CDC
CAPITAL PARTNERS

CDC Group plc report & accounts 1999

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CDC invests in over 50 emerging markets worldwide and has offices in over 30 countries.

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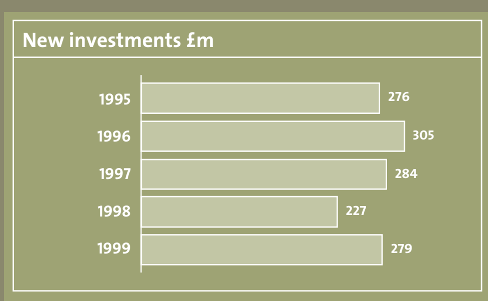
● CDC office

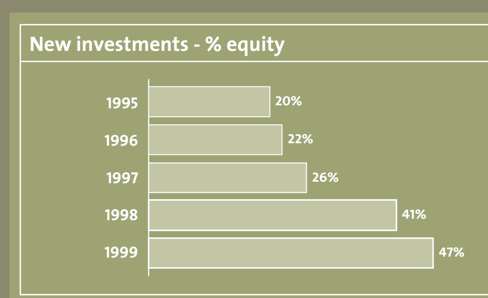
Note: We will be opening offices in Florida, Virginia, Singapore and Beijing during 2000

Financial highlights

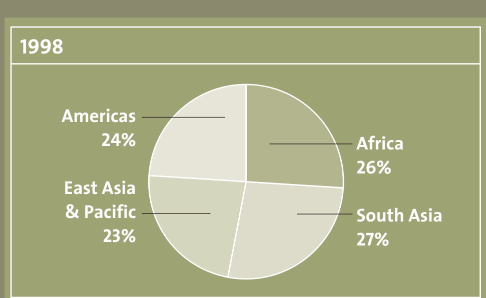
- Major recovery from 1998 due primarily to a more favourable economic climate in the markets in which we operate
- Profit before tax of £79.9m up from a loss of £28.2m in 1998
- Total return after tax on a valuation basis £35.6m (1998 £100.5m loss)
- New investments of £279m (1998 £227m)
- Total portfolio at 31 December 1999 valued at £1.3 billion, 40% in equity (31 December 1998: £1.3 billion, 32% in equity)
- 27 major equity realisations resulting in profit of £19.9m

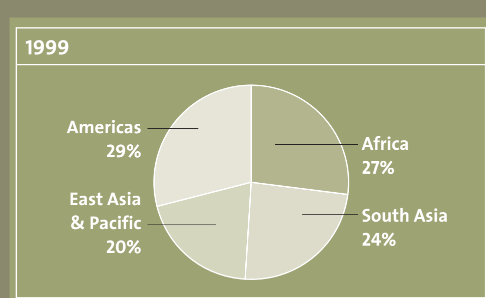
Five year trends



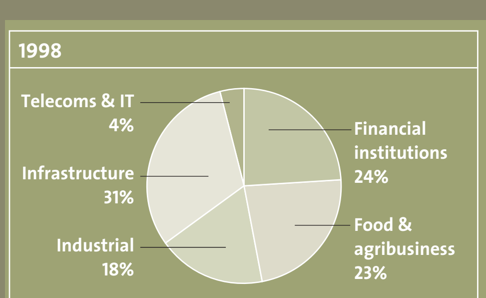


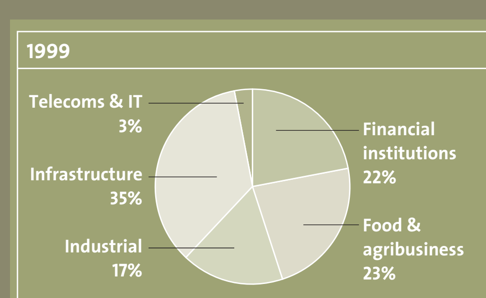
Geographic portfolio





Sector portfolio





CDC is one of the world's leading equity investors in emerging markets. Currently, through our involvement in over 400 businesses, we have US$2.5 billion invested in more than 50 of the world's developing countries.

Our aim is to identify and support sustainable, commercially viable business ventures where we can be an added-value partner and can generate attractive rates of return. Where appropriate we can provide management and technical expertise to the businesses in which we invest. Additionally, through our extensive network of funding partners, we are well placed to introduce co-investors to, or syndicate, larger deals.

In all our investments, we support the implementation of best ethical practice, and have developed and adopted a code of business principles applicable to investment in emerging markets.

Chairman's statement

We are now focused on achieving full risk adjusted returns on our portfolio within the parameters of our investment policy. This requires that 70% of our new investments over a rolling five year basis are invested in countries with a 1996 GDP per capita of less than US$1,730. Also, our aim is that 50% of our new investments year on year should be in sub-Saharan Africa and South Asia. Further, we operate within the business principles agreed with the Department for International Development (DFID) containing ethical, environmental, health & safety and social policies, which set clear standards for responsible corporate governance.

Our investment policy allows us to focus on areas where we have a comparative advantage by virtue of the specialist expertise and relationships we have built up over many years. In development terms too, I have high expectations that by aligning our investments fully to the private sector, we will achieve the optimal allocation of capital and can, therefore, intensify our development contribution in the economies in which we work.

Since we are no longer constrained to invest only where the private sector would not do so, we are able to focus our activities on areas of sustainable and profitable growth in an increasingly global market place. Moreover, as we replace our predominantly loan portfolio with equity related investments, we are working in a more participative and direct way with companies and other partners to maximise the added value of each investment. This new role for CDC entails substantial alteration in the way in which we operate. Changes to our management structure have been put in place. A major programme for retaining personnel is underway. Revised reward structures based on financial performance are being devised, with short and long term incentive plans. Costs in each area of activity are being reviewed. While it will take time to complete this process - we have, for instance, still to agree the most appropriate capital structure with UK Government - much has already been achieved. I must pay tribute to the way our employees have embraced our new mandate and the need for change with enthusiasm and commitment.

We said farewell to Roy Reynolds at the year end, who retired after five and a half years as chief executive. Roy Reynolds led CDC with skill and judgement through difficult times for the economies in which we work. He also showed vision and determination in leading CDC towards its new status, setting the framework for our future development. He has made an outstanding contribution.

We also say farewell to Carolyn Hayman, Roger Murray, David Pearce and Hari Shankar Singhania, as we reduce the number of non-executive directors to a level appropriate to our new status. CDC has greatly benefited from the significant guidance they have each made from their distinctive backgrounds.

I am delighted that Alan Gillespie has agreed to join CDC as our new chief executive. He comes with a high reputation for achievement as a partner of Goldman Sachs. His experience is well

1999 has been a defining year in the history of CDC. The CDC Act 1999 received Royal Assent in July. Thereafter, on 8 December CDC was transformed from a statutory corporation to become CDC Group plc. This step creates the corporate structure into which private sector capital can be introduced in due course.

matched to the requirements of CDC in the years ahead. I have no doubt he will lead our team with great skill.

It has been a time of change, too, in the relationship with our counterparties. At the heart of this process has been the creation of the most appropriate structure for CDC Group plc in discussion with DFID. These discussions have been marked by an imaginative and constructive approach as DFID's role changes from a supervisory one to that of sole shareholder. Our relations with other development agencies, governments and companies are also changing as the focus of CDC's objectives has been precisely defined. We are already seeing the benefits of a better alignment of our complementary interest, to the benefit of all.

It is too early to forecast when and exactly how private sector participation will be effected. However, all at CDC are working with enthusiasm towards the time when the introduction of private capital will enhance our ability to broaden the future scope of our work.

Our results for 1999 show considerable improvement over the previous year, when the full effects of the South-East Asian crisis, added to difficulties in Pakistan, took their toll. Emerging markets have recovered perhaps more sharply than expected. Commodity prices have started to improve. Our cash flow has strengthened. A number of problem investments have been resolved as we intensify an active management policy. We have adopted new policies for valuing our equity investments in line with British Venture Capital Association guidelines which, given the relatively young nature of our equity holdings, results in a conservative valuation of our equity portfolio.

The increased integration between our managed businesses, our investment portfolio management and the funds we manage on behalf of third parties is bearing fruit. Our continued focus on specific industry sectors is an increasing source of strength. While the year to year results of CDC will be affected by events in the emerging economies that are outside our control, I am confident that we have laid much of the groundwork for a successful future. As emerging economies increasingly reform their policies to take advantage of the potential benefits of globalisation, the role for an experienced private capital organisation dedicated to these economies is an exciting one. CDC is, perhaps, uniquely placed to benefit financially while, at the same time, playing an important development role.

Lord Cairns
Chairman

Chief executive's review

Looking back over 1999, I would describe CDC's year as one of success and achievement. The year saw positive results delivered in terms of new investments and exits, and considerable change to the organisation in terms of structure and strategy.

I joined CDC in December 1999 at a time when it was being transformed into a public limited company, following the passing of the CDC Act earlier in the year. This marked an important step in the organisation's preparation for becoming a Public Private Partnership. As part of this preparation, we continue to make excellent progress towards fulfilling our mandate, which is to invest in and develop long term commercially viable businesses, generate attractive returns for shareholders, while at all times being a responsible and ethical investor.

Much has already been put in place to equip us for competing effectively in the private sector:

- we are training our people and recruiting private equity professionals from the private sector
- we increasingly focus on equity and equity related investments
- we have devised a code of business practice which is applicable to investing in emerging markets and will, hopefully, be an example to others
- we have agreed on an investment policy which ensures we continue to invest in poorer and middle income countries, and which also opens doors to new markets where CDC has not previously been active
- we have repositioned the CDC brand as CDC Capital Partners to underpin the change in our business strategy

There is still more to do in terms of building new skills and experience, in renewing the CDC culture as a private equity investor, and defining the scope and shape of the organisation.

Alongside these structural, legal and cultural changes, we have been successful in continuing to adjust our business towards making equity and equity related investments. At 31 December 1999, 40% of our portfolio was in equity, compared to 32% at 31 December 1998. Additionally, of new investments made in 1999, 47% were equity, compared to 41% in 1998. We now need to establish an equity track record ahead of inviting private sector shareholders to partner us. This increased focus on equity is important for a number of reasons:

- an equity portfolio will provide better returns for our future shareholders
- we believe that we will create greater positive impact in the economies in which we invest by making available to business permanent capital, rather than loan capital which is repayable
- we believe we can more effectively help companies achieve their ambitions through taking an equity stake in view of the better leverage opportunities this affords
- through equity participation, we are able to have a more direct, active role in our underlying investments

By establishing an appropriate track record in equity investment we expect to be able to invite private sector investment into CDC and fulfil our ambition of creating a CDC that has a greater, positive impact in emerging markets.

1999 results

There was significant recovery in many emerging economies during 1999, with parts of Asia showing dramatic improvement. It is hoped that this will continue and spread through the target markets in the region that saw a more modest recovery last year. The emerging markets in Central and South America made steady improvement, while performance in Africa was generally flat.

Against this backdrop our financial performance has been satisfactory with profit before tax of £80m against a loss of £28m the previous year.

In terms of new investment, we invested a total of £279m in 1999, up 23% on 1998. Over a five year period, we invested £1.14 billion - 83% of our total investments made - in poor countries*. This means we have fulfiled the investment requirement laid down in our investment policy of having 70% of our new investments over five years invested in poor countries*. We continue to work hard to ensure that year on year over 50% of our new investments are in sub-Saharan Africa and South Asia.

Business focus

We continued to redefine our business structure and strategy last year to reflect the fundamental changes in the emerging markets in which we operate. We are confident that these moves will ensure CDC is in good shape to make the maximum impact in these markets in the future.

Our fund management activities, previously separately managed, have now been integrated and aligned within our mainstream investment business. At the year end, funds under management in our regional and country specific funds totalled US$412m, of which US$234m was from third parties. These are, in effect, early examples of our ability to operate as a Public Private Partnership.

CDC Industries, our managed business division which takes majority stakes in individual industries, is committed to building significant scale businesses, competitive in their markets. This division is now working much more closely with other elements of CDC to ensure the best deployment of our skill base and a consistent approach to investment.

The integration of our business means we are able to be more responsive to opportunities, offering a seamless range of investment, from participation in small and medium sized projects to significant minority or majority stakes in large scale projects and businesses.

* Countries classified by the World Bank as having a GDP per capita of US$1,740 in 1996

In terms of our business focus we have also identified certain industries that we consider have significant growth potential. This is a response to the increasing financial sophistication and technology we see in some of our markets. There are exciting investment opportunities in sectors such as IT, telecoms, financial services, transport, property, leisure, FMCG and retail, where technology leap-frogging is already evident in certain areas. Several of these are covered in more depth in the business review of this report.

In our managed business area we are focusing on building critical mass in a number of core businesses in order to maximise shareholder returns. These are palm oil in South East Asia; juice in Central America; horticulture and tea in Africa; and an international aquaculture business. This process is nearest completion with cement where we have built up a business group that covers a wide cross-border region of sub-Saharan Africa.

We have also started to focus on new geographic markets, which we consider to be the engines of future growth. Specifically we are looking at Mexico, Argentina, Nigeria and China.

A Memorandum of Understanding (MoU) between the UK and Chinese governments regarding our operations in China was signed in July. Both governments welcome our plan to begin operations in China.

We also signed a MoU with the major insurance group CGU plc to establish a China investment joint venture. Both parties will contribute US$50m with the aim of making private equity investments in China. Details of the joint venture and its investment policy are expected to be finalised by 1 April 2000, with operations starting later this year.

We have also committed funds to our first investment in Argentina, a regional toll road development by Concesiones y Construcciones de Infraestructura .

Recognising the importance of being locally responsive to clients, and the increased opportunities for regional initiatives, we are moving more of our investment professionals out of London into our operating markets. We will have a number of regional units able to provide more extensive resource and expertise in their region. These are being established in Southern and Eastern Africa, with additional ones in South Asia (based in India), South East Asia (based in Singapore) and the Caribbean and Latin America (based in Miami) planned for early 2000.

Last year we reported that we had put in place a statement of business principles. These principles are underpinned by four policies, covering business integrity, environment, occupational health & safety and social issues. This year we are reporting on the statutory framework under which we now operate, and the steps we are taking to ensure that those policies and principles are implemented to the fullest extent possible.

An organisation in change

The chairman has already paid tribute to the contribution of my predecessor, Roy Reynolds, and I would like to add my own thanks to Roy for positioning CDC for transformation to a Public Private Partnership. As a result, I am inheriting an organisation that is in good shape for its transition, and I have been most impressed to find an appetite and energy for change within CDC. While we work with financial capital, it is ultimately the human capital of an organisation such as ours which is critical to its success. The buy-in and enthusiasm of the CDC family through an immense period of change is an extremely heartening signal and basis for the future.

I should also like to welcome Richard Laing to the CDC board of directors as our newly appointed finance director. Richard joined us in January 2000 after an outstanding career at De La Rue, where his experience of international financial markets and his past involvement in strategic business issues will be of great value to CDC as it meets the challenges of securing the necessary financial returns expected by the private sector.

In conclusion, I would like to say that CDC is a unique organisation - being a conduit for both public and private capital flows. This is extremely attractive to investees, sponsors, co-investors and governments in the markets where we operate. With the addition of a good track record in equity investment in these markets, I am confident we will be an attractive investment opportunity for potential private sector shareholders.

Alan R Gillespie
Chief executive

Business review

We identified many interesting investment opportunities in 1999. The pages that follow provide you with some of the highlights. First, we look at the regional round-up for the year to give a flavour of the geographic diversity of our operation, and portfolio. Then we focus on a number of sectors that have provided fascinating potential during the year. While this is not intended to be an exhaustive account of every investment we have made during the year, it should give insight into the diversity of activities in which we are involved.

Americas

The Brazilian currency crisis in January made 1999 a difficult year in Latin America. The subsequent devaluation and the tight fiscal and monetary policies pursued by the Brazilian Government had an impact on economies throughout the southern cone. As a result, growth levels were reduced in Peru and Bolivia, though both countries managed to avoid outright recession. Smaller businesses dependent on trade with Brazil were particularly badly affected. Ecuador was plagued by political and economic crises throughout the year. In Central America, growth was held back in Guatemala, Honduras and Nicaragua in the aftermath of Hurricane Mitch. Costa Rica was less affected and was in any event buoyed up by revenues from its fast growing, high tech industry. Growth in Belize was maintained at a respectable 2.5% on the back of improved tourism receipts. We expect this to continue in 2000, at least partially fuelled by CDC's investments in the juice sector.

Growth against the trend

Notwithstanding this, we had an active year in the region, with new investments totalling £92m, two and a half times greater than in 1998. These figures include important investments in the power and juice sectors, detailed elsewhere in this review.

One of our largest single investments, of US$40m, was in **Soboce**, the biggest cement company in Bolivia. We expect growth to resume strongly in Bolivia in 2000, and Soboce is well positioned to capitalise on this.

As part of the Peruvian Government's privatisation programme, we bought 50% of **Gran Ferrocarril Central de Peru**, that part of the Peruvian railway system which links the mining regions in the Central Andes with the coast. Successful operation of the system holds great promise for both the economy and the company's shareholders.

