigerians to posts of responsibility, managers of all the hotels being now Nigerians. New mortgage loans approved by Nigeria Building Society during the year expanded to £655,000 (1964 £575,000), and the Society took in from local institutions an additional £155,000 in loans and deposits. Plans are being made to extend the activities of what is now an efficient and financially sound organisation.

(10) Nigeria Security Printing and Minting Co Ltd, which was shown as a new project in 1964, obtained alternative finance and the CDC loan commitment lapsed.

Sierra Leone

(11) The three CDC projects in Sierra Leone had mixed fortunes in 1965. The Guma Valley Water Company to which CDC is lending £2m had substantially completed the new dam by the year end, the associated new water treatment works having been earlier brought into use. The Paramount Hotel, in which CDC is associated with Sierra Leone Government was well advanced in its expansion programme which, when completed in mid-1966, will bring the number of beds available to 100, together with enlarged public rooms and service areas. On the other hand, the amount of business being handled by Sierra Leone Investments Ltd, the joint development company with Sierra Leone Government, has not justified its continued existence as a separate agency and it was decided to withdraw the resident manager at the year end.

GHANA

(Cedis 2.40=£1)

103 Stirling Astaldi (Ghana) Ltd

(1) A wholly owned subsidiary of Stirling Astaldi Ltd; the company undertakes civil engineering and construction work.

(2) CDC loan £155,000; repayable 1961/70. £77,500 outstanding 31.12.65 (31.12.64 £93,000).

NIGERIA

(N£1 = £1)

104 Coast Construction (Nigeria) Ltd

(1) A subsidiary of Stirling Astaldi Ltd; the company hires plant for civil engineering and construction work to Stirling Astaldi (Nigeria) Ltd.

(2) CDC loan £155,000; repayable 1961/70. £77,500 outstanding 31.12.65 (31.12.64 £93,000).

105 Development Finance Co (Eastern Nigeria) Ltd—Manager: J. P. Edleston.

(Formerly Industrial & Agricultural Co Ltd)

(1) During the year the issued ordinary capital of this company was doubled to £2m; total issued capital is now £2,036,000 represented by—

(*a*) 1,000,000 £1 ordinary shares fully paid, held as to 680,000 shares by CDC and 320,000 shares by Eastern Nigeria Government;

(*b*) 1,000,000 £1 new ordinary shares 3d paid, held as to 320,000 shares by CDC and 680,000 shares by Eastern Nigeria Government;

(*c*) 36,000 deferred shares of £1 each fully paid, held by Eastern Nigeria Government.

(2) Thus CDC and the Regional Government now hold the ordinary shares equally. Additionally, CDC has undertaken to lend £500,000 to the company when share capital has been fully subscribed, bringing the capital resources of the company up to £2·5m.

(3) CDC continue as managing agents and provide technical and financial services to the company.

(4) The company had a busy year and increased its investments by £750,800 to £992,589 at 31.12.65. Twelve industries in which the company has invested, or is committed to invest, include aluminium rolling and manufacturing, textiles, vehicle assembly, paints, light engineering, civil engineering and construction, furniture, veneer and plywood, and the manufacture of agricultural implements. The company is actively investigating other proposals from which substantial investments may be expected to result.

(5) As part of the expansion arrangements, the company's name was changed to Development Finance Company (Eastern Nigeria) Ltd and its offices were moved to new premises to accommodate the enlarged staff likely to be necessary to handle the increased volume of business. A nominee of Eastern Nigeria Government has been appointed Chairman of the company.

(6) Profit for the year before tax was £19,393 (1964 £9,161).

106 Dorman Long and Amalgamated Engineering Ltd

(1) A subsidiary of Dorman Long & Co Ltd, Middlesbrough; the company produces and assembles heavy steel structures, rolling stock and storage tanks.

(2) CDC loan £100,000; repayable 1961/70. £50,000 outstanding 31.12.65 (31.12.64 £60,000).

107 Dunlop Nigerian Industries Ltd

(1) Subsidiary company of D.N. (Holdings) Ltd owning rubber tyre and tube factory at Ikeja, Western Nigeria.

(2) CDC has invested £50,000 in equity and £300,000 in debenture stock repayable 1968/74.