Our major investment in Ecuador's second largest banana company, **Favorita**, continued to prosper despite the difficult economic conditions in the country. We also invested in a confectionery manufacturer and distributor, **La Universal**, which offers considerable potential once economic stability returns.

Growth in the Caribbean was patchy, with some areas doing well and others standing still. However, here again, our investment levels were up on the previous year, in this case at £55m – almost three times the 1998 figure. We transacted the first deal in our Caribbean private equity fund, the Tíona Fund, investing in a small insurance company in Barbados. We also backed a management team to set up **Tradewinds**, a company dedicated to building up a hotel business in the Caribbean. Tradewinds' first investment was in a hotel in Jolly Beach in Antigua.

The Dominican Republic demonstrated another year of high level growth. The government's decision to privatise its power generation assets led to CDC's partnership in a consortium to acquire and operate **Haina**, which represents approximately half of the country's generating capacity.

Africa

1999 was a year of consolidation for Africa, with Nigeria returning its first democratically elected president since 1983; South Africa confirming its commitment to democracy; and continued efforts to bring an African-led solution to African problems. However, this was against a background of deteriorating terms of trade in the late 1990s and slower economic growth. Looking to 2000, sub-Saharan Africa is forecast by the Economist Intelligence Unit to be the fastest growing region in the world, propelled by higher commodity prices.

Cross border opportunities

Cross border trade and investment are key to Africa's long term growth. We are uniquely placed to act as a strategic equity partner in high growth businesses seeking to enhance their presence across sub-Saharan Africa, both through our extensive office network in Africa and our in-depth country and sector knowledge.

Our managed businesses provide excellent examples of the benefits of operating across Africa. The availability of cement is a prerequisite for development. We manage three cement companies in sub-Saharan Africa, and have used this experience to improve quality, efficiency, penetrate new markets and improve margins. Rehabilitation of one of these, Mbeya Cement Company in Tanzania, acquired at the end of 1998, started in 1999. All three companies are poised for future growth as rehabilitation programmes are completed and operations harmonised.

In tea, we are creating a world class business with a regional base in East Africa. While the main markets are for bulk export of unblended tea, we are also targeting domestic markets in the region with blended and branded retail packs. Horticulture provides yet another example of our ability to capitalise on our expertise, both in meeting the increasingly sophisticated demands of consumers, and the highest social and environmental standards. Within our other investments we have also focused on pan-regional opportunities in the fmcg, mining, telecoms and tourism sectors. Information about our investment in **Afribrand**, manufacturers and distributors of a wide range of biscuits, confectionery and soft drinks to the informal sector, can be found in the fmcg section of this review.

In the mining sector, along with our partner, Australian owned Lion Selection, we created a new equity fund, **Africa Lion Limited**, to target new mineral projects and stimulate a flow of medium to long term direct investment into Africa. The fund, capitalised at US$30m, will be an early stage, long term investor, focusing on development projects, feasibility and advanced exploration; in other words 80% of the fund's investments will be in projects which have discovered a deposit, with an emphasis on gold and base metals. The fund will use CDC's expertise to evaluate country risk.

In tourism, we acquired a 40% stake in **Protea Hospitality Corporation**. Protea is one of South Africa's best known hotel brands and is seeking to expand throughout Africa. As cross border business opportunities and tourism continue to increase in Africa, the demand for quality, affordable accommodation will be at a premium. We aim to assist Protea in transforming itself into a truly international company through our unrivalled pan-African network of commercial contacts.

Notwithstanding the economic difficulties in Zimbabwe, we completed two MBOs, one for **Eco Plastics** which specialises in the manufacture of plastics from recycled materials, and the other in **Lightfood Services** which produces carbon paper. We also completed a successful MBO in Kenya in the fmcg sector, with the spin off of the cereal and pet food manufacturer Procter and Allen from the **Unga Group**.

In other areas, we made a promising investment during the year in one of Ghana's major quoted banks, **SSB**. Also**, Manda Hills**, Zambia's first shopping mall and one of our 1998 investments, opened for business.

South Asia

The region's economies performed at reasonably high levels of growth despite considerable political instability in all the major countries in the area.

The region's stock markets had mixed fortunes. India performed extremely well with a US dollar total return of 81% for the year (IFCI Index). With the global surge in IT stocks in the second half of the year, the IT sector easily outperformed all other sectors on this market too. Consumer product companies serving the dynamic local market were not far behind. Late in the year the Pakistan market also recovered well from the significant falls of recent years, caused by continuing political and financial instability. The IFCI Index for Pakistan showed a US dollar total return of 37.5%. Bangladesh and Sri Lanka lagged quite badly.

Developing niche markets

The activities of Indian IT companies typically range from offshore services and solutions, professional IT services, hi-end software development and product development, to Internet and e-commerce solutions.

We have now built up a broad range of investments in the IT sector. Our approach involves developing selected niches within this exciting sector, particularly in South Asia. India dominates this market, both in South Asia and in the rest of the developing world. In 1999, we shared in some of India's most promising investment opportunities and success stories.

We completed and increased our investment, through South Asia Regional Fund (SARF), in **Satyam Infoway (SIFY)** of Chennai, South India. Since we invested, SIFY has become a large and broadly based internet company, has listed American Depository Receipts (ADRs) on Nasdaq, and has raised US$235m in the 12 months since we first invested. With board representation, we enjoy a close relationship with SIFY's management and its parent, Satyam Computer Services Ltd, and played a proactive role in SIFY's Nasdaq listing.

Details of other Indian IT investments made during the year can be found in the IT section of this review. Another notable transaction in India was our equity investment in **Ortel Communications Ltd**, a cable TV and related communications service provider which is already pursuing additional business opportunities. Elsewhere in the region, we helped **Millennium InfoTech**, the leading Sri Lankan software services company, complete a second round of funding with new private equity investors.

We are investing in the **South Asia Gateway Terminal**, a private consortium that has been granted the concession to upgrade, modernise and operate container berths on the Queen Elizabeth Quay in Colombo, Sri Lanka. Further information can be found in the transport section of this review. And, in Bangladesh, we invested in **GrameenPhone**, a GSM cellular phone business, that will introduce a mobile phone service for corporate and domestic users in a country that currently has one of the lowest telephone densities in the world.

East Asia & Pacific

Green shoots of recovery
The strong entrepreneurial culture that drove the tremendous growth of the '80s and '90s remains firmly embedded in the region despite the recent economic crisis. Most economic reports and indicators now show that the crisis has abated, in general, and positive growth is expected in the region as a whole. Excellent growth rates have already been seen in some countries. Despite the significant economic and political changes which have taken place, much remains to be done, and a return to pre-crisis levels of activity will not be achieved quickly.

Against the background of economies recovering from severe decline, much of our focus in 1999 was on turnarounds, workouts and restructuring within our existing portfolio. Some success was achieved and this exercise will continue into 2000. Additionally, despite the ongoing difficulties, we managed to conclude some notable deals during the year.

In Thailand we invested in **Universal Food,** a leading producer of branded food products for the local and export markets. Further information on this deal can be found in the fmcg section of this review.

In the Pacific Islands, the Kula Fund, managed by CDC, made two new investments in Papua New Guinea during the year, including the first MBO in the country of **Moore Business Systems**, a manufacturer and distributor of printed materials.

A force in palm oil
We have been involved in the palm oil sector for more than 40 years, initially in Malaysia and more recently in Papua New Guinea and Indonesia.

Palm oil is used as a cooking oil and in processed food products, soaps and detergents. Global demand for oils and fats is forecast to grow strongly over the next decade, particularly in the Asian countries, driven by population growth and, as living standards rise, increased per capita consumption. Over 80% of palm oil is produced in Malaysia and Indonesia, and the region is therefore well placed to meet the growing demand.

During 1999 the price of crude palm oil fell markedly in world markets, from US$640/tonne in January 1999 to US$290/tonne just six months later. This fall was triggered by an oversupply of other vegetable oils at a time when consumption in Asia had not fully recovered from the regional financial crisis of 1997/98. Our existing palm oil operations based in Papua New Guinea were partially insulated from this decline by its policy of forward selling and preferential access to European Union markets. The price has subsequently recovered to US$350/tonne.

CDC identified the opportunity presented by low palm oil prices and the economic conditions in Indonesia, already the lowest cost producer of palm oil in the world, to acquire good value palm oil production assets. During October 1999, CDC acquired a 65% interest in **PT Harapan Sawit Lestari** and has identified several other potential investments in the Indonesian palm oil sector. Plans are now in place to develop a regional palm oil business with 500,000 tonnes per annum production capacity.

In order to consolidate this position and give a clear focus and strategic direction, with effect from January 2000, our palm oil interests have been combined into a business group managed from Singapore. With an experienced management team, it will be able to operate effectively in both global and regional markets, with the objective of enhancing shareholder value.

Power

1

In 1999 CDC invested US$30 million in Empresa Energetica Corinto. This company owns and operates a 70 MW barge mounted diesel power plant in Corinto, the main port of Nicaragua, in the heart of the region dramatically affected by Hurricane Mitch at the end of 1998.

An innovative component of the transaction is that as well as selling power to the local utility, the company plans to use the provisions of the new electricity law in Nicaragua to sell power directly to large industrial customers.

CDC holds a 30% stake and partners Enron of the USA, a leading strategic investor in the region, and with Centrans of Guatemala, a leading regional player.

Power continued

Approximately 20% of CDC's investments are in power, an area which continues to show growth. The provision of viable sources of energy is a major catalyst for development in emerging markets.

Powerful initiatives in the Caribbean basin

Getting in early has its reward. In **San Pedro de Macoris** we got involved in the early stages of bidding, negotiating and structuring this independent power producer (IPP) in the Dominican Republic. It is now nearing financial close and the fact that we were able to take significant early stage risk - because we understood that risk - is paying off. This aggressive, yet soundly based, approach had helped us, by year end, to commit significant new investment to power businesses throughout the Caribbean basin and beyond.

This expansion builds on a strong existing power portfolio in the region. We already have utility or IPP investments in Costa Rica, Guatemala, Jamaica, St. Lucia and Dominica. In the latter two, we are both investors and managers. Now we are expanding in the Dominican Republic, Guyana and Nicaragua. This expansion has widened the range of our close business relationships to include a number of major players in the power sector such as Enron, Coastal, Duke, CMS and Cogentrix of the USA, Ormat of Israel and Ireland's ESBI.

It was with ESBI of Ireland that we set up a joint venture, AC Power Co, to acquire most of the assets of the former Guyana Electricity Company (GEC) to create a new national power utility, **Guyana Power and Light** (GPL). GEC had for years suffered from undercapitalisation and an inability to recruit and reward adequate skilled personnel. The deal has included agreements on future system development, tariff mechanisms, performance incentives, staff development and investment protection as part of a comprehensive package to revitalise the country's power supply.

The introduction of US$24m of new equity investment with modern management and efficient systems, alongside this reform package, will have a hugely beneficial effect on the economy of Guyana. An unreliable power supply had been inhibiting business and commerce throughout the country. The success of this privatisation will, in itself, send all the right signals to foreign investors about the positive changes that are taking place in the economic management of Guyana, a country with great potential for economic and commercial growth. As GPL develops, shares in the company will be offered to other investors. We also see potential synergies between GPL, AC Power Co and CDC's other power investments in the region in the development of operational linkages.

The Dominican Republic saw another CDC-led deal in 1999 when we took the leading role in a consortium which mounted a successful US$145m bid to acquire 50% of the shares of the generation company **Empresa Genadora de Electricidad Haina (Haina)** and subsequently take management control. The company is now adding further generating capacity in anticipation of being able to sell power into a UK-style power pool.

Our involvement in a series of major power initiatives in 1999 led to a significant increase in our portfolio of power assets in the Caribbean and Latin America. These included substantial investment in two state sell-offs in the Dominican Republic and Guyana, as well as participating in the creation of an innovative, regional power fund.

Our stake in Haina, alongside our investments in San Pedro de Macoris and **Compania de Electricidad de Puerto Plata**, gives us a very significant role in the electricity industry of the Dominican Republic, one of the fastest growing economies in the world in 1999. A good electricity supply is essential to support further growth and that growth will ensure that CDC's investments in the power sector produce good returns.

In Nicaragua, another country suffering from the power outages associated with old plant and high system losses, we purchased a 30% stake in **Empresa Energetica de Corinto** in a US$30m transaction. This IPP has successfully installed a 70MW diesel fuelled, barge mounted power station in the port of Corinto on the western coast. It will be selling power both to the national utility and direct to large customers.

CDC was also active in power finance, with a US$15m commitment to the **Caribbean Basin Power Fund**, alongside a number of other prominent financiers. The fund is managed by Energy Investors Funds of the USA. Although CDC does not normally invest in funds managed by others, we played a crucial role in shaping this instrument with its unique parallel debt facility. The fund is expected to provide a significant boost to the liquidity of the power market in the region. This in turn will be a major factor in attracting foreign investors in the sector.

With our energetic expansion in power in 1999, we have further strengthened our position as a recognised equity investor in the sector with a particular capacity to structure imaginative deals, not only in the Caribbean, but throughout the developing world. We will build on this reputation to continue to initiate and develop exciting new deals in which our expertise can add real value.

FMCG

2

In 1999, CDC concluded its acquisition of approximately 15% of the common stock in Afribrand Holdings, a fast moving consumer goods company quoted on the Johannesburg stock exchange.

Afribrand manufactures and markets a wide range of snack food, confectionery, and soft beverage products to the informal sector. In our first deal of this type in the region, we demonstrated our move towards partnership with high potential quoted businesses.

Our future concentration in fmcg will be within the branded sector. We will support businesses that demonstrate robust brands, clear market strategies, and strong shareholder value. CDC have extensive knowledge and contacts in these types of market. We are working with management to build a commercial platform for organic growth.

CDC believes that investment in fmcg offers excellent opportunities, especially where a company has a position of strength within the distribution chain, and where there is evidence of growth and profits.

New brands, new markets

Whenever emerging markets begin to develop a distributive and retail infrastructure, it has the effect of shifting product focus away from unbranded commodities towards branded goods. These will reflect the needs and tastes of indigenous consumers, and may be of either international or local origin.

Such a trend can already be identified in countries like South Africa, with an emerging black middle class and the availability of quality focused brands. Though this community still tends to shop from the smaller township retailers, where they have access to familiar brands, the next stage in the developmental cycle is for chain stores to emerge which will offer even greater choice, and significantly improve availability of branded goods.

CDC has recognised this trend for a number of years, and in response to a number of key markets reaching this stage of economic maturity, has established a specialist business unit to focus upon branded and retail investment opportunities.

We have already completed several deals in this sector and have a strong pipeline of new opportunities coming through in 2000.

In December 1999, we concluded a deal with **Universal Foods Company (UFC)** which enjoys a significant market share in the Thai market for canned fruits, vegetables and juices. UFC is recognised as one of the leading Thai exporters of canned products by international private label customers. Our investment and ongoing involvement will support the company's recent expansion into the fast growing canned coffee market; enable it to consolidate its position in the fresh and frozen fruit and vegetable markets; and help it develop its export markets.

In the summer we invested US$10m equity in **La Universal**, a long established and respected producer of chocolate, hard candy, confectionery and pasta within Ecuador. Our investment was used to upgrade the existing plant and re-engineer the production layout to increase capacity and improve efficiencies. Despite a difficult trading environment, we were encouraged by La Universal's strong brands and focused management.

La Universal is now actively exploring new markets for its products in the Caribbean and Latin America and other global markets and has recently signed a co-operation agreement for the marketing of its brand leading Manicho bar as an ice cream. In order to access increased hard currency sales, the company has also exploited its position in semi finished chocolate products and has built up a strong bank of customers in the United States.

Local CDC country management continues to work very closely with La Universal and has developed a strong commercial partnership.

At the end of 1998, we invested in Laurentina, a privatised Mozambican brewery, in partnership with Guinness and Castel.

In June we made a US$6m equity investment in Nicaraguan poultry breeder and processor, **Tip Top**, one of the leading players in the Central American market for processed and frozen chickens. Strong market demand and competent management have developed the business, and further acquisitions are a realistic option, as the company continues to build a strong market position within the Caribbean and Latin American marketplace.

At the end of 1998, we invested in **Laurentina**, a privatised Mozambican brewery, in partnership with Guinness and Castel. The brewery had received little investment in recent times and the privatisation was an opportunity for us to participate in the redevelopment of a strong local brand in an under supplied market, alongside two world class partners. We are now leading second round financing in support of increased production capacity on a new and enlarged site to better match supply with local market demand.

IT

3

CDC invested early in Satyam Infoway which has grown rapidly into India's second largest Internet service provider. By January 2000 it already had over 120,000 subscribers and was India's most viewed horizontal portal . The company has also negotiated agreements with a number of leading technology companies – CompuServe, Open Market and Sterling Commerce – to offer corporate, network and commerce services.

In 1999 it became the second Indian company, and the first Indian Internet company, to raise money on Nasdaq. The funds are being deployed in upgrading network infrastructure, to invest in portals and for advertising and brand building.

IT continued

The activities of Indian IT companies typically range from offshore services and solutions, professional IT services and hi-end software and product development, to internet and e-commerce solutions.

India's silicon plateau – where IT's @

India's success in the IT sector is accounted for by the population's interest and skills in technology. Additionally, the use of English as the day to day business language smoothes the way into the US market, the largest IT market in the world. Bangalore in southern India is the geographical centre for the industry, where many companies which benefited from Y2K revenues have now successfully moved on to more value added businesses.

Universities and specialised training centres in India are increasingly turning out high calibre, IT-literate individuals. The quality of their work is globally recognised, and India is emerging as the preferred offshore software base, servicing major global clients, including an estimated 160 US Fortune 500 companies.

Growth is strong in traditional IT areas, as well as in the development of intellectual property involving innovative use of technology. Many companies are investing in the development of products in the fields of e-commerce and embedded software. Global businesses need to carry out migration, re-engineering, maintenance and e-enabling work fast if they wish to maintain global competitiveness. Because the internet allows such services to be provided on a remote sourced basis, Indian IT companies are extremely well positioned to capture this business. As part of this trend, they are setting up overseas subsidiaries and joint ventures, particularly in the US. This not only facilitates foreign fundraising but also provides a classic example of how markets in OECD countries can play a major role in helping the development of the emerging markets.

The total market capitalisation of Indian listed IT companies exceeded US$30 billion in early 2000. Some of these companies have emerged as truly multinational operations with top quality management and access to global capital. In 1999, we made a successful exit from a similar Madras-based IT company in which we invested six years ago.

More recent investments in Indian IT made through the CDC-managed South Asia Regional Fund (SARF), include **Opus Software Solutions**, which operates in the hi-end niche services market. It is based in Pune and Mumbai and provides solutions for the banking and financial services industry in India and abroad. Set up in mid-1998, turnover and profitability have been very strong with a reliable and quality product delivery in place. Opus is now in a position to establish key alliances with international companies in the vertical market of banking and financial services.

Product oriented IT company investments include **Icode**, which is based in Northern Virginia, USA with a development centre in Bangalore. Icode now successfully sells, exclusively in the US, a complete end to end e-business package designed for small and mid-sized US businesses. Icode's products include Accware for Windows and Accware Online, its Web shopfront.

IT in India is characterised by phenomenal organic growth. Indian IT companies are becoming global businesses and growth rates of 50% pa are widely expected for the Indian IT sector over the long term. By 2008, McKinsey & Co expects Indian IT exports to reach US$50 billion (amounting to 35% of all Indian exports), while the domestic IT market will be worth US$37 billion.

In late 1999, we identified **Netkraft** of Bangalore, one of the first wave of Indian companies providing web services. Netkraft focuses on Indian, US and UK clients, providing supply chain and customer relations management solutions, and a range of tools and solutions supporting the newest forms of e-commerce.

We were also the first venture capital investor in a Mumbai portal company **Indiainfoline.com**. The company, which went online in May 1999, has already become the leading vertical portal for India oriented financial information. It has built this on the back of a strong brand franchise and is positioned as a high quality independent information and research provider to the financial services market. It provides free access to most of its products on the Internet, and also offers other value added content.

SARF's investment in **Satyam Infoway (SIFY)** has already become an extremely valuable IT property. SIFY has become a pioneer in the foreign financing arena, enabling the issue of high value paper on US markets to fund global acquisition and merger opportunities. This trend serves to enhance the natural link between the US and India, now the most cost effective developer of software products and web enabling services.

Transport

4

In August 1999, CDC committed an investment of US$42m in South Asia Gateway Terminals (SAGT), a private sector consortium. SAGT has been awarded a 30 year concession to upgrade, modernise and operate three new deep water container berths on the Queen Elizabeth Quay within the Port of Colombo, Sri Lanka.

CDC are backing industry partners P&O Ports, P&O Nedlloyd, John Keells and Evergreen in the US$240m redevelopment which has been conceived to almost double the port's capacity and maximise its commercial potential.

Until now, capacity limitations have constrained port volumes with many potential cargoes sailing past the port. With this state of the art facility, Colombo should retain its position as the premier trans-shipment hub for the Indian sub-continent.

We were able to double our transport investment portfolio in 1999, reflecting the tremendous growth and diversity of opportunities in this area.

Accelerating growth

The main drivers of growth have been the increasing scope of privatisation in the transport sector, and the proliferation of additional transport services in many of the emerging markets where we operate.

In mid 1999, we successfully concluded negotiations for our largest transport investment to date, with a US$42m investment in **South Asia Gateway Terminals (SAGT)** in Colombo Port. SAGT is well positioned to gain increasing market share in the growing South Asia trans-shipment market, and will address the existing port's capacity constraint. Our partners in this investment included P&O, John Keells, Evergreen and the Sri Lanka Ports Authority.

While many of CDC's transport investments have historically been in the port sector, last year also saw our scope widening to other areas such as railways, roads and airports.

In the summer of 1999, we concluded our first railway investment in the Americas, **Ferrocarril Central del Peru.** This is a 30 year concession to operate and run Peru's 591km central railway, which links the Port of Callao in Lima to Peru's mining industry high up in the Andes, making it the world's highest railway. Our partners are the Railroad Development Corporation, a private US railway operator active in Latin America, and a group of well established Peruvian investors. We are the largest single equity investor in this business, and we were involved from an early stage in the bidding and in the subsequent structuring and negotiation of the finance plan.

In Ghana, we backed Felix Semavor and his management team in the expansion of **Kingdom Transport**, a fast growing contract bus business. Kingdom provides some of Ghana's larger businesses, especially in the mining sector, with a reliable and safe solution to ensure that employees arrive at work on time. Our investment will enable the company to double the fleet size and significantly grow its source of business. Again, we are the single largest investor, providing a package of equity, mezzanine and debt guarantee finance.

Regional transport businesses are of particular interest to us. Late in 1999, we approved a US$20m equity and mezzanine finance investment in **Concesiones y Construcciones de Infraestructura (CCI)**, a regional toll road developer and manager in Latin America. CCI is based in Argentina where it is one of the largest and most successful players in the domestic market. The company has embarked on further expansion as other countries in the region open their road networks to private investment. Our investment will enable CCI to grow to a significant regional player, leveraging its existing experience in the sector.

Two of our Kenyan investments in the transport sector started operations last year. The first, **Grain Bulk Handlers**, is an integrated grain and fertiliser bulk handling facility located in Mombasa Port

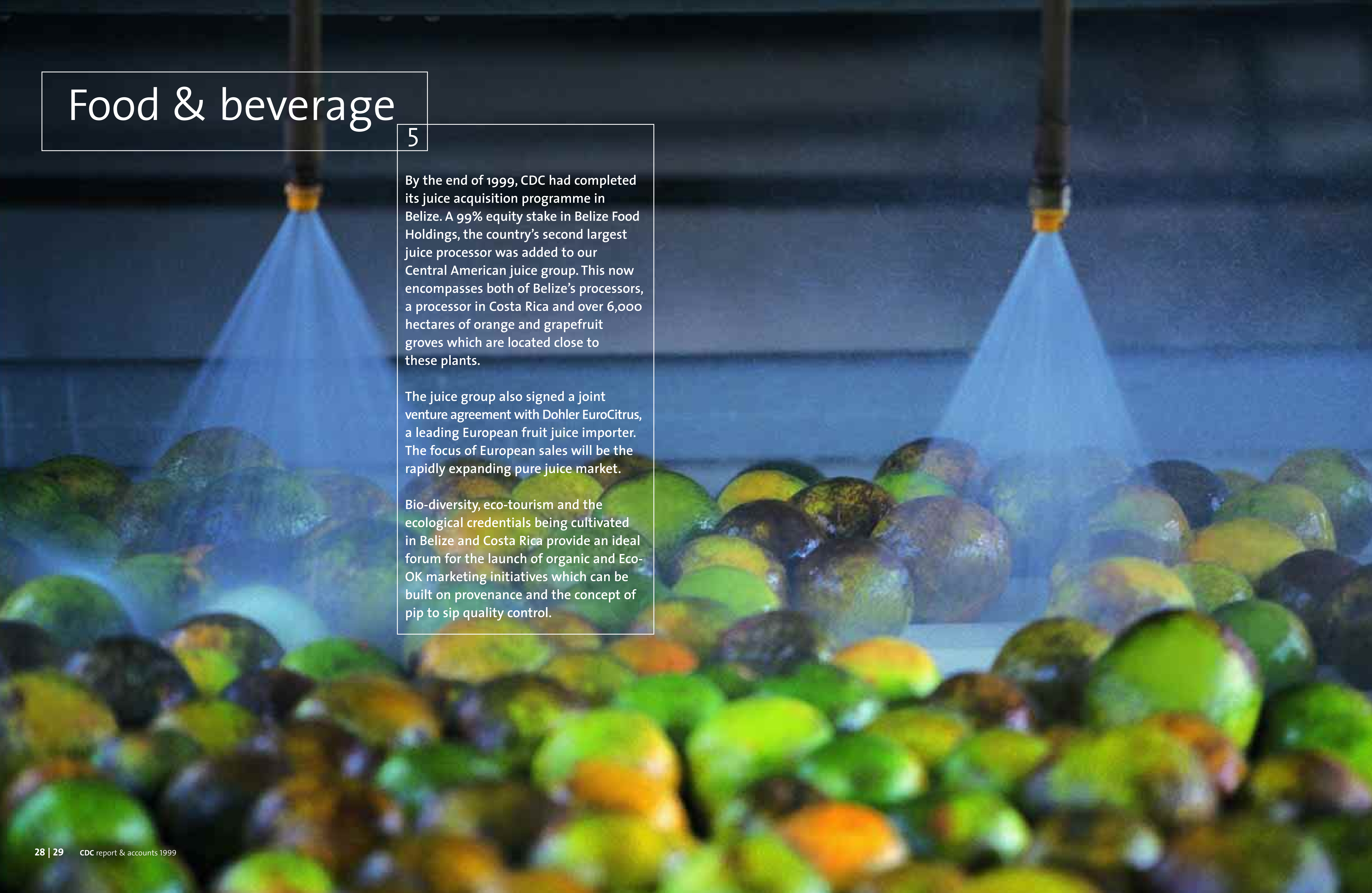
Efficient systems for road, rail, sea and air transport are signs of vibrant economies, and emerging markets are no exception. The sale of state assets will continue to drive many investment opportunities, particularly within the airport sector.

in which we have invested US$10m over the past two years. This facility will considerably enhance grain and fertiliser imports into the country, reducing congestion and spillage at the port, while facilitating more efficient bulk transfer of these commodities.

The second was our transport investment, **African Cargo Handling**. This company, in which we have invested US$8.2m over the past two years alongside two of CDC's managed private equity funds, Comafin and Acacia, provides high quality storage and loading facilities primarily for perishable exports flying out from Jomo Kenyatta airport in Nairobi to the European markets.

We are now seeing increased activity in the airport sector and have a number of new opportunities in our pipeline. While progress on these is driven by privatisation timetables, we expect a number to translate into investments.

Elsewhere in the transport sector, the sale of state assets will continue to drive many investment opportunities. And for CDC, as equity investors, it will be important for us to ensure that our interests are aligned with those of our co-investors. In addition, we are also seeing increased opportunities outside of privatisation programmes, as businesses outsource existing transport services, and the trend to build supply chains and regional businesses accelerates.



Food & beverage

5

By the end of 1999, CDC had completed its juice acquisition programme in Belize. A 99% equity stake in Belize Food Holdings, the country's second largest juice processor was added to our Central American juice group. This now encompasses both of Belize's processors, a processor in Costa Rica and over 6,000 hectares of orange and grapefruit groves which are located close to these plants.

The juice group also signed a joint venture agreement with Dohler EuroCitrus, a leading European fruit juice importer. The focus of European sales will be the rapidly expanding pure juice market.

Bio-diversity, eco-tourism and the ecological credentials being cultivated in Belize and Costa Rica provide an ideal forum for the launch of organic and Eco-OK marketing initiatives which can be built on provenance and the concept of pip to sip quality control.

Food & beverage continued

In 1999, over 10% of the USA's frozen concentrate orange juice and Europe's 'not from concentrate' juice was provided by Costa Rica and Belize.

Building scale businesses

Pure fruit juice – the growth sector

Of all the juices on the market, orange clearly dominates, accounting for over 50% of sales. Growth has been strongest in the premium juice sector of *Not From Concentrate (NFC)*, rather than the more traditional *Frozen Concentrate (FC)* juice. Premium niche segments, such as those for organic and eco-friendly products, are also on the rise.

In a market long dominated by supply from Florida and Brazil, other countries have recently emerged as producers on the world stage. Combining the advantages of guaranteed frost free locations, fertile soils, benevolent climatic conditions and disease resistant citrus rootstocks, the countries of tropical Central America and the Caribbean began to develop commercial production of Valencia Orange and White Marsh Grapefruit in the late 1980s.

CDC first invested in this area in 1989, planting and developing a small orange grove in northern Costa Rica. By 1997, we had built a greenfield processing plant and had developed the area of groves under cultivation in Costa Rica to almost 3,000 hectacres.

In contrast to the greenfield development of its juice business in Costa Rica, CDC adopted an acquisition strategy to grow its business in the region. After an initial investment in a 750 hectare citrus plantation in southern Belize in the early 1990s, we began to invest heavily in both the Belize citrus production and processing industries in 1998. By the end of 1999, We had invested US$40m to acquire the entire juice processing capacity of the country and over 3,000 hectares of groves.

We are now the premier fruit juice player in the Central America & Caribbean region. Through our majority owned equity investments, CDC now manage over 6,000 hectares, dedicated mainly to Valencia Orange and White Marsh Grapefruit, and have a total juice processing capacity of around 13 million, 90lbs boxes of citrus fruit and 40,000 tonnes of pineapple. This total investment now gives us the scale of business required to compete in Europe with the major fruit juice processors in Brazil and Florida in specific niche markets.

Focus on niche opportunities and markets

Size alone, however, is not enough. In order to fully develop the potential of its fruit juice investments, CDC made the decision to bring these investments together into a fruit juice business group under the name Del Oro.

Then, as a first step in gaining influence over the downstream supply of its products, the Del Oro Group entered into a joint venture agreement with Dohler EuroCitrus ('DEC'), one of the leading importers and distributors of fruit juice and juice products in Europe. The joint venture will operate under the name 'Del Oro Europe'. This agreement allows Del Oro to consolidate and manage the distribution of its juice products in Europe, a critical growth

The increasing trend towards a healthy lifestyle and with it, the consumption of fresh, natural food products, have been responsible for increases in both overall and per capita consumption of pure fruit juices in the major markets of Europe and the United States.

market for the value added NFC and organic juice sales and we are also looking to expand sales into the Middle East and Asia, where there is the scope and opportunity for rapid growth in both total and per capita consumption of high quality pure fruit juices.

In the search for new and differentiated products, DEC and Del Oro have teamed up with a Dutch technology company, to develop the commercial application of 'freeze concentrate' technology to the processing of orange and grapefruit juice. This will allow Del Oro to produce, distribute and market a lower cost 'concentrated' pure juice product with a taste profile similar to that of high quality NFC pure juice. Initial deliveries of freeze concentrated grapefruit juice to Del Oro Europe began in January 2000.

Focus on key business functions

As with all CDC's managed investments, Del Oro continues to emphasise the importance of environmental and social responsibility in its business. All our groves in Costa Rica have been certified by Rain Forest Alliance as Eco-OK, and the processing plant has already obtained certification under the ISO9002 (quality assurance) and ISO 14001 (environmental) programmes. The Del Oro group is now working towards similar certifications for our plants and groves in Belize.

The improvement of health & safety standards at work will continue to be an important goal for Del Oro in all its operations. This is vital for a combined business, which employs in excess of 650 permanent staff and more than 550 seasonal harvesting workers.

In both the global marketplace and the local communities in which it operates, Del Oro is committed to success in meeting the dual challenges of being a commercially oriented, yet socially responsible business, while scaling up to face the competitive demands of the global fruit juice market.

Operating and financial review

In this review, we focus on CDC's performance, how we value our assets and the significant trends in the business. We also look at risk – what risks CDC faces, and how we manage those risks.

Summary statement of total return

	1999 £m	1998 £m
Revenue	**132.1**	**138.8**
Operating costs and other items	(43.4)	(36.4)
Cost of change	(3.6)	(1.8)
Unrealised equity valuation losses	(17.9)	(111.8)
Realised equity valuation gains	11.3	0.4
Loan provisions	(23.0)	(96.3)
Total return before tax	**55.5**	**(107.1)**
Tax	(20.0)	6.6
Minority interest	0.1	–
Total return after tax	**35.6**	**(100.5)**

Table 1

CDC Group plc was formed on 8 December 1999 following the transformation of the Commonwealth Development Corporation from a statutory corporation into a plc. The results for the year to 31 December 1999 discussed in this review combine those of the statutory corporation up to 8 December and those of the plc for the brief period thereafter.

1. Reporting results

As a plc, CDC is no longer required to prepare accounts according to Ministerial Direction under the Commonwealth Development Corporation Act 1978, but according to Companies Act and UK accounting standards.