(3) The year was not without its difficulties but despite a period of unsettled labour conditions and interruptions in electricity supply, production was increased and sales rose to a higher level. The company's products have been well received; its truck tyres are fitted as original equipment by a number of the larger vehicle assemblers in Nigeria. Future sales of cycle tyres should be aided by the Federal Government's action in August 1965, when tariffs on imported cycle tyres were raised. The company has extended its distribution services and has seven depots covering the whole Federation.

(4) Net profit before tax, £84,021 (1964 loss £4,000).

108 Eastern Nigeria Nucleus Estate and Smallholder Scheme—Manager: C. S. Sandrey.

(1) (*a*) CDC and Eastern Nigeria Government have agreed in principle to participate jointly in the development of a rubber estate, through a company to be named Cross River Rubber Estates Ltd, and adjoining smallholder scheme; some 12,000 acres of virgin forest land east of the Cross River is being acquired by the Government for the scheme;

(*b*) the nucleus estate will be about 4,500 acres overall, and a factory will be set up to process rubber from both the estate and the smallholders. CDC and Eastern Nigeria Government have agreed to subscribe, in equal proportions, the £400,000 share capital and £600,000 loan capital required by the estate company;

(*c*) the smallholder scheme will comprise 4,000 acres of rubber to be developed by the estate company and divided into 8 acre plots for purchase by individual smallholders in instalments over 15 years; there will also be 2,500 acres of food crops and additional areas for villages, amenities and roads. CDC has agreed to lend £400,000 to a statutory smallholder authority to be established by Eastern Nigeria Government, which will also guarantee payment of interest and repayment of capital on the smallholder loan. Eastern Nigeria Government have additionally agreed to lend the smallholder authority the balance of capital required, estimated at about £370,000;

(*d*) loans by CDC and Eastern Nigeria Government to both the estate company and the smallholder authority will be interest free for seven years from the date of each drawing. Prospects for the commercial success of the scheme have been measurably increased by these concessionary terms which have been made possible by a new interest waiver concession granted to CDC by the British Government during the year (Part 1 General Review).

(2) (*a*) Preliminary work was started on the chosen site early in 1965, and nurseries have been established and stocked. Clearing and planting of the first areas to be developed started at the end of the rains, in November 1965;

(*b*) expenditure, mainly on investigation survey, nursery development, purchase of equipment and mechanical plant and preparation of land was £68,614 at 31.12.65.

109 Ilushin Estates Ltd

(1) (*a*) Issued capital £795,000 £1 shares fully paid held equally by CDC, West African Joint Agency Limited and Western Nigeria Development Corporation;

(*b*) shareholders have each agreed to lend an additional £70,000 which would bring total capital employed to £1,005,000; at 31.12.65 CDC and West African Joint Agency Ltd had each advanced £30,000 of the loan commitment but Western Nigeria Development Corporation was in arrears by £25,000;

(*c*) CDC investment at 31.12.65 was £295,000 (£265,000 at 31.12.64).

(2) The company leases 10,800 acres of land at Ilushin in Western Nigeria, of which some 5,000 acres have been planted to rubber. During the year to 30.9.65, 362,334 lb rubber (1964, 208,549 lb) were harvested.

(3) The company has been engaged by Waterside Rubber Estates Ltd and Lukogbe Estates Ltd (both recently formed by Malaysian interests in association with Western Nigeria Government) to supervise clearing and planting to rubber of up to 4,000 acres and 1,000 acres respectively adjacent to its own land ; the company is thus enabled to spread its management cost.

(4) The greater part of the estate is still immature but sales of rubber brought in £24,900. A net loss of £18,467 was incurred.

110 Lagos Executive Development Board

(1) The Board is a statutory body responsible for development, improvement and slum clearance within the Lagos city limits.

(2) CDC loan £1·25m (1950) for reclamation of 1,000 acres at Apapa and development as industrial and residential acreas ; repayable 1961/90. £1·14m outstanding 31.12.65 (31.12.64 £1·16m).

111 Nigeria Hotels Ltd—Managing Director : E. de S. Hall

(1) (*a*) A one-for-nine bonus issue of shares was made in December, increasing issued capital to £410,000 and bringing share capital more into line with the capital employed in the business. CDC now owns £220,000 shares, the balance being held by Federal Government, Northern Nigeria Government and Nigerian Railway Corporation ;

(*b*) CDC has provided a loan of £225,000 towards the cost of the first and second stages of the reconstruction of the Ikoyi Hotel.