The nature of our investment business is such that on occasions it is beneficial to take a majority holding or significant stake in a business. This allows us to add value with our in-house management expertise in building the business and increases our influence over the timing and nature of our exit from the investment. UK accounting standards require us to consolidate our subsidiaries and to equity account for our associated companies. The consolidated accounts are set on pages 52 to 75.

In most other respects, other than accounting treatment, these investments are identical to the rest of the portfolio and their performance can be measured in the same way. They are required to meet the same investment criteria and form an integral part of our core business of managing a portfolio of investments.

In order to understand more fully the investment activities of CDC, we have therefore also prepared a statement of total return and a portfolio valuation statement in which we have valued all our investments, including our subsidiary and associated companies, at valuation. These statements, together with a reconciliation to the financial statements and the report on those statements by Ernst & Young, are shown in section 7 of this review.

2. How we measure the business

As part of CDC's preparation for Public Private Partnership and in order to measure the performance of our investment strategy, we have carried out a full valuation of our equity and loan portfolio. CDC's equity valuation guidelines have been developed in accordance with the guidance given by the British Venture Capital Association.

The valuation methodology is as follows:

1. Quoted equity that is liquid is valued at the quoted market price less a discount. The level of discount reflects the realisability of CDC's larger holdings and the degree of liquidity of the investment's equity. If liquidity is high, no discount is applied.

2. New unquoted investments are valued at cost for two years after acquisition. Should the investment fall below expectations within the two year period, a discount against the cost is applied.

3. Profitable unquoted equity, or illiquid quoted equity, is valued on an earnings basis using comparative price earnings multiples of quoted companies in similar sectors and emerging markets. Earnings are based on the latest set of audited accounts and are before exceptional items. All unquoted equity investments which are valued at more than £2m are further reviewed for factors which may materially affect their value. The reviews consider, for example:

- the use of other earnings multiples such as EV/EBITDA (enterprise value to earnings before interest, tax and depreciation)
- more recent (and reliable) financial information
- recent third party transactions, and

Summarised balance sheet on valuation basis

	1999	1998
	£m	£m
Equity	532.5	415.3
Loans	794.8	883.0
Total portfolio	**1,327.3**	**1,298.3**
Loans from Government	(755.0)	(755.0)
Other net assets	45.1	38.3
Total net assets on valuation basis	**617.4**	**581.6**

Table 2

Valuation method

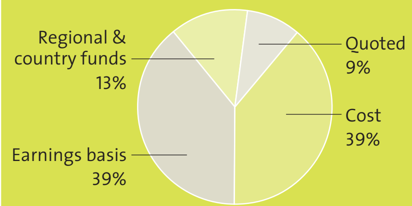


Fig 1

• the value of put options held by CDC under which the investments have to be purchased by a third party, at CDC's option, at pre-determined values.

Individual valuations may then be adjusted to reflect the outcome of the reviews and discounts are applied to reflect the illiquidity of unquoted investments.

4. Loss making unquoted equity is valued at cost less a discount.

5. Property companies are valued at revalued net asset value.

6. Regional and country funds managed by CDC, and other venture capital funds managed by third parties, are valued at net asset value.

7. Provisions are made against non-performing loans (interest or capital in arrears) and against loans where problems have emerged.

The statement of total return for 1999 is shown in section 7 and summarised on page 32 (Table 1). Figure 1 above shows an analysis of the equity portfolio by type of valuation.

3. Financial performance on a valuation basis

3.1 Portfolio performance

CDC's revenue, consisting of dividends from equity investments, interest income for loans and fee income, was £132.1m (1998 £138.8m) representing 10.1% of the average total portfolio during the year. We realised gains of £11.3m (1998 £0.4m) on the 27 equity investments we sold during the year at an average premium of 44% over book value. Unrealised losses on the revaluation of the portfolio were £17.9m (1998 £111.8m loss). Provisions against loans were increased to reflect the continuing difficulties in many of the countries in which we invest, resulting in a £23.0m charge to profits (1998 £96.3m charge). Consequently, the total return on the portfolio was £35.6m or 2.7% of the portfolio, reversing the 1998 loss of £100.5m.

We invested £279m in 1999 and an additional £20m of co-investors funds in the regional and country funds managed by CDC. 47% of our new investments were in equity, up on the 1998 figure of 41% and 26% in 1997. This is indicative of CDC's move away from debt. New investments continue to include an element of loans due to the stock of loans committed prior to the change in strategy from debt to risk capital. New commitments during the year were 55% equity.

52% of new investments in 1999 were in the Caribbean and Latin America with 33% in Africa and the remaining 15% in South and South East Asia. Year on year we aim to make 50% of our investments in sub-Saharan Africa and South Asia. In 1999, we achieved 37% or £103m, with fewer investment opportunities than in 1998 when we invested £132m. Over the last three years new investments in these regions averaged 48%. 51% of the total portfolio at 31 December 1999 was in sub-Saharan Africa and South Asia.

On a sectoral basis, there has been an increasing number of investments in infrastructure during 1999 in comparison to previous years, with 41% of all new investments in this sector.

Figures 2 and 3 show new investments by region and by sector.

3.2 Portfolio review – equity

This section covers the equity portfolio, valued on the guidelines set out in section 2. The equity portfolio includes all equity share investments, warrants and other equity related investments.

The equity portfolio at £532.5m (1998 £415.3m) represents 40% of the investment portfolio at the end of 1999. This compares with

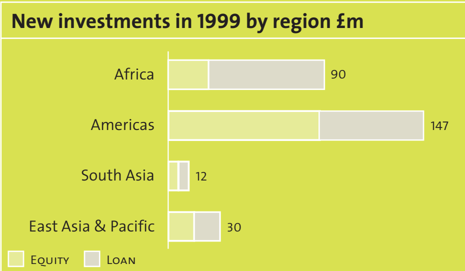


Fig 2

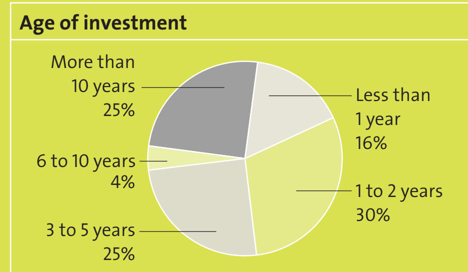


Fig 4

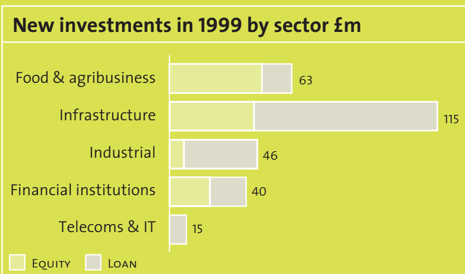


Fig 3

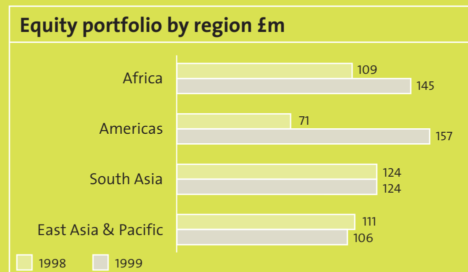


Fig 5

32% at the end of 1998, with the growth reflecting CDC's increasing emphasis on equity investments.

Unrealised net valuation losses (i.e. the difference between opening and closing valuations of investments held throughout the year) were £17.9m. This represents a significant improvement on the unrealised loss of £111.8m incurred in 1998, when emerging markets were affected by the economic crises experienced in 1997 and 1998.

1999 has been a poor year for some of our older investments in soft commodities to which CDC's portfolio has significant exposure, with the biggest reductions in value occurring in our palm oil and rubber investments. In contrast, the success of power projects in the Caribbean and Philippines have led to over £4.4m of valuation gains. In addition, the largest single valuation increase arose on our share of an Indian internet company, Satyam Infoway, which is held in the South Asia Regional Fund (SARF) where CDC holds 46%. Satyam Infoway is a highly successful internet service provider, with American Depository Receipts (ADRs) listed on Nasdaq. It is a good example of the type of equity investment in fast growing industries that we now seek, whilst retaining a balanced portfolio. SARF owns 3.6m shares at an average cost of US$3.38 per share. These have been included in the valuation accounts at US$18 per share at 31 December 1999. Since the year end, like many companies in the technology sector, Satyam Infoway's share price has continued to increase dramatically.

The equity portfolio generated dividend receipts of £22.9m (1998 £23.1m) being a dividend yield of 5.5%.

During 1999 we sold 27 equity investments, representing 6.2% of our opening portfolio. The average length of time these had been held by CDC was nine years, although the most profitable realisations were held for shorter periods. These 27 investments were realised at an average premium of 44% to the valuation at the start of the year. The two largest realisations were Banex, a Costa Rican financial services group, and DSQ Software based in India, both of which were acquired in the mid 1990s. Figure 4 gives a breakdown of the equity portfolio by age.

During the year we invested £131.2m in the equity of 44 businesses. The two largest individual investments were £28.5m in a power project in the Dominican Republic and £17.8m in a Bolivian cement company. We also made significant new investments in palm oil in Indonesia and consumer foods in Ecuador and South Africa. We invested £16.7m in regional and country funds managed by CDC. 66% of new equity investments in 1999 were in the Caribbean and Latin America with 18% in Africa and the remaining 16% in South and South East Asia.

On a geographical basis at 31 December 1999 the equity portfolio was evenly split between Africa, the Americas, South Asia and East Asia & Pacific. The region showing the largest proportional increase was the Americas, primarily as a result of the new investments in the Dominican Republic and Bolivia, mentioned above, and unrealised investment gains, particularly of our infrastructure investments. Figures 5 and 6 show the equity portfolio at 31 December by region and by sector.

We now manage 17 regional and country funds totalling £256m, of which £145m was invested at 31 December 1999. CDC's share on a valuation basis was £63m, representing an average holding of 43%. New investments by funds totalled £33m and unrealised gains were £10.2m. 13 of the funds are country specific covering Costa Rica, Ghana, India, Kenya, Mauritius, Mozambique, South Africa, Sri Lanka (two funds), Tanzania (two funds), Zambia and Zimbabwe. The remaining four funds are regional and were set up under the Commonwealth Private Investment Initiative. They cover Africa, the Caribbean, Pacific Islands and South Asia. Figure 7 shows the funds investments by sector.

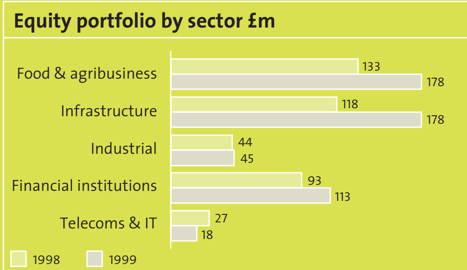


Fig 6

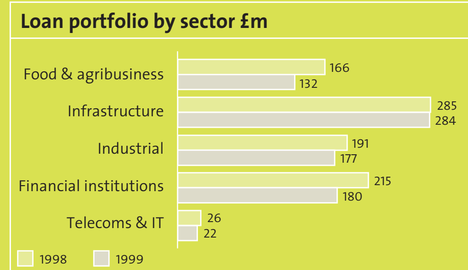


Fig 8

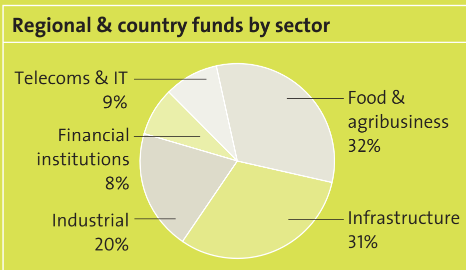


Fig 7

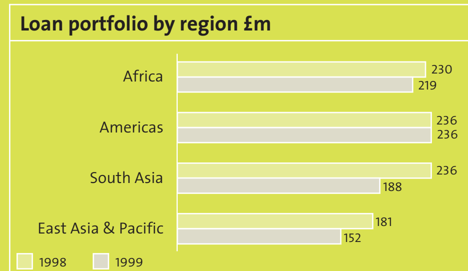


Fig 9

3.3 Portfolio review – loans

Loans include all debt investments, including convertible loan stock, mezzanine finance and high yield debt. With the change in strategy towards an equity business, the loan book is now reducing and during 1999 fell from a net value of £883.0m to £794.8m. The amount of the loan portfolio falling due after five years was £186.6m (23%).

60% of CDC's investment portfolio is represented by loans compared with 68% at the end of 1998. The move away from loan investments means that 53% of new investments in the year were loans (1998 59%), largely representing loans contracted prior to the change in strategy. However, we still continue to make loans with potential equity participation such as convertible loans. The current loan portfolio gives a gross yield of 10.4% (1998 10.3%), being gross interest on the average gross loan portfolio, and a net yield of 8.4% (1998 0.9%), after allowing for provisions on non-performing loans.

During the year, our non-performing loans increased from 15.1% to 16.0% of our total loans before provisions, with the increase driven by South and South East Asia. This resulted in a provision charge of £23.0m (1998 £96.3m), which is 2.3% (1998 9.0%) of the gross value of the loan book.

Our largest debt exposure is with the Americas, representing just under 30% of the loan portfolio net of provisions, closely followed by Africa at just over 27%. South Asia represented 24% and East Asia & Pacific 19%. Figures 8 and 9 show the loan portfolio, net of provisions, by sector and by region.

4. Financial statements

4.1 Basis of preparation

The financial statements on pages 52 to 75 are prepared on a historic cost basis in accordance with generally accepted accounting principles.

4.2 Revenues from managed businesses

Turnover of the consolidated subsidiaries increased by £31.2m to £178.4m (1998 £147.2m) mainly as a result of the first full year from acquisitions made in 1998. These include the citrus operations in Belize (£26m sales), Mbeya Cement in Tanzania (£12m sales) and our horticultural business in Kenya (£11m sales). Performance elsewhere was similar to 1998 although the results were adversely affected by the enforced closure of palm oil operations following civil unrest in part of the Solomon Islands, resulting in a fall in sales of £11m. The largest acquisition, in late 1999, was a palm oil company in Indonesia, which is performing according to plan.

4.3 Investment income

The group's investment income of £115.4m was slightly down on 1998 (£123.2m). This is primarily due to the move from debt to equity investments, where the returns are from gains on realisation rather than investment income. However, non-performing loans also continue to remain at a high level, mainly as a result of economic conditions in South and South East Asia.

4.4 Other gains and losses

There were 27 major equity realisations in the period, resulting in a total profit on disposals of £19.9m.

4.5 Profit before tax

Profit before tax of £79.9m compares to a loss of £28.2m for 1998. This mainly reflects the more favourable economic climate of 1999 necessitating fewer investment provisions, higher profits on the sale of investments, offset by a lower result from our managed businesses.

4.6 Exceptional items

The changing status of CDC has necessitated major restructuring of the organisation to enable CDC to compete among other emerging market private equity funds and similar companies. Costs of £3.6m have been incurred in the year in establishing the most efficient and cost effective structure and include the costs of converting into a plc and other reorganisation costs.

Operating and financial review continued

4.7 Taxation

The tax charge was £23.1m compared with a charge of £0.4m in 1998. An analysis of the tax charge is set out in note 7 to the accounts. The taxation charge as a percentage of profit before taxation was 28.9% in 1999 compared with 1.4% in 1998 when the result was affected by major investment provisions. The provision in the Commonwealth Development Corporation Act 1999 concerning UK tax exemption for CDC had not been brought into effect by the year end.

4.8 Cash flow

The group's net debt at year end was £798.3m (1998 £795.4m). This includes £755.0m of interest free loans from Government. The collection rate from our debt portfolio (loan interest and repayments received as a percentage of the amounts due) was 79% (1998 81%). Cash flows from equity realisations have increased, from £8.4m to £37.1m.

4.9 Balance sheet

Group net assets increased from £567.6m to £638.5m, net of loans from Government of £755.0m which are unchanged from 1998.

5. Risk management

5.1 Introduction

CDC, both as a statutory corporation and, from 8 December 1999, as a plc, adopts best practice, as reflected in the listing rules of the Stock Exchange. This requires CDC to conform with the Combined Code, including principle D.2.1 on risk management. Further details on this and its application by CDC are included in the corporate governance report on pages 48 to 50.

CDC's risk operations are managed within limits defined by the board. We have formal maximum exposure limits for each country and sector in which we invest, and also for single investments and single sponsor exposures. Currently, all investments above £10m are reviewed and approved by the board; investments below £10m are approved by the investment committee, chaired by the chief executive.

5.2 Treasury risk management

The main function of treasury is to manage the group's funds, minimising group currency and other exposures. As a statutory corporation, CDC was only permitted to enter into forward foreign exchange contracts on known receipts of foreign currency. As a plc the parameters in which we operate are wider. However, CDC does not trade in derivatives nor enter into transactions of a speculative nature.

The group has adopted financial reporting standard 13, *derivatives and other financial instruments* for the first time in this annual report and accounts. More detailed numerical and written disclosures are set out in note 20 on page 67.

5.3 Foreign currency risk

One risk faced by the group is foreign currency risk. CDC invests in a wide range of low to middle income countries across the world. At the end of 1999, 52% of the loan portfolio was denominated in US dollars with 44% denominated in sterling. Anticipated US dollar loan receipts are sold forward into sterling at the time of disbursement. At 31 December 1999, we had sold forward US$865m of expected receipts at an average rate of US$1.61/£. The group also faces transactional exposure, arising from transactions in the managed businesses that are in currencies other than the subsidiaries' functional currency (mainly US dollars). The subsidiaries seek, where possible, to match monetary assets and liabilities in currencies other than the functional currency.

5.4 Year 2000

Considerable work was carried out during the year in addressing the impact of the year 2000 and gearing up in readiness for the year 2000, although we did not incur material incremental costs. In the event, our systems all coped well and continued to run efficiently and effectively both over the year end and thereafter.

Statement of total return on a valuation basis

	Financial statements	Adjustments	Statement of total return
	£m	£m	£m
Revenue	293.8	(161.7)	132.1
Cost of sales	(118.5)	118.5	–
Operating expenditure and other items	(96.8)	53.4	(43.4)
Exceptional items	(4.1)	0.5	(3.6)
Share of operating profit in associates	7.8	(7.8)	–
Unrealised valuation gains	–	(17.9)	(17.9)
Realised valuation gains	19.9	(8.6)	11.3
Investment provisions	(22.2)	(0.8)	(23.0)
Profit/total return before tax	**79.9**	**(24.4)**	**55.5**
Taxation	(23.1)	3.1	(20.0)
Minority interest	(0.1)	0.2	0.1
Profit/total return after tax	**56.7**	**(21.1)**	**35.6**

Table 3

6. Going concern

The directors are satisfied that CDC group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

7. Statement of total return on a valuation basis and portfolio valuation statement

Table 3 above reconciles figures from the profit and loss account in the financial statements shown on page 52 to a statement of total return on a valuation basis. The adjustments fall mainly into four categories:

- deconsolidating subsidiaries' turnover and costs
- excluding the share of profits of associated companies
- including dividends and interest from subsidiaries and associated companies
- including realised and unrealised valuation gains on all investments, including investments in subsidiaries and associated companies, on a valuation basis

Portfolio valuation statement	£m
Total investments per financial statements	1,051.0
Less: equity accounting for associates	(27.9)
Add: all subsidiary and associated investments at valuation	304.2
Total investments per valuation	1,327.3
being:	
Equity	532.5
Loans	794.8
Total investments at valuation	**1,327.3**

Summarised balance sheet on a valuation basis	£m
Investments as above	1,327.3
Loans from Government	(755.0)
Other net assets	45.1
Total net assets on a valuation basis	**617.4**

The total net assets on a valuation basis of £617.4m has been arrived at by valuing our consolidated subsidiaries on a valuation basis following the methodology set out in section two above.

Auditors' report on the statement of total return on a valuation basis and portfolio valuation statement

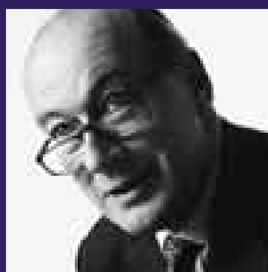
We have examined the statement of total return on a valuation basis and portfolio valuation statement for the 12 months ended 31 December 1999 set out on this page, which is the responsibility of, and has been approved by, the directors.

In our opinion, the statement of total return on a valuation basis and the portfolio valuation statement, which have been prepared on the bases set out on this page are fairly stated.

Ernst & Young

Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

Board of directors and management committee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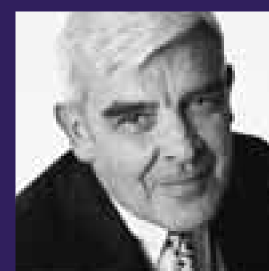
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Board of directors

1 Lord Cairns (60)
Chairman
Appointed chairman in June 1995. Chairman of the nominations committee and member of the business principles committee. Chairman, Allied Zurich plc; chairman, Overseas Development Institute; and receiver general of the Duchy of Cornwall. Lord Cairns was formerly chairman of BAT Industries plc after a career with SG Warburg Group, where he was chief executive and deputy chairman.

2 Jayne Almond (42)
Deputy chairman
Appointed deputy chairman in January 1999. Chairman of the remuneration committee and member of the audit and compliance, business principles and nominations committees.

Ms Almond is currently managing director, European Internet Banking at Lloyds TSB. Prior to this she has held positions at LEK Partnership, and Royal Dutch Shell in the UK and France.

3 Alan Gillespie (49)
Chief executive
Joined CDC in December 1999 from Goldman, Sachs & Co, where he was a partner responsible for UK investment banking activities, focusing on M&A and corporate finance. Member of the nominations committee.
He chairs the Northern Ireland Industrial Development Board, is a director of Elan Corporation plc and on the advisory board of the Judge Institute of Management Studies, Cambridge University.

4 Richard Laing (45)
Finance director
Joined CDC in January 2000 after 15 years at De La Rue where he held a number of positions both in the UK and overseas, latterly as group finance director. He was a non-executive director of Camelot plc. Prior to this he has worked in agribusiness in developing countries.

5 Pen Kent CBE (62)
Non-executive director
Appointed to the board in 1995. chairman of the audit and compliance committee and member of the remuneration committee. Previous positions include non-executive director NatWest Group; executive director of the Bank of England; member Private Finance Panel; alternate executive director, IMF; head of Third World International Division, Bank of England.

6 Jonathan Kydd (48)
Non-executive director
Appointed to the board in 1997. Chairman of the business principles committee. Professor of Agricultural Development Economics at Wye College, University of London, and director of the Wye External Programme. Will join Imperial College in August 2000 as a consequence of the merger of Wye College with Imperial College.

7 Russell Seal (57)
Non-executive director
Appointed to the board in 1996. Member of the remuneration, audit and compliance and business principles committees. Russell Seal was chief executive, BP Oil from 1988 to 1995. Retired from BP in 1997. Non-executive director of Blue Circle Industries.


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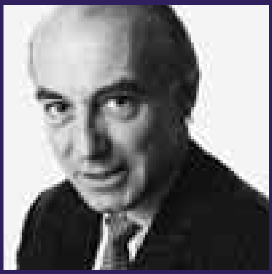
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Management committee

As well as Alan Gillespie, chief executive (1) and Richard Laing, finance director (2), CDC Capital Partners' management committee consists of:

3 Robert Binyon (48)
Managing director
Joined CDC in late 1994 following 22 years in City of London financial organisations. Responsible in CDC for corporate finance; fund management; syndication; compliance; and investor relations as well as for CDC's investments in financial services companies. Appointed in 1998 to the advisory council of ECGD.

4 Justin Braithwaite (48)
Managing director
Appointed managing director, in June 1999 after two years as business director with CDC Industries. Prior to joining CDC Justin worked for Courtaulds plc as a regional director of their coatings division in Central Europe. This followed 15 years in East and South East Asia in various management roles. Justin is responsible for Industries' portfolio of managed business groups currently within the agribusiness, food and beverage and infrastructure sectors.

5 Paul Jobson (54)
Managing director
Joined CDC in 1997 following nine years in private equity with ECI Ventures, where he was partner and director. Prior to this he spent 18 years with Massey Ferguson and Perkins Engines in the UK and North America. Responsible for CDC's investments in South Asia; Caribbean and Latin America; FMCG; telecoms and IT; and emerging sectors.

6 Nicholas Selbie (54)
Managing director
Joined CDC in 1989, first as director of finance and then as managing director, CDC Investments in 1996. Previously, he was director, international corporate finance at Kleinwort Benson and, prior to this, he spent 14 years with BZW and Barclays Merchant Bank in London and New York. Nicholas is responsible for CDC's investments in Africa; China; East Asia and Pacific Islands; infrastructure; and minerals, oil and gas.

Directors' report

Statutory background

CDC was established as the Colonial Development Corporation in 1948. In 1963 it was renamed the Commonwealth Development Corporation and, since 1969, it has been able to operate in developing countries outside the Commonwealth. On 8 December 1999, following the Commonwealth Development Corporation Act receiving Royal Assent on 27 July 1999, CDC was transformed from a statutory corporation, governed by its own legislation, into a public limited company, limited by shares and governed primarily by the Companies Act 1985. The purpose of the transformation is to make CDC a suitable vehicle for a Public Private Partnership.

Directors of CDC Group plc

The directors of CDC Group plc are: Lord Cairns (chairman), Jayne Almond (deputy chair), Alan Gillespie, Pen Kent, Jonathan Kydd, Richard Laing and Russell Seal. With the exception of Alan Gillespie and Richard Laing, all present members of the board served as members of the corporation until 8 December 1999. Carolyn Hayman, Roger Murray and David Pearce were also members until 8 December 1999. Hari Shankar Singhania served until June 1999.

The directors submit their annual report together with the audited financial statements for the year ended 31 December 1999 which were approved by the board on 8 March 2000.

Principal activities

CDC is a leading investor in emerging markets. The principal activities of the group include investment in the form of equity capital and loan capital, management of funds for third party investors and provision of corporate management expertise.

CDC's mandate is to maximise the creation and long term growth of viable businesses in developing countries, especially poorer countries, achieve attractive returns for shareholders and implement social, environmental and ethical best practice in the conduct of CDC's and its subsidiary undertaking's business. In pursuit of this mandate, CDC applies a set of business principles, more details about which can be found on page 44.

Business review

The chairman's statement on page 2, the chief executive's review on page 4 and the operating and financial review on page 32 report on the performance of the business for the year, the position as at 31 December 1999 and the future development of the business.

CDC intends to grow its equity portfolio while diminishing the number of loan investments, which traditionally provide lower levels of return and fewer opportunities to realise value growth. The change from statutory corporation to public limited company in December 1999, provides CDC with the opportunity to improve investment performance in the run-up to becoming a Public Private Partnership containing public and private capital.

With the continued recovery of emerging markets, the directors of CDC are optimistic about the level and quality of investment opportunities available.

Results

Gross income credited in the group accounts for 1999, was £293.8m (1998 £270.4m). After operating expenditure, investment and other provisions, profits on investment realisations, other gains and losses, interest payable and tax, £56.7m was transferred to general reserve.

Responsibilities of directors

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates which are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Investment management and voting

In making investments, CDC aims to add value to the business. Whether a private or quoted equity, the basis for assessing added value has included augmenting capital flows, improving project structure, initiating and developing new enterprises and, sometimes, providing technical and professional support.

CDC nominates third parties in the country of investment, as well as its own employees, to serve on the boards of investee companies and managed funds. CDC's policy is full corporate participation, including voting on all resolutions raised at company meetings.

Interests of the directors

None of the directors at any time during the year ended 31 December 1999 or subsequent to 31 December 1999 was interested in any shares or debentures of the company.

None of the directors at any time during the year ended 31 December 1999 had any material interest in any contracts with the company or its subsidiaries.

Lord Cairns, Jayne Almond, Alan Gillespie, Pen Kent, Jonathan Kydd and Russell Seal were appointed as directors on 8 December 1999. Richard Laing was appointed a director on 26 January 2000 and will offer himself for election at the forthcoming annual general meeting.

The articles of association adopted by the company on 8 December 1999 provide for one third of the directors to retire by rotation at each annual general meeting excluding the non-executive directors appointed by the Secretary of State for International Development. The director retiring by rotation at the forthcoming annual general meeting is Pen Kent. Being eligible, he offers himself for re-election.

Political and charitable contributions

Until transformation on 8 December 1999, CDC was not authorised to make any political or charitable donations. Accordingly, none were made by the organisation in the period up to 8 December 1999 nor during the remaining period after transformation up to 31 December 1999. CDC has no intention of making any political donations in the future.

Employees

CDC's policy on employment is one of equal opportunity in the recruitment, training, career development and promotion of employees, whether disabled or otherwise. The company treats applicants and employees with disabilities fairly and provides facilities, equipment and training to assist disabled employees in carrying out their duties.

Formal employee appraisals and informal discussions are the group's principal means of keeping up to date with the views and opinions of its employees and have been further developed and maintained during the period. In addition, managers throughout CDC are responsible for keeping their employees up to date with developments and performance of the business, which is achieved via regular feedback. Communication is also facilitated through the regular forums between management and employees, which allow a free flow of information and ideas.

Major interests in shares

The Secretary of State for International Development holds 99,999,999 ordinary shares of 10p and one special rights preference share of £1 in the capital of the company. The remaining one issued ordinary share of 10p is held by the solicitor for the affairs of HM Treasury.

Policy for paying creditors

CDC's policy is to pay its creditors promptly, as encouraged by UK Government initiatives. At 31 December 1999 the company had an average of 19 days' purchases outstanding in trade creditors.

Year 2000 compliance

CDC experienced no significant problems in relation to its businesses arising from the date change to the year 2000 although the situation continues to be monitored closely.

Auditor

Ernst and Young have signified their willingness to continue in office and a resolution re-appointing them as auditor and authorising the directors to determine the auditors' remuneration will be proposed at the annual general meeting.

Graham Howell
Secretary, CDC Group plc
On behalf of the board of directors
8 March 2000

Board report on remuneration

The remuneration committee consists of Jayne Almond (chair), Pen Kent and Russell Seal, all of whom are independent, non-executive directors. The committee determines the pay and benefits of CDC's chairman, chief executive, executive directors and other senior executives designated by the board. The committee met six times during 1999.

Remuneration policy for executive directors and senior executives
The company has complied throughout the year with section A of the best practice provisions annexed to the Stock Exchange listing rules and has paid full consideration to section B when determining remuneration policy.

CDC remuneration policy is to provide remuneration packages which are designed to attract, retain and motivate high calibre executives.

Elements of remuneration

Base salary
Individual base salaries reflect job responsibilities, market rate and the sustained level of individual performance. CDC sets base salaries taking account of the mid-market data derived from appropriate surveys of financial service organisations in general and private equity providers in particular. External independent advice through recognised salary surveys as to salary levels appropriate to individual responsibilities is undertaken annually. Executive director and senior executive salaries are reviewed annually.

Annual bonus
In addition to salary, all employees are eligible for an annual performance related bonus, which is non-pensionable. The board believes that it is important that the senior executives have a significant element of their annual remuneration 'at risk' and based on performance. The plan is a short term reward which reflects the individual's performance in the context of the overall performance of CDC, taking account of the adherence to the investment policy and statement of business principles. The maximum bonus executive directors may receive for the year to 31 December 2000 is a sum equivalent to 40% of their respective base salary.

Long term incentive plan
The company believes that a long term incentive plan has an important part to play in the remuneration package and intends to introduce such a scheme.

Benefits in kind
Benefits in kind include medical and life insurance. Each executive director is provided with life assurance cover which will pay a lump sum equivalent to four times the executive director's salary in the event of the death of the executive director. In addition, permanent health insurance is provided to each executive director in the event that they are unable, through ill-health, to continue to work for the company, and private medical insurance is made available through Private Patients Plan to executive directors and their families. A limited number of other benefits, including the facility for a spouse to accompany a senior executive on representation business visits to overseas locations are provided in line with recognised best practice.

Pension arrangements
Alan Gillespie receives a contribution equal to 17.5% of his base pay towards a personal pension plan.

Service agreements
Alan Gillespie has a service agreement terminable on both sides by twelve months' notice. The non-executive directors do not have service agreements.

The appointments of non-executive directors have no contractual termination date, but each non-executive director (excluding the non-executive directors appointed by the Secretary of State for International Development) will be subject to re-election at an annual general meeting in accordance with the provisions for retirement of directors by rotation contained in the company's articles of association.

Compensation for early termination
Service agreements with executive directors contain no specific termination provisions; however, any compensation claims from departing directors would be scrutinised by the remuneration committee to ensure that any potential company losses were properly mitigated.

Outside directorships
The company believes that it can benefit from executive directors holding non-executive appointments; it also believes that such appointments provide a valuable opportunity for personal and professional development. Such appointments are subject to the approval of the board and it is CDC's practice that fees derived from such appointments are normally returned to CDC. Alan Gillespie has two non-executive appointments (Northern Ireland Industrial Development Board and Elan Corporation plc).

Non-executive directors' remuneration

The executive directors make recommendations to the chairman of the board in respect of non-executive directors' fees for all the services normally expected of them as members of the board and its committees. The remuneration of the non-executive directors was last reviewed in February 1997 and the basic fee for all non-executive directors (except for the chairman and deputy chairman) is £7,500 per annum. The basic fee for the chairman is £30,000 per annum and for the deputy chairman is £9,000 per annum. The fees paid to non-executive directors in 1999 are set out in the table below. The non-executive directors do not participate in any of the incentive or benefit schemes of the company.