(2) The company operates three modern hotels in Nigeria ; the Ikoyi Hotel, Lagos and the Central Hotel, Kano, both of which it owns, and the Bristol Hotel in central Lagos, which it manages through a subsidiary company (Lagos Hotel Ltd). It also provides catering services for Kano Airport Terminal, including uplift meals for BOAC and other airlines, and for the Nigerian Railways.

(3) (*a*) With the opening of the banqueting suite in August 1965 and the swimming pool in December 1965, the second stage of the reconstruction of the Ikoyi Hotel has been completed ;

(*b*) planning is well advanced for the third stage of the redevelopment of the Ikoyi Hotel which would comprise an additional block of 86 bedrooms with a ground floor concessionary area. It is estimated that the £320,000 cost might be met from self-generated funds of the company and its subsidiary. When completed the new block will bring the total capacity of the hotel to some 270 beds, allowing for demolition of old accommodation which may be necessary to make room for the new. This will complete major redevelopment of the site ;

(*c*) an additional 13 bedrooms on the top floor of the Bristol Hotel were completed in May 1965.

(4) Trading results of the Ikoyi and Bristol Hotels improved during the year, notably at the former which operated at very high occupancy

throughout the year: accommodation, catering and bar receipts were all markedly increased. While receipts from apartments and catering at the Bristol Hotel did not increase to the same extent, takings from the Koriko bar, now a popular rendezvous in central Lagos, improved substantially. The Central Hotel did well to increase takings slightly and maintain profits at a time of falling transit traffic in the Kano area. A profitable future for the company as a whole seems assured.

(5) The company continues to give high priority to staff training, both for service in the various departments of the hotels and in general hotel management. A number of young Nigerian graduates were taken on the staff during the year as management trainees, and will be given comprehensive training in all branches of the company's work; arrangements have also been made for selected members of the staff to receive further training overseas.

(6) Profit (including £24,000 dividends from subsidiary) after debenture interest but before tax £118,544 (1964 £80,271); a 15% dividend was paid by company (1964 15% on capital before increase by bonus issue).

112 **Nigeria Housing Development Society Ltd**—General Manager: K. C. Wild

(1) (*a*) Issued share capital (fully paid) of £1·625m is held as to £975,000 by CDC, £500,000 by the Federal Government and £150,000 by the Eastern Nigeria Government;

(*b*) CDC has lent £1·25m and has a commitment to lend another £500,000. The Federal Government has lent £200,000 out of a provision of £1·5m earmarked under its Development Plan 1962/68 for investment in the Society and has carried the balance of £1·3m forward to its 1965/66 Budget;

(*c*) deposits rose to £805,000 at 31.12.65 (£649,000 at 31.12.64). Increased funds arising from the Federal Government loan, increased deposits and buoyant mortgage repayments more than covered demands for advances during the year, the balance being invested locally short term.

(2) In 1965 the Society's funds available for lending well exceeded the demands made on them, and that at a time of acute housing shortage in the main urban areas of the country. This paradox is explained by the difficulties experienced by prospective owner occupiers, whose needs are the Society's first concern, in obtaining at a reasonable price an allocation of land on which to build. An unhealthy pattern of building development has arisen from inflated land and building costs, causing those able to acquire land to construct primarily for letting at rents far beyond the pockets of the persons who would gladly buy their own houses if costs were reasonable.

(3) The Society's view is that it could do a great deal towards improving the housing position if proper criteria in the allocation of land and systems of development that have been successful elsewhere were adopted. The main needs are for land to be made available at reasonable prices related to development costs, not to speculative values; and for the development on available land of housing estates having areas big

enough to bring about a real reduction in building costs. The Society could also consider how to help the authorities by providing block loans or bridging finance for large, low-cost housing schemes designed to produce decent homes for the less well paid workers at rents which they could afford.

(4) Instalment payments three months or more in arrear have again been substantially reduced; defaulters are now down to what is probably a minimum level. The Society sustained losses of £8,549 on sales of properties against which provision had already been made; a provision of £20,312 has been carried forward to 1966.

(5) Nigerians hold eight of the Society's responsible senior posts out of a total of twelve.

(6) Net profit, after payment of interest and providing for mortgage losses but before tax, was £126,763 (1964 £108,821); a 6% dividend has been declared as in the three previous years and reserves have increased from £25,295 to £51,496.