APPENDIX

Directors' remuneration

The remuneration of the directors is as follows:

	Base salary and fees £	Benefits £	Performance related bonuses £	Compensation for loss of office £	Total 1999 £	Total 1998 £
Members of the corporation (until 7 December 1999) and non-executive directors (since 8 December 1999):						
CHAIRMAN						
Lord Cairns	30,813	–	–	–	30,813	28,875
DEPUTY CHAIRMAN						
Jayne Almond	11,625	–	–	–	11,625	9,375
NON-EXECUTIVE DIRECTORS						
Pen Kent	9,000	–	–	–	9,000	9,000
Jonathan Kydd	8,250	–	–	–	8,250	8,250
Russell Seal	8,953	–	–	–	8,953	9,000
Chief executive (until 7 December 1999):						
Roy Reynolds	148,750	9,534	35,000	–	193,284	166,063
Executive director (since 8 December 1999)						
CHIEF EXECUTIVE						
Alan Gillespie	13,333	–	–	–	13,333	–
Members of the corporation (until 7 December 1999)						
Carolyn Hayman	7,728	–	–	–	7,728	8,250
Roger Murray	7,728	–	–	–	7,728	8,250
David Pearce	7,728	–	–	–	7,728	8,250
Hari Shankar Singhania (until June 1999)	3,750	–	–	–	3,750	7,500
	257,658	9,534	35,000	–	302,192	262,813

Pension entitlements

The pension entitlement for the chief executive is as follows:

	Increase, excluding inflation, in accrued pension during the year £	Transfer value of increase* £	Accumulated total accrued pension at 31 December 1999 £	Accumulated total accrued pension at 31 December 1998 £
Chief executive (until 7 December 1999):				
Roy Reynolds	2,848	72,100	18,875	16,027

*Transfer values represent a liability of the company, not a sum paid or due to the individual.

The pension entitlement for the executive directors are as follows:

	Contributions to personal pension plan 1999 £	Contributions to personal pension plan 1998 £
Executive director (since 8 December 1999)		
Chief executive:		
Alan Gillespie	2,333	–

Business principles report

At CDC Capital Partners we recognise that achieving high standards in the areas of occupational health & safety, environment, social issues and business integrity is a continuing journey. Accordingly, we are committed to revise our policies and procedures regularly so that we continue to lead the emerging market investment community in these areas.

This report details the progress made in 1999 and states our plans for 2000 and beyond.

Progress in 1999:

- health & safety, environment, social issues and business integrity policies updated and published; revised procedures developed; all manuals prepared for issue in early 2000
- third year of the evaluation of performance against mandate programme (EPAM)
- business principles unit formed and compliance officer recruited
- business principles committee (BPC) established.

Policies

Last year we reported that a statement of business principles had been put in place, underpinned by four policies covering health & safety, environment, social issues and business integrity. The policies were described in some detail in the 1998 report and, together with the statement of business principles, are freely available in hard copy and on our website.

A major effort has gone into the production of comprehensive manuals in each of the policy areas. In all cases the compilers were building on a solid core of good practice already in existence within CDC.

The purpose of the business integrity manual is to enable employees to operate with the highest levels of business integrity and ethical best practice and it has been designed to meet the requirements of the Financial Services Authority in the UK. It was approved by the board in December 1999 and has been subsequently issued to all unit managers. A business integrity code of conduct, summarising the key principles embodied in the manual, has been sent to all employees, each of whom is required to sign and return an undertaking to comply with the requirements of the code.

The occupational health & safety manual, already in use by CDC's managed businesses, has been redeveloped for wider application to non-managed investments and combined with the updated social issues and environment manuals. They will be provided to all CDC deal doers within the first quarter of 2000.

Key operations

CDC will not undertake any investment that is not compliant with CDC's business principles, or that cannot commit to an agreed timetable for compliance. To be eligible for consideration, new investment proposals must have comprehensive coverage of each of the policy areas. As regards business integrity, CDC's due diligence procedures involve assessments of both the companies in which CDC has been invited to invest and their main sponsors. Categories have been developed to clarify environmental, occupational health & safety and social issues, enabling deal doers to assess the degree of risk or benefit involved in each business proposal. The categorisation determines the extent of the mitigation activities required to be completed or agreed before the deal can be accepted by CDC. Technical and managerial assistance is offered to any investee companies whose operations are not up to the standards required by our current policies.

Each investment is the allocated responsibility of a particular CDC executive. He or she may be a board member of the company concerned and will have a working relationship with the key management team. It is part of his or her responsibility to encourage each company to have its own relevant policies in place, compatible with CDC's own, and to monitor performance against policy in the annual investment valuation review. This is the primary tool CDC uses to measure financial and non-financial portfolio performance.

A comprehensive training programme for all executives involved in the deal process has been established and almost 50% of the target employees have received initial training. The programme, which is constantly evolving, will target the remaining 50% during 2000, and it is intended that the majority of executives will receive appropriate training at least every two years.

During 1999, a survey of the existing portfolio was carried out to establish whether there were substantial areas of non-compliance with our social issues policy. It concluded that there were very few investments in the portfolio where a risk of non-compliance with any aspect of the policy was apparent. It identified particular areas that will require close attention in future, such as use of contractors, treatment of casual labour, and consultative workplace structures. A similar survey will be undertaken for health & safety and the environment in 2000.

Evaluation of performance against mandate programme
1999 was the third year of our EPAM.

The programme reports on the performance of a substantial sample of investments approved by CDC five years earlier. In 1999, the programme was expanded to reflect the mandate of the Public Private Partnership being created for CDC: "To maximise the creation and long-term growth of viable businesses in developing countries, especially poorer countries, achieve attractive returns for shareholders and implement social, environmental and ethical best practice." Recognising that this means applying the standards of 1999 to all investments approved in 1994 under CDC's old mandate, the shift will enable us to continue to apply the same standards in all future years.

Investments achieved excellent or satisfactory ratings as indicated in the following table.

	Excellent/satisfactory (% by value)
Creating and growing long term viable businesses	73%
Implementing ethical best practice	84%

It must be borne in mind that the criteria used for approval of investments in 1994 were different from those currently applied.

Occupational health & safety performance

We reported last year on the significant reduction in workplace accidents in the managed businesses in CDC industries. We are glad to report that the improvement is being maintained with a further reduction in fatalities, which halved between 1995 and 1998, and continued decline in the Reportable Injury Accident Rate (RIAR). The RIAR represents the number of reportable injuries that an average employee will suffer in their entire working life. The figure for all of CDC Industries in 1999 was 0.29, below the UK's all-industry average. We continue to emphasise health & safety very strongly on all our managed businesses. We are now moving to spread the message to the communities in which our businesses operate and to convince businesses in which we invest, but do not manage, to treat health & safety at work as seriously as we do ourselves.

Business principles unit and compliance officer

A small business principles unit, drawing together specialists in environment, health & safety and social issues, has been established. This unit will support the BPC in the discharge of its responsibilities in respect of these three policy areas. The unit is explicitly advisory, as responsibility for compliance rests firmly with line management and front-line deal doers.

A compliance officer has been appointed to cover both regulatory compliance and adherence to the business integrity policy. In line with current corporate best practice, the compliance officer's report will be given to the audit and compliance committee who will recommend its adoption, in respect of business integrity, to the BPC.

Business principles committee

The BPC was formally established when CDC became a public limited company, continuing the work of the former development committee of the board. Its role is defined in article 120(E) of CDC's articles of association as 'to monitor the operation and application, and review the content of, the statement of business principles and policies and the related guidelines and make recommendations to the board concerning such operation, application and content.' The committee has established an annual work programme to discharge these responsibilities.

The committee is chaired by Jonathan Kydd and the members are Russell Seal, Jayne Almond and Lord Cairns. Jonathan Kydd and Russell Seal are specifically appointed to the committee as representatives of the Secretary of State according to article 92 of CDC's articles of association. No change in the statement of business principles and policies is possible without the active support of at least three members of the BPC.

Plans for 2000 and beyond
Early in the year the combined manual covering heath & safety, environment and social issues will be issued and training on its application provided.

A survey of health & safety and environmental compliance of all the investments in our portfolio is in preparation. Its results will be summarised in next year's report and updated in subsequent years, together with social issues.

The field of reporting on non-financial issues for all companies is developing rapidly, but yet without consensus on the most appropriate methodology. Our view is that a short report setting out key initiatives undertaken to achieve compliance with our own high standards is most likely to be beneficial to our stakeholders.

In the future, external verification of the way our procedures are implemented and the extent to which those procedures enable us to establish the degree of compliance with our policies is expected to become an important part of the reporting process. Progress towards external verification will be reported next year, with the aim of including a statement of assurance from an external party in the annual report for the year ended 31 December 2001.

Jonathan Kydd
On behalf of the business principles committee

Corporate governance report

Compliance with the Combined Code

The members of the corporation up to 8 December 1999, and the board of directors since then, have supported best practice in corporate governance. Prior to transformation, the corporation complied with the provisions of the Combined Code on corporate governance contained in the listing rules of the London Stock Exchange as far as appropriate for a statutory corporation. Since transformation, CDC has established a system of corporate governance that complies fully with the Combined Code so far as appropriate for a company which is wholly owned by Government.

Directors and board

The board comprises a non-executive chairman, Lord Cairns; deputy chair, Jayne Almond, who is also the senior non-executive director; chief executive, Alan Gillespie; finance director, Richard Laing; Pen Kent (non-executive); Jonathan Kydd (non-executive); and Russell Seal (non-executive). All the non-executive directors are regarded as independent. Jonathan Kydd and Russell Seal have been appointed as directors by the Secretary of State for International Development pursuant to article 92 of the company's articles of association under the rights of the special shareholder.

The non-executive directors are from varied business and other backgrounds, and their experience enables them to exercise independent judgement on the board with the result that their views carry substantial weight in board decisions. They contribute to the company's strategy and policy formation, in addition to monitoring its performance and its executive management.

The biographies of all members of the board are given on page 38.

The chairman and chief executive agree agenda for board meetings but all board members are entitled to raise other issues. The chairman ensures that all board members are properly briefed on all issues arising at board meetings. It is the responsibility of the executive directors to ensure that the board is supplied with information in a timely manner in a form and of a quality appropriate to enable it to carry out its duties.

The role of the board is to determine the company's direction and strategy, monitor the achievement of business objectives, ensure that the company meets its responsibilities to its shareholders and that the control environment adequately protects the company's assets against the major risks it faces. The board meets ten times per annum and additionally as required. There is a well established division of authority and responsibility at the most senior level within the company through the separation of the roles of chairman and chief executive. There is a commitment to competence and integrity and to the communication of ethical values and control responsibilities to managers and employees. Ethical standards are communicated through the business principles statement, details of which are contained in the report of the business principles committee on page 44.

The board structure ensures that no one individual or group dominates the decision making process. There is a schedule of matters reserved to the full board for decision/approval and clear delegation of authority to the chief executive and other senior executives within the company. A procedure exists for the determination of matters arising between scheduled meetings. There are established procedures for planning and capital expenditure; for the making of investments and for information and reporting systems for monitoring the group's businesses and performance.

Newly appointed directors are subject to election by shareholders at the annual general meeting following appointment. Consequently Richard Laing is subject to election at the forthcoming annual general meeting. Excluding any newly appointed directors, the company's articles of association ensure that, on a rotational basis, one third of the directors (excluding the non-executive directors appointed by the Secretary of State for International Development) resign every year and, being eligible, offer themselves for re-election. Pen Kent is therefore offering himself for re-election.

All directors have access to the services of the general counsel and group secretary. A procedure exists whereby any director can take independent professional advice at the company's expense, if considered necessary.

All non-executive directors receive an induction into CDC and regular training is provided to all directors. Directors regularly attend presentations from senior employees on different aspects of CDC's business.

Committees

The board has six principal standing committees, each governed by written terms of reference, respectively defining their frequency of meetings, powers and duties, reporting obligations and chairman.

– Audit and compliance committee
The audit and compliance committee comprises Jayne Almond, Pen Kent (chairman) and Russell Seal, all of whom are independent non-executive directors. The finance director attends by invitation.

The committee meets no fewer than three times per annum and additionally as required. The committee met six times in 1999.

The committee's main duties are: to oversee the affairs of the company; to review the financial statements and preliminary and interim results; to review the findings of the external auditors; to direct the internal audit function; to monitor the management accounting procedures and policies; to investigate any irregularities; to oversee the company's compliance function; to meet with internal and external auditors and management; to monitor the company's risk management function; and to make recommendations to the board on the remuneration for the external auditors. The committee also reviews the company's system of internal control. Further details about the company's system of internal control are set out in the section on internal control below.

– Business principles committee
The business principles committee comprises four independent non-executive directors, Jayne Almond, Lord Cairns, Russell Seal and Jonathan Kydd.

The committee meets no fewer than three times a year and is chaired by Jonathan Kydd. The committee met five times in 1999.

The committee is required to satisfy itself that adherence to the company's business principles as referred to in articles 52 and 120(E) of the company's articles of association are embedded in its operations. Further, it reviews and reports to the board on the continued appropriateness or change to the company's business principles. An executive working group is assigned to operate in support of the committee. The report of the business principles committee is contained on page 44.

– Remuneration committee
The remuneration committee comprises three independent non-executive directors: Jayne Almond (chair); Russell Seal; and Pen Kent. Further details of the remuneration committee's remit are set out in the board report on remuneration on page 42, which includes details of directors' remuneration and service contracts.

– Nomination committee
The nomination committee meets at least twice a year and is chaired by the chairman of the board, Lord Cairns, and comprises additionally Jayne Almond and Alan Gillespie.

The committee's responsibilities include reviewing the board structure, size and composition, and succession planning (having regard to the rights of the Secretary of State for International Development as holder of the special share).

– Investments committee
The chief executive chairs a committee comprising all the members of the management committee together with the company secretary which meets weekly to consider investment and divestment proposals; the committee operates within strict delegated authorities from the board and can, under such delegated authorities, make certain investment and divestment decisions. All major investment decisions are referred to the board for approval. Further details are provided under the section on internal control below.

– Management committee
The chief executive chairs a committee comprising the executive directors and certain other senior executives, which meets weekly and has as its purpose to deal with operational issues and to improve communication and co-ordination throughout the company.

There are a number of additional executive working groups which support both the operational and investment selection functions.

Internal control
The company is compliant with all aspects of the Combined Code appropriate for a company that is wholly owned by Government; such compliance includes an appropriate system for internal control. The board acknowledges that it has ultimate responsibility for the group's system of internal control. It has delegated the detailed design and operation of the system of internal control to the executive directors.

The key procedures and control framework are summarised as follows:

– The board has detailed business planning and control systems, including annual budgets, business plans and monthly reporting against financial and business targets, budgets and plans. A quarterly review by the chief executive approves corporate strategies, business principles and commercial objectives. Divisions are required to operate within these planning and control systems. Detailed management authorisation, approval and control levels, including those for the chief executive have been approved by the board. The board must specifically approve transactions above these levels.

- There is an internal audit function, which operates to a programme approved by the audit and compliance committee concentrating on areas of higher risk. In addition, the external auditors review the system of internal controls and the information contained in the annual report and accounts to the extent necessary for expressing their opinion. As indicated on page 49, the audit and compliance committee receives reports concerning accounting policies, internal financial controls and financial reporting from internal and external auditors. The business principles committee similarly reviews compliance with business principles as set out in the business principles committee report on page 44.

- As part of the ongoing upgrading of reporting systems and in the light of the recommendations of the Combined Code, the company has established a 'risk management' function. This function will provide reports to the audit and compliance committee covering all areas of major risk (not just financial) and the associated internal controls.

- CDC's internal control systems are designed to meet CDC's particular needs and the risks to which it is exposed. No system of internal control can provide absolute assurance against material mis-statement or loss. The company's system is intended to provide the board with reasonable assurance that potential problems will normally be prevented or will be detected in a timely manner for appropriate action. Material breaches of these control systems are reported to the audit and compliance committee and are promptly actioned.

Auditors' report

We have audited the accounts on pages 52 to 75 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 56.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report. As described on pages 40 and 41 this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the corporate governance statement on pages 48 to 50 reflects the group's compliance with the seven provisions of the Combined Code and we report if it does not.

We are not required to consider whether the board's statements on internal controls cover all risks and controls, to form an opinion on the effectiveness of either the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amount and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 1999 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Registered Auditor
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH
8 March 2000

Group profit and loss account

for the year ended 31 December 1999

	Note	1999 £m	1998 as restated £m
Turnover	1	**178.4**	147.2
Investment income	1	**115.4**	123.2
Group operating profit	1	**98.9**	113.8
Share of operating profit in associates		**7.8**	7.9
Total operating profit	3	**106.7**	121.7
Exceptional items	4	**(4.1)**	(1.3)
Interest receivable and similar income		**4.1**	2.1
Interest payable and similar charges	6	**(8.4)**	(4.7)
Investment provisions		**(22.2)**	(137.8)
Exchange gains and losses		**3.8**	(8.2)
Profit/(loss) before taxation		**79.9**	(28.2)
Taxation	7	**(20.7)**	1.4
Share of associates' taxation	7	**(2.4)**	(1.8)
Profit/(loss) after taxation		**56.8**	(28.6)
Minority interest		**(0.1)**	(3.5)
Profit/(loss) for the year		**56.7**	(32.1)
Dividends		**–**	–
Transferred to reserves		**56.7**	(32.1)

Statement of total recognised gains and losses

	1999 £m	1998 as restated £m
Profit/(loss) for the year	**56.7**	(32.1)
Exchange difference on retranslation of net assets in subsidiaries	**11.3**	(0.7)
Total recognised gains and losses for the year	**68.0**	(32.8)

Group balance sheet

at 31 December 1999

	Note	1999 £m	1998 as restated £m
Intangible assets	10	**22.2**	8.9
Tangible assets	11	**305.1**	225.9
Investments	12	**1,051.0**	1,056.9
Fixed assets		**1,378.3**	1,291.7
Stocks	13	**33.6**	32.1
Debtors	14	**120.1**	114.9
Cash at bank and in hand		**75.3**	32.2
Current assets		**229.0**	179.2
Creditors – amounts falling due within one year			
Short term borrowings	15	**(86.7)**	(55.9)
Other creditors	15	**(58.0)**	(45.4)
Net current assets		**84.3**	77.9
Total assets less current liabilities		**1,462.6**	1,369.6
Creditors – amounts falling due after one year			
Long term borrowings	16	**(786.9)**	(771.7)
Other creditors	16	**(12.0)**	(3.4)
Provisions for liabilities and charges	19	**(25.2)**	(26.9)
Net assets		**638.5**	567.6
Represented by:			
Called up share capital	21	**10.0**	–
Revaluation reserve	22	**12.4**	12.8
Profit and loss account	22	**566.3**	507.9
Shareholders' funds		**588.7**	520.7
Minority interest		**49.8**	46.9
		638.5	567.6

The accounts were approved by the members of the board on 8 March 2000 and were signed on their behalf by:

Lord Cairns
Chairman

Richard Laing
Finance director

The accounting policies and notes on pages 56 to 75 form part of the accounts.

Company balance sheet

at 31 December 1999

	Note	1999 £m	1998 as restated £m
Tangible assets	11	**27.5**	27.9
Investments	12	**1,152.5**	1,129.3
Fixed assets		**1,180.0**	1,157.2
Debtors	14	**69.4**	61.8
Cash at bank and in hand		**44.9**	7.5
Current assets		**114.3**	69.3
Creditors – amounts falling due within one year			
Short term borrowings	15	**(43.1)**	(42.0)
Other creditors	15	**(33.6)**	(9.7)
Net current assets		**37.6**	17.6
Total assets less current liabilities		**1,217.6**	1,174.8
Creditors – amounts falling due after one year			
Long term borrowings	16	**(716.8)**	(717.9)
Other creditors	16	**(0.1)**	–
Provisions for liabilities and charges	19	**(24.0)**	(25.7)
Net assets		**476.7**	431.2
Represented by:			
Called up share capital	21	**10.0**	–
Profit and loss account	22	**466.7**	431.2
Shareholders' funds		**476.7**	431.2

The accounts were approved by the members of the Board on 8 March 2000 and were signed on their behalf by:

Lord Cairns
Chairman

Richard Laing
Finance director

The accounting policies and notes on pages 56 to 75 form part of the accounts.

Group cash flow statement

for the year ended 31 December 1999

	Note	1999 £m	1998 as restated £m
Cash inflow from operating activities	23a	**77.3**	120.0
Returns on investments and servicing of finance	23b	**(1.4)**	1.3
Taxation paid		**(3.1)**	(19.4)
Capital expenditure and financial investment	23c	**(22.7)**	(70.9)
Acquisitions and disposals	23d	**(37.8)**	(15.6)
Cash inflow before use of liquid resources and financing		**12.3**	15.4
Management of liquid resources		**(35.0)**	(1.1)
Financing	23e	**12.6**	21.6
(Decrease)/increase in cash in the year		**(10.1)**	35.9

Reconciliation of net cash flow to movement in net debt		
(Decrease)/increase in cash in the year	**(10.1)**	35.9
Cash outflow from increase in liquid resources	**35.0**	1.1
Cash inflow from increase in net debt	**(12.6)**	(21.6)
Change in net debt resulting from cash flows	**12.3**	15.4
Loans and finance leases acquired with subsidiaries	**(13.1)**	(3.3)
Translation difference	**(2.1)**	–
Movement in net debt in the year	**(2.9)**	12.1
Net debt at start of year	**(795.4)**	(807.5)
Net debt at end of year	**(798.3)**	(795.4)

Accounting policies

Accounting convention
These accounts are prepared under the historical cost convention as modified for the revaluation of certain tangible fixed assets. The accounts are prepared in accordance with applicable accounting standards.

Basis of preparation
In previous years the group accounted for the results of its subsidiary undertakings by two methods. Certain companies were consolidated, and the remainder (referred to as non-consolidated subsidiaries in the accounts of prior years) were equity accounted. Given the changing nature of CDC's investing activities, and of the form in which these activities are carried out, the directors have decided that changes are required to CDC's accounting policies. A statement of total return on a valuation basis and portfolio valuation statement are provided in addition to the audited accounts, and these will provide much additional information on CDC and on the performance resulting from its activities. Accordingly, it has been possible to simplify the accounts and to present them in a more conventional manner. The principal change is to consolidate all subsidiary undertakings, regardless of the purpose of the economic interest for which they are held. The results of all subsidiary undertakings are now included, and the assets and liabilities of subsidiaries not previously consolidated are now reflected in the group balance sheet. At the same time, the directors have decided to recognise the tax liabilities that may arise if earnings are remitted to the UK from other countries where tax rates are lower. The directors consider that these changes will result in a fairer presentation of the group's results. Accordingly, the comparatives have been restated to reflect this.

Those investments where CDC holds between 20% and 50% and has active management involvement have been treated as associates and accounted for under the equity method of accounting. Where CDC owns below 50% and acts purely as a passive investor, the interests are accounted for as investments.

Income recognition
Dividend income is recognised on a received basis. Interest income is recognised on an accruals basis. Where interest on loans is more than ninety days overdue, all interest is excluded.

Fees and commission income are taken to be income when received or are apportioned over the life of the related transactions as they are deemed to be earned.

Provisions
Investment provisions are set in conjunction with investment valuations. Specific provisions are maintained against those investments and current assets that, in the opinion of the board, currently have an impairment in value.

Foreign currencies
On consolidation, assets and liabilities of subsidiary undertakings are translated into sterling at closing exchange rates. Profit and loss account and cash flow statements are translated at average exchange rates.

Exchange differences arising from the retranslation of net investments in subsidiary and associated undertakings and differences between profit and loss accounts translated at average rates and at closing rates are dealt with in reserves. Other equity investments are shown at original sterling cost. Exchange gains and losses arising in the normal course of trade are included in the profit and loss account.

Derivative financial instruments
CDC is a party to forward foreign exchange contracts in order to manage currency exposure on some foreign currency loans by determining the sterling value of future receipts of loan repayments and interest income. Discounts or premia on these contracts are included in income over the life of the contract. Foreign currency loans and the corresponding forward foreign exchange cover are included in the balance sheet at the year end rate.

Depreciation
Freehold land is not depreciated. Leasehold land and buildings are depreciated on a straight line basis in accordance with the tenure of the lease. Other buildings are amortised over their estimated useful economic lives, which vary from 10 to 40 years. Other tangible assets are depreciated on the straightline method over their estimated useful lives.

Goodwill
Goodwill is the excess of purchase consideration over the fair value of net assets acquired. It is capitalised and amortised over its estimated useful economic life, which is limited to the lower of the expected life of the investment or twenty years.

Stocks
Stocks and stores are valued at the lower of cost and net realisable value.

Pensions
The cost of providing pensions is charged to the profit and loss account on a systematic basis over the expected average remaining service lives of current employees.

Deferred taxation
Deferred taxation is calculated under the liability method on the timing differences arising from the difference between the accounting and tax treatment of depreciation and other items. Provision is made or recovery anticipated where timing differences are expected to reverse in the foreseeable future.

1 Profit and loss account analysis

	CDC Investments 1999 £m	CDC Industries 1999 £m	Total 1999 £m	CDC Investments 1998 as restated £m	CDC Industries 1998 as restated £m	Total 1998 as restated £m
Turnover	**6.1**	**172.3**	**178.4**	–	147.2	147.2
Investment income	**115.4**	**–**	**115.4**	123.2	–	123.2
Income	**121.5**	**172.3**	**293.8**	123.2	147.2	270.4
Cost of sales	**(5.1)**	**(113.4)**	**(118.5)**	0.1	(81.1)	(81.0)
Gross profit	**116.4**	**58.9**	**175.3**	123.3	66.1	189.4
Administration and distribution expenses	**(43.9)**	**(57.3)**	**(101.2)**	(36.3)	(46.7)	(83.0)
Profit or loss on sale of investments	**19.9**	**–**	**19.9**	1.2	–	1.2
Other operating income	**3.9**	**1.0**	**4.9**	5.7	0.5	6.2
Group operating profit	**96.3**	**2.6**	**98.9**	93.9	19.9	113.8
Share of operating profit in associates	**–**	**7.8**	**7.8**	–	7.9	7.9
Operating profit	**96.3**	**10.4**	**106.7**	93.9	27.8	121.7
Exceptional items	**(3.6)**	**(0.5)**	**(4.1)**	(1.5)	0.2	(1.3)
Interest receivable and similar income	**3.1**	**1.0**	**4.1**	1.1	1.0	2.1
Interest payable and similar income	**(2.0)**	**(6.4)**	**(8.4)**	(1.6)	(3.1)	(4.7)
Investment and other provisions	**(22.9)**	**0.7**	**(22.2)**	(136.9)	(0.9)	(137.8)
Exchange gains and losses	**2.1**	**1.7**	**3.8**	(0.3)	(7.9)	(8.2)
Profit/(loss) before taxation	**73.0**	**6.9**	**79.9**	(45.3)	17.1	(28.2)
Taxation	**(20.4)**	**(2.7)**	**(23.1)**	6.5	(6.9)	(0.4)
Profit/(loss) after taxation	**52.6**	**4.2**	**56.8**	(38.8)	10.2	(28.6)
Minority interest	**0.2**	**(0.3)**	**(0.1)**	(0.1)	(3.4)	(3.5)
Profit/(loss) for the year	**52.8**	**3.9**	**56.7**	(38.9)	6.8	(32.1)

Notes to the accounts continued

2 Geographical analysis

	CDC Investments 1999 £m	CDC Industries 1999 £m	Total 1999 £m	CDC Investments 1998 as restated £m	CDC Industries 1998 as restated £m	Total 1998 as restated £m
Total operating income						
Africa	**36.0**	**82.7**	**118.7**	38.0	77.6	115.6
Americas	**43.0**	**40.0**	**83.0**	28.5	17.8	46.3
East Asia and Pacific	**20.2**	**49.6**	**69.8**	30.2	51.8	82.0
South Asia	**22.3**	**–**	**22.3**	26.5	–	26.5
	121.5	**172.3**	**293.8**	123.2	147.2	270.4
Profit/(loss) before taxation						
Africa	**9.4**	**(9.7)**	**(0.3)**	16.7	(0.3)	16.4
Americas	**28.4**	**2.7**	**31.1**	12.7	4.6	17.3
East Asia and Pacific	**9.8**	**8.1**	**17.9**	(2.5)	8.5	6.0
South Asia	**31.2**	**–**	**31.2**	(67.9)	–	(67.9)
	78.8	**1.1**	**79.9**	(41.0)	12.8	(28.2)
Net assets						
Africa	**127.2**	**106.9**	**234.1**	126.8	98.5	225.3
Americas	**189.1**	**44.4**	**233.5**	96.2	31.3	127.5
East Asia and Pacific	**49.5**	**68.4**	**117.9**	89.0	65.5	154.5
South Asia	**53.0**	**–**	**53.0**	60.3	–	60.3
	418.8	**219.7**	**638.5**	372.3	195.3	567.6

3 Operating profit

This is stated after charging to administration and distribution expenses:	1999 £m	1998 as restated £m
Auditors' remuneration – UK	**0.2**	0.1
Auditors' remuneration – overseas	**0.4**	0.4
Non-audit services – UK	**0.1**	–
Non-audit services – overseas	**0.1**	0.1
Depreciation of owned assets	**33.8**	31.8
Amortisation of goodwill	**2.8**	–

4 Exceptional items

	1999 £m	1998 as restated £m
Profit on disposal of tangible fixed assets	**(0.5)**	0.2
Costs of fundamental restructuring	**(3.6)**	(1.5)
	(4.1)	(1.3)

The effect on the tax charge for the year of the exceptional items is £1.0m.

Fundamental restructuring costs incorporate costs of change on the repositioning of CDC Group plc within the market place, including the move from a debt to equity based portfolio and professional advisors' costs on the conversion from Corporation to plc. Of the payments to advisors, £0.1m was paid to CDC Group plc auditors for non-audit services.

5 Staff costs

	1999 £m	1998 as restated £m
Wages and salaries	**38.4**	33.2
Social security costs	**4.1**	2.0
Other pension costs etc.	**2.7**	0.8
Total	**45.2**	36.0

The average monthly number of employees during the year was made up as follows:

London office	**235**	246
Overseas offices	**205**	216
Subsidiaries	**33,531**	29,186
	33,971	29,648

Details for each director of remuneration, compensation for loss of office and pension entitlements are set out on pages 42 and 43.

6 Interest payable and similar charges

	1999 £m	1998 as restated £m
Bank loans and overdrafts	**5.4**	1.1
Other loans	**2.6**	3.6
Finance charges payable under finance leases	**0.4**	–
Group interest payable and similar charges	**8.4**	4.7

Notes to the accounts continued

7 Tax on profit on ordinary activities

The taxation charge is made up as follows:	1999 £m	1998 as restated £m
United Kingdom corporation tax at 30.25% (1998 – 31%)	**(22.3)**	10.0
Double taxation relief	**7.3**	–
	(15.0)	10.0
Overseas taxation	**(4.9)**	(6.9)
Adjustments relating to previous years	**(2.2)**	–
	(22.1)	3.1
Deferred taxation	**1.4**	(1.7)
	(20.7)	1.4
Associated undertakings' taxation	**(2.4)**	(1.8)
Tax charge for year	**(23.1)**	(0.4)

If full provision had been made for deferred tax for the year, the tax charge would have been increased by £12.1m as follows:

Capital allowances in advance of depreciation	**(3.7)**	(4.9)
Other timing differences	**(8.4)**	`(5.0)
	(12.1)	(9.9)

8 Profit or loss attributable to members of the parent company

The profit attributable to the members of the parent company was £45.5m (1998 – loss of £39.2m).

No profit and loss account is presented for the parent company as permitted by section 230 of the Companies Act 1985.

9 Earnings per share

	1999	1998
Earnings per share	**56.7p**	(32.1p)

The calculation of basic earnings per share is based on earnings of £56.7m, being profit for the year, and on 100,000,000 ordinary shares. For the purposes of the calculation of earnings per share, it has been assumed that the shares were issued on 1 January 1998.

10 Intangible fixed assets

	Goodwill £m
Cost	
At 1 January 1999	8.9
Acquisition of subsidiary undertakings	16.1
At 31 December 1999	25.0
Amortisation	
At 1 January 1999	–
Provided during the year	2.8
At 31 December 1999	2.8
Net book value at 31 December 1999	**22.2**
Net book value at 1 January 1999	8.9

Goodwill is amortised over the lesser of 20 years or the expected life of an investment.

11 Tangible fixed assets

	Group Land and buildings £m	Group Other fixed assets £m	Group Total £m	Company Land and buildings £m	Company Other fixed assets £m	Company Total £m
Cost						
At 1 January 1999 as restated	108.4	246.4	354.8	25.3	10.1	35.4
Additions	10.3	34.5	44.8	0.2	1.8	2.0
Acquisition of subsidiary undertakings	14.6	48.3	62.9	–	–	–
Disposals	(0.5)	(4.8)	(5.3)	(0.1)	(1.9)	(2.0)
Transfers	(0.6)	0.4	(0.2)	0.1	(0.2)	(0.1)
Exchange differences	2.5	7.5	10.0	(0.1)	(0.2)	(0.3)
At 31 December 1999	134.7	332.3	467.0	25.4	9.6	35.0
Depreciation						
At 1 January 1999 as restated	25.2	103.7	128.9	1.7	5.8	7.5
Provided in the year	2.9	30.9	33.8	0.2	1.7	1.9
Disposals	(0.1)	(3.6)	(3.7)	–	(1.8)	(1.8)
Transfers	0.6	(0.5)	0.1	–	–	–
Exchange differences	0.7	2.1	2.8	–	(0.1)	(0.1)
At 31 December 1999	29.3	132.6	161.9	1.9	5.6	7.5
Net book value 31 December 1999	**105.4**	**199.7**	**305.1**	**23.5**	**4.0**	**27.5**
Net book value 1 January 1999 as restated	83.2	142.7	225.9	23.6	4.3	27.9

The net book value of land and buildings comprises:	Group **1999** **£m**	Group 1998 as restated £m	Company **1999** **£m**	Company 1998 as restated £m
Freehold	**42.0**	30.7	**2.2**	1.4
Long leasehold	**63.4**	52.5	**21.3**	22.2
Total	**105.4**	83.2	**23.5**	23.6

Included under other fixed assets were £0.3m of assets held under finance leases and hire purchase contracts.