113 The Nigerian Cement Co Ltd

(1) Issued capital stock of this public company is £4·2m, of which CDC held £372,500 at 31.12.65. The company is controlled by Eastern Nigeria Government and its agencies. Stockholders include the Federal Government, and some 2,500 stockholders, most of whom are Nigerians. At the end of the year stock was being traded on the Lagos stock exchange at around 36/– per £1 unit.

(2) Production in 1965 (495,841 tons) was substantially higher than in 1964 (389,691 tons).

(3) Net profit for the year to 31.3.65 was £874,236 (1963/64 £916,358). A 12½% dividend was paid (1963/64 same).

114 Nigerian Industrial Development Bank Ltd

(1) (*a*) A public company with issued and fully paid capital £2·25m represented by £250,000 5½% cumulative participating preference shares, £1,020,000 "A" ordinary stock held by the Central Bank of Nigeria, the Nigerian public and International Finance Corporation, and £980,000 "B" ordinary stock held by overseas investors. Shares are quoted on the Lagos stock exchange;

(*b*) CDC holds £25,000 participating preference shares and £50,000 "B" ordinary stock;

(*c*) Federal Government has subscribed a £2m long-term interest-free loan;

(*d*) negotiations are taking place to raise additional capital from Federal Government and World Bank.

(2) During the year the company approved new investments amounting to some £1,327,050, bringing its total commitments since incorporation to £2,700,264. Seven of the investments are in enterprises supported by Northern Nigeria Investments Ltd (para 116) and Development Finance Company (Eastern Nigeria) Ltd (para 105). Surplus funds are invested in government securities, Treasury bills, and bank acceptances.

(3) Gross revenue in 1965 was £257,743 and administration expenses were £136,179. Net profit £120,518 (1964 £110,454). £118,000 has been transferred to reserves and a dividend has been paid on the $5\frac{1}{2}$% cumulative paticipating shares.

115 Northern Housing Estates Ltd

(1) Capital £10,000 equity and £110,000 debentures held by Government of Northern Nigeria, and £20,000 7% cumulative preference shares held equally by CDC and Costain (West Africa) Ltd. The company's housing estate of 396 houses at Kaduna is managed by Costain (West Africa) Ltd.

(2) Profit for year to 31.3.65 £7,428 (1963/64 £8,625).

116 Northern Nigeria Investments Ltd—Manager: J. B. Morgan, MBE.

(1) (*a*) Issued capital £3·6m fully paid, held equally by CDC and Northern Nigeria Development Corporation (NNDC), a wholly-owned Government Corporation;

(*b*) NNDC has provided, by transfer of investments, loan capital £297,000 which CDC has agreed to match in cash as and when additional funds are required;

(*c*) CDC and NNDC are currently considering the provision of further loan capital to enable the company to meet demands upon it during the years immediately ahead;

(*d*) CDC investment at 31.12.65 was unchanged from the previous year at £1·8m.

(2) The company promotes and assists the economic development of Northern Nigeria by investigating, initiating and investing in industrial enterprises and in the processing of agricultural produce.

(3) Chairman is Alhaji Muhammadu Ladan, MBE (Dan Iyan Zazzau), who is also Chairman of NNDC. CDC manages the company and, through its own organisation at Regional Office (Lagos) and Head Office in London, supports the company management with the technical and advisory services essential to the appraisal of new projects and the supervision of investments. Assisting projects having teething troubles at early stages of development or otherwise in difficulties took up a good deal of the management staff's time during the year.

(4) Following implementation of the capital expansion scheme in 1964, the company approved new investments in 1965 totalling £337,000, which together with approvals for expansion of existing projects brought total commitments at 31.12.65 to £4,651,250 (1964 £3,841,250), of which £3,981,075 was invested (1964 £3,732,723). At year end the company had investments in 27 projects, including six textile mills, four hides and skins and tannery ventures, blanket manufacture, mineral waters, sugar growing and processing, metal window fabrication, perfumery, cigarette manufacture, engineering, banking, insurance, enamelware, stationery, canning, creameries, bakeries, gramophone records, housing development and the distribution of bottled gas.

(5) The NNIL investments had mixed fortunes during 1965 although on balance the results were not unencouraging. Sixteen traded at a profit: one company came into the hands of a receiver (owing to failure of the

UK parent company) and a textile company representing a substantial investment has been reorganised under new management. Of the rest, two at least should become profitable in the current year. Interest outstanding at 31.12.65 and still unpaid at 31.3.66, apart from that due from the reorganised company already mentioned, was approximately £15,000. An investment reserve of £120,000 has been created.

(6) Gross revenue in 1965 was £373,809 and administration expenses were £53,977. Profit for the year before tax £294,545 (1964 £70,646) was inflated by declaration of a special dividend on one share investment not likely to be repeated in subsequent years. After transferring £120,000 to reserve and providing for tax and a maiden 2% dividend, a balance of £107,567 was carried forward unappropriated.

117 Textile Printers of Nigeria Ltd

(1) (*a*) A public company, sponsored by the Anglo-Dutch African Textiles Investigation Group (ADATIG) comprising The United Africa Company Ltd, The Calico Printers' Association Ltd and Texoprint NV Helmond, for which total capital £3·9m has been arranged;

(*b*) issued and fully paid share capital £1·25m has been subscribed by members of ADATIG, Eastern Nigeria Government and Development Finance Co (Eastern Nigeria) Ltd (para 105) which holds £130,000 shares;

(*c*) during 1965 CDC subscribed firm for £200,000 8% debenture stock 1976/80 in Textile Printers of Nigeria Ltd and sub-underwrote a further £100,000. In the event, the issue (£1·3m) was fully subscribed and CDC was not required to take up any part of the additional £100,000. Development Finance Co (Eastern Nigeria) Ltd was also among the subscribers to the debenture stock and took up £220,000 stock.

(2) The company was formed to build and operate a textile factory near Onitsha in Eastern Nigeria, for bleaching, printing and finishing loom state grey cloth.

(3) Construction of the factory has been substantially completed and the major part of the plant and machinery has been installed. Trial production was started towards the end of 1965 and commercial production started in February 1966.

SIERRA LEONE

(Le2 = £1)

118 Freetown Hotel Ltd—Manager: K. M. Bailey

(The Paramount Hotel)

(1) (*a*) Issuel capital £200,000, represented by 75,000 £1 "A" preferred shares held by CDC and 125,000 "B" deferred shares held by Sierra Leone Government, CDC and Government having subscribed during the year 25,000 "A" and 25,000 "B" shares towards the cost of extending the Paramount Hotel;

(*b*) CDC has agreed to lend £200,000 on debentures guaranteed by Government; of £170,000 advanced, £18,331 had been repaid by 31.12.65; remaining £30,000 will be advanced in 1966 to assist in financing the extension.

(2) The Paramount Hotel which has 72 beds in 48 air-conditioned bedrooms provides first class amenities for visitors to Freetown on business or pleasure. It also supplies catering facilities for inside and outside functions. Work on an extension to provide an additional 24 single bedrooms and two suites and enlargement of the public rooms and service areas is expected to be completed by May 1966.

(3) The Paramount Hotel continued to enjoy the support of the travelling public during 1965 and takings increased but operating costs, though closely controlled, continued to rise and outstripped the increase in revenue.

(4) Net profit £5,807 (1964 £8,883).

119 Guma Valley Water Company

(1) A statutory company owned by Sierra Leone Government and Freetown City Council. CDC and Commonwealth Development Finance Co Ltd have agreed to lend £2m and £400,000 respectively to this company towards the estimated total cost of £4·9m for constructing an earth dam and associated waterworks in the Guma Valley, near Freetown; loans are guaranteed by Sierra Leone Government, which has undertaken to provide the balance of the finance required to complete the project.

(2) The company, which is responsible for distributing water in the Freetown area, will own the installation when completed and will also supply water to the hydro-electric generating sets which are being installed by the Sierra Leone Electricity Corporation.

(3) Construction of the dam is nearing completion; formal handing over is expected to take place in May 1966. Associated water treatment works were substantially completed during the year and have already been brought into use: as a result the quality of the water delivered to the consumer has been much improved.

(4) CDC had avanced £1,450,000 at 31.12.65 (1964 £1,150,000).

120 Sierra Leone Investments Ltd

(1) (*a*) Issued share capital 350,000 shares of £1 each (6s. paid) held as to 200,000 shares by CDC and 150,000 shares by Sierra Leone Government;

(*b*) Sierra Leone Government has advanced a £30,000 interest-free loan as a contribution towards the cost of establishing the company;

(*c*) additionally, CDC and Sierra Leone Government have agreed to make short-term interest-free loans of £4,000 and £3,000 respectively, to cover the company's commitments at the end of the year;

(*d*) CDC investment at 31.12.65 was £64,000 (1964 £30,000).