Notes to the accounts continued

12 Investments

	Group 1999 £m	1998 as restated £m
Associated undertakings	**34.9**	29.3
Other fixed asset investments	**1,016.1**	1,027.6
At 31 December 1999	**1,051.0**	1,056.9

Associated undertakings	Share of net assets £m	Loans £m	Total £m
At 1 January 1999	24.9	4.4	29.3
Additions	1.0	3.4	4.4
Disposals	–	(0.8)	(0.8)
Share of profits	5.3	–	5.3
Dividends receivable	(2.8)	–	(2.8)
Exchange and other movements	(0.5)	–	(0.5)
At 31 December 1999	**27.9**	**7.0**	**34.9**

Other fixed asset investments	Listed £m	Unlisted £m	Loans £m	Total £m
Cost – at 1 January 1999	107.9	207.3	977.1	1,292.3
– additions	5.2	85.5	124.0	214.7
– realisations	(11.6)	(8.6)	(203.0)	(223.2)
– transfers	(2.6)	(7.9)	(7.6)	(18.1)
– exchange and other movements	(3.4)	(0.8)	(0.9)	(5.1)
At 31 December 1999	**95.5**	**275.5**	**889.6**	**1,260.6**
Amounts provided – at 1 January 1999	43.2	62.3	159.2	264.7
– provided during the year	(9.2)	(4.1)	32.2	18.9
– transfers	–	(0.8)	0.3	(0.5)
– realisations	–	(3.1)	(33.6)	(36.7)
– exchange and other movements	–	0.5	(2.4)	(1.9)
At 31 December 1999	**34.0**	**54.8**	**155.7**	**244.5**
Net book value 1 January 1999	64.7	145.0	817.9	1,027.6
Net book value 31 December 1999	**61.5**	**220.7**	**733.9**	**1,016.1**

The market value of listed investments at 31 December 1999 was £84.1m (1998 – £100.9m).

Acquisitions

During the year, the group acquired the following companies which were accounted for as acquisitions:

	Country	Date	Consideration £m	Percentage acquired
Barton Creek Farms Ltd	Belize	1 Mar 99	8.0	100%
Belize Food Holdings Ltd	Belize	16 Aug 99	10.4	99%
Guyana Power and Light	Guyana	29 Sep 99	4.4	50%
PT Harapan Sawit Lestari (through CDC Industries Holdings)	Indonesia	19 Nov 99	6.0	40%
PT Harapan Sawit Lestari	Indonesia	8 Dec 99	2.6	25%

12 Investments continued

£m

The fair values for acquisitions of subsidiaries attributable to the net assets on acquisition, which were not materially different from book values, were as follows:

Fixed assets	62.9
Stocks	4.8
Debtors	4.1
Cash	1.0
Overdrafts	(7.4)
Current liabilities	(12.9)
Provisions for liabilities and charges within one year	(0.1)
Long term liabilities	(26.6)
Provisions for liabilities and charges after one year	(0.8)
Total net assets	25.0
Minority interest	(9.7)
Net assets acquired	15.3
Cash consideration	31.4
Goodwill	16.1

Goodwill has been capitalised and amortised over a period of 20 years.

There is a deferred consideration of US$1m for the purchase of PT Harapan Sawit Lestari.

						Company
	Subsidiary undertakings	Associated undertakings	Listed	Unlisted	Loans	Total
Other fixed asset investments	£m	£m	£m	£m	£m	£m
Cost – at 1 January 1999	291.8	20.9	68.4	119.8	916.3	1,417.2
– additions	109.8	0.8	5.2	37.9	109.2	262.9
– realisations	(18.6)	(0.9)	(11.6)	(15.5)	(166.9)	(213.5)
– transfers	9.9	–	–	(2.2)	(7.7)	–
– revaluations	(3.4)	–	(1.3)	1.3	(33.7)	(37.1)
– exchange and other movements	–	–	–	–	0.5	0.5
At 31 December 1999	389.5	20.8	60.7	141.3	817.7	1,430.0
Amounts provided – at 1 January 1999	53.6	4.1	29.5	45.0	155.7	287.9
– provided during the year	37.7	(1.2)	(5.9)	(14.6)	24.1	40.1
– realisations	(14.2)	–	(1.3)	(1.4)	(33.6)	(50.5)
At 31 December 1999	77.1	2.9	22.3	29.0	146.2	277.5
Net book value 1 January 1999	238.2	16.8	38.9	74.8	760.6	1,129.3
Net book value 31 December 1999	312.4	17.9	38.4	112.3	671.5	1,152.5

13 Stocks

	1999 £m	1998 as restated £m
Raw materials	**9.8**	7.3
Work in progress	**6.1**	1.8
Finished goods	**17.7**	23.0
	33.6	32.1

14 Debtors

	Group		Company	
	1999 £m	1998 as restated £m	**1999** £m	1998 as restated £m
Trade debtors	**62.7**	43.6	**–**	–
Amounts owed by group undertakings	**–**	–	**30.3**	8.3
Amounts owed by associates	**0.8**	4.1	**0.8**	5.1
Other debtors	**20.0**	16.3	**7.6**	4.5
Prepayments and accrued income	**36.3**	39.1	**30.7**	32.5
Taxation recoverable	**0.3**	11.8	**–**	11.4
	120.1	114.9	**69.4**	61.8
Amounts falling due after one year included above are:				
Other debtors	**4.4**	1.9	**–**	–
Prepayments and accrued income	**8.4**	10.7	**8.4**	10.4
	12.8	12.6	**8.4**	10.4

15 Creditors: amounts due within one year

	Group		Company	
	1999 £m	1998 as restated £m	**1999** £m	1998 as restated £m
Short term borrowings				
Loans from UK Government	**39.8**	38.7	**39.8**	38.7
Other loans	**21.7**	10.4	**3.3**	3.3
Total loans	**61.5**	49.1	**43.1**	42.0
Bank overdrafts	**24.9**	6.8	**–**	–
Obligations under finance leases and hire purchase contracts	**0.3**	–	**–**	–
	86.7	55.9	**43.1**	42.0
Other creditors				
Trade creditors	**16.6**	20.2	**–**	–
Amounts owed to group companies	**–**	–	**9.9**	–
Amount owed to associated companies	**–**	–	**0.2**	–
Corporation tax	**14.6**	7.0	**13.9**	4.5
Other taxes and social security	**2.5**	0.8	**0.5**	–
Other creditors	**18.7**	14.9	**6.1**	4.4
Accruals and deferred income	**5.6**	2.5	**3.0**	0.8
	58.0	45.4	**33.6**	9.7

16 Creditors: amounts due after more than one year

	Group 1999 £m	Group 1998 as restated £m	Company 1999 £m	Company 1998 as restated £m
Long term borrowings				
Loans from UK Government	**715.2**	716.3	**715.2**	716.3
Other loans	**71.4**	55.4	**1.6**	1.6
Total loans due after one year (note 17)	**786.6**	771.7	**716.8**	717.9
Obligations under finance leases and hire purchase contracts	**0.3**	–	**–**	–
Total long term borrowings	**786.9**	771.7	**716.8**	717.9
Other creditors				
Accruals and deferred income	**1.6**	1.2	**0.1**	–
Other creditors	**10.4**	2.2	**–**	–
	12.0	3.4	**0.1**	–

17 Loans

	Group 1999 £m	Group 1998 as restated £m	Company 1999 £m	Company 1998 as restated £m
Amounts falling due:				
In one year or less on demand	**61.5**	49.1	**43.1**	42.0
Between one and two years	**57.9**	46.5	**42.1**	39.8
Between two and five years	**159.4**	142.4	**132.5**	129.9
In more than five years (see below)	**569.3**	582.8	**542.2**	548.2
	848.1	820.8	**759.9**	759.9
Less: included in creditors amounts falling due within one year	**(61.5)**	(49.1)	**(43.1)**	(42.0)
	786.6	771.7	**716.8**	717.9

Details of loans not wholly repayable within five years are as follows:	Group 1999 £m	Group 1998 as restated £m	Company 1999 £m	Company 1998 as restated £m
Department for International Development (UK Government) 0%, payable in half-yearly instalments with final payment due 2023	**540.6**	546.6	**540.6**	546.6
European Investment Bank 0% unsecured debt with repayment linked to realisation of the underlying equity	**1.6**	1.6	**1.6**	1.6
European Investment Bank 3% secured by guarantee payable in half-yearly instalments with final payment due 2009	**10.3**	10.3	**–**	–
European Investment Bank 7.3% unsecured payable in half-yearly instalments with final payment due 2007	**2.2**	3.5	**–**	–
Solomon Islands Tree Debenture, secured by floating charge over trees with repayment dependant on dates of harvesting	**3.0**	3.2	**–**	–
Citibank 5.92% payable in half-yearly instalments with final payment due 2007	**2.4**	–	**–**	–
Independent state of Papua New Guinea, debenture secured by property over company and group payable in half-yearly instalments with final repayment due 2011	**2.0**	2.0	**–**	–
Barclays Bank plc 8% unsecured debt payable by monthly instalments final payment due by 2008	**2.1**	2.1	**–**	–
Others	**5.1**	13.5	**–**	–
	569.3	582.8	**542.2**	548.2
Total loans due to Department for International Development				
Included in note 15 creditors due within one year	**39.8**	38.7	**39.8**	38.7
Included in note 16 creditors due after one year	**715.2**	716.3	**715.2**	716.3
	755.0	755.0	**755.0**	755.0

18 Obligations under finance leases and hire purchase contracts

	1999 £m	1998 as restated £m
Obligations under finance leases and hire purchase contracts		
Amounts due under finance leases and hire purchase contracts (net of finance charges):		
Within one year	**0.3**	–
Within two to five years	**0.3**	–
	0.6	–
Annual commitments under non-cancellable operating leases are as follows:		
Land and buildings operating leases which expire:		
Within one year	**0.1**	–
In two to five years	**0.1**	0.1
In more than five years	**0.1**	0.2
	0.3	0.3
Other operating leases which expire:		
Within one year	**0.3**	0.1
In two to five years	**0.5**	0.6
	0.8	0.7

19 Provisions for liabilities and charges

	Group				Company		
	Pensions £m	Deferred taxation £m	Other £m	Total £m	Pensions £m	Deferred taxation £m	Total £m
At 1 January	0.8	26.1	–	26.9	0.8	24.9	25.7
On acquisitions	–	–	0.8	0.8	–	–	–
Arising in the year	2.1	(1.4)	–	0.7	2.1	(1.7)	0.4
Utilised	(2.1)	(0.9)	(0.2)	(3.2)	(2.1)	–	(2.1)
At 31 December	**0.8**	**23.8**	**0.6**	**25.2**	**0.8**	**23.2**	**24.0**
Due within one year	0.5	0.2	–	0.7	0.5	–	0.5
Due after one year	0.3	23.6	0.6	24.5	0.3	23.2	23.5

Deferred taxation

Deferred taxation provided in the accounts and the amounts not provided are as follows:

Group	Provided £m	Not provided £m
Capital allowances in advance of depreciation	0.2	3.7
Other timing differences	23.6	8.4
	23.8	12.1

20 Derivatives and other financial instruments

An explanation of the group's objectives, policies and strategies for the role of derivatives and other financial instruments in managing the risks of the group can be found in the operating and financial review on page 32. The following information is provided in accordance with FRS 13 'derivatives and other financial instruments: disclosures.' As permitted by the FRS, some comparative figures are not provided since this is the first accounting period in which the FRS has come into effect. The disclosures below exclude short term debtors and creditors.

Financial assets are defined as cash and short term deposits and loan investments. For the purposes of this note, the disclosure on financial assets has been split between cash and short term deposits and the loan portfolio in order to give more meaningful information. Financial liabilities are defined as overdrafts and loans.

	Total £m	Floating rate £m	Fixed rate £m	No interest £m	Fixed rate assets weighted average rate %	Fixed rate weighted period to full maturity Months	No interest weighted average period to maturity Months
Financial assets							
Cash and short term deposits							
Sterling	35.5	4.6	30.9	–	4.7	1.1	n/a
US dollars	32.4	6.4	24.3	1.7	5.0	1.8	indefinite
Other currencies	7.4	1.6	4.0	1.8	11.5	1.4	0.1
Total	75.3	12.6	59.2	3.5			

	Total £m	Floating rate £m	Fixed rate £m	No interest £m	Fixed rate assets weighted average rate %
Financial assets					
Loan portfolio					
Sterling	396.9	1.9	392.6	2.4	9.9
US dollars	468.3	14.1	430.7	23.5	10.1
Other currencies	31.4	2.6	14.1	14.7	10.6
Total	896.6	18.6	837.4	40.6	

	Total £m	Floating rate £m	Fixed rate £m	No interest £m	Fixed rate liabilities weighted average rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
Financial liabilities							
Sterling	(781.0)	(0.3)	(22.4)	(758.3)	3.7	9.8	24
US dollars	(41.3)	(26.1)	(15.0)	(0.2)	9.3	2.5	indefinite
Other currencies	(50.7)	(28.3)	(15.5)	(6.9)	10.0	4.2	indefinite
Total	(873.0)	(54.7)	(52.9)	(765.4)			

20 Derivatives and other financial instruments continued

Currency exposures

The table below shows the group's currency exposures that give rise to exchange gains and losses that are recognised in the profit and loss account. Such exposures comprise those monetary assets and liabilities of group companies that are not denominated in Sterling for the majority of companies, or US Dollars for CDC Industries businesses, after taking into account the effect of forward foreign exchange contracts.

	1999 Net monetary assets £m	**1999 Net monetary liabilities £m**	1998 as restated Net monetary assets £m	1998 as restated Net monetary liabilities £m
Sterling	**1.2**	**(1.3)**	0.5	(1.9)
US dollars	**79.7**	**(15.0)**	38.4	(2.1)
Other currencies	**27.2**	**(67.9)**	24.4	(71.6)
	108.1	**(84.2)**	63.3	(75.6)

	1999 Total loan investments £m
Maturity profile of financial assets – loan portfolio	
Due within one year	**202.6**
Due within one to two years	**140.5**
Due within two to five years	**315.4**
Due after five years	**238.1**
	896.6

	1999 Government loan £m	**1999 Other financial liabilities £m**	**1999 Total financial liabilities £m**	1998 as restated Government loan £m	1998 as restated Other financial liabilities £m	1998 as restated Total financial liabilities £m
Maturity profile of financial liabilities excluding overdrafts						
Due within one year	**(39.8)**	**(22.0)**	**(61.8)**	(38.7)	(10.4)	(49.1)
Due within one to two years	**(42.1)**	**(15.5)**	**(57.6)**	(39.8)	(6.7)	(46.5)
Due within two to five years	**(132.5)**	**(26.9)**	**(159.4)**	(129.9)	(12.5)	(142.4)
Due after five years	**(540.6)**	**(28.7)**	**(569.3)**	(546.6)	(36.2)	(582.8)
	(755.0)	**(93.1)**	**(848.1)**	(755.0)	(65.8)	(820.8)

Borrowing facilities

The group's borrowing limit at 31 December 1999 calculated in accordance with the articles of association was £2,000,000,000.

20 Derivatives and other financial instruments continued

Committed but undrawn borrowing facilities

	1999 £m	1998 as restated £m
Expiring within one year	**91.8**	82.4
Expiring within one to two years	**1.8**	3.5
	93.6	85.9

Fair value of financial assets and liabilities

Financial assets

Quoted and unquoted equity investments are included in the balance sheet at book value. Since no liquid market exists for loans and investments, their fair value equates to their book value in the consolidated balance sheet. The report and accounts therefore do not contain any recognition of their yield being above or below current market yields.

Financial liabilities

The group's borrowings comprise mainly a Government loan repayable in instalments, with the final instalment falling due in 2023. Group borrowings are not shown at an estimated market value as currently no active market exists for them.

Derivatives

CDC Group plc does not trade in derivatives. The activities of the group are currently limited to holding forward foreign exchange contracts '(FFECs)' to hedge specific exposures. These FFECs have maturities designed to match the exposures they are hedging and the group holds them to maturity. No gain or loss is therefore expected to be realised. The fair values of these instruments represents the replacement cost of the instruments at the balance sheet date. FFECs are included in the balance sheet at the year end rate. The fair values and book values of the FFECs at 31 December 1999 were as follows:

	Book value £m	Fair value £m	Gain/(loss) £m
US dollars	536.0	537.5	(1.5)
South African rands	27.1	20.8	6.3
	563.1	558.3	4.8

Gains and losses on FFECs

The group enters into FFECs to mitigate the currency exposures that arise on loan transactions denominated in foreign currencies.

	Gains £m	Losses £m	Total £m
Unrecognised gains and losses on FFECs at 1 January 1999	7.1	(0.2)	6.9
Gains and losses recognised in 1999 arising in 1998	1.1	–	1.1
Gains and losses arising in 1999 not recognised in 1999	(4.5)	(1.1)	(5.6)
Unrecognised gains and losses on FFECs at 31 December 1999	3.7	(1.3)	2.4
Gains and losses expected to be recognised in 2000	0.8	(0.5)	0.3

Notes to the accounts continued

21 Share capital

	1999 £m
Authorised ordinary shares	
Ordinary share capital of 10p each	**10.0**
Allotted, called up and fully paid ordinary shares	
Ordinary shares of 10p each	**10.0**

On 8 December 1999, 100,000,000 shares were issued at 10p each out of reserves.

Special preference share

One special preference share of £1 is authorised, issued and fully paid. The ownership of the special preference share is restricted to the agents of the Crown. It has special rights to restrict