(2) As foreshadowed in last year's report, the company's future was reviewed with Sierra Leone Government owing to difficulties in finding projects to support. It was decided that prospects of future business did

not justify the maintenance of a resident manager and accordingly CDC, in agreement with Sierra Leone Government, terminated its managing agency of the company on 31.12.65 and withdrew the manager.

(3) Company's operations will be suspended. Supervision of three investments totalling £93,500 has been placed in the hands of the company's auditors.

(4) Loss £8,821 (1964 loss £9,541).

CAMEROUN

(CFA Frs 685 = £1)

121 **Cameroons Development Corporation**—General Manager: T. S. Jones, OBE

(1) (*a*) Cameroons Development Corporation is a statutory authority responsible for the development of plantations of rubber, bananas, oil palm, cocoa, tea and pepper in West Cameroon;

(*b*) CDC has lent £1m and acts as managing agents.

(2) The 1965 development programme was 1,627 acres (1964 3,635 acres) financed by self-generated funds. The bulk of the Corporation's capital expenditure was applied to maintaining the large areas of immature crops, mainly rubber and oil palms, which at the year-end amounted to 31% of the total planted area, and to replacement of capital equipment. Missions from Fonds Europeen de Developpement and the World Bank visited Cameroon in connection with the Corporation's loan applications to finance an expansion and replanting programme of some 38,000 acres in oil palms, rubber and tea, but although initial reactions were favourable it is unlikely that finance can become available much before the end of 1966.

(3) Total planted area at the end of the year was 55,748 acres, a decrease of 2,176 acres from 1964 due principally to a reduction in the area under bananas.

(4) Considerable reorganisation took place during the year in all departments with a view to establishing a sound basis from which the large development programme can expand. Negotiations for the sale to the Federal Government Ports Authority of the port assets at Bota and Tiko were satisfactorily concluded; a price of £364,000 was agreed of which £73,000 was paid in October 1965; the balance will be paid in two equal instalments on 1.8.66 and 1.8.67. The Corporation and its technical staff were actively concerned in the formulation of the new West Cameroon and Federal Five-Year Development Plan and with plans for the development of Government smallholders schemes.

(5) Production of rubber, oil palms and tea was well above the level of 1964, but banana production fell slightly due to a heavy attack of fruit-rot brought on by abnormally heavy and prolonged rainfall. Net profit £67,857 (1964 £85,315 loss).

EXTRA REGIONAL

GIBRALTAR

122 Bland Aerial Ropeway Ltd

(1) CDC agreed in 1965 to subscribe £49,000 in ordinary shares and to lend up to £70,000 on debentures to Bland Aerial Ropeway Ltd. This company was incorporated in Gibraltar in 1964 by M. H. Bland & Co Ltd, who own the remainder of the £100,000 share capital, to construct and operate a passenger aerial ropeway to the top of the Rock of Gibraltar, on land leased from Gibraltar Government.

(2) The enterprise will add to the amenities of Gibraltar, and should be an attraction to visitors with consequent benefit to the local economy. Gibraltar Government revenues will gain from the company's payment of a royalty on passenger receipts and by payment of rent.

(3) Construction of the ropeway, estimated to cost £170,000, started towards the end of 1964 and is due to be completed in time for the 1966 Easter tourist season. A two-track ropeway, inclined length 2,208 ft, elevation difference 1,157 ft, with each track rope carrying one car accommodating up to 25 passengers and one conductor, will be capable of carrying up to 400 passengers an hour. At Signal Hill there will be a restaurant, bar and shops connected with the upper station. M. H. Bland & Co Ltd, who have hotel and travel interests in Gibraltar, are the managers.

(4) CDC's investment at 31.12.65 was £49,000 in ordinary shares.

123 Gibraltar Housing

(1) CDC agreed in 1964 to lend £400,000 to Gibraltar Government towards a scheme estimated to cost about £1,211,500 for building 336 flats, to help alleviate the acute housing shortage.

(2) The remainder of the cost of the project is being met by a grant from Colonial Development and Welfare funds and from the Gibraltar Government's own Improvement and Development Fund.

(3) Construction started at the end of 1964. CDC had advanced £120,000 at 31.12.65.

INDEX OF PROJECT REPORTS

(30843) Dd. 124608 K13 5/66 St.S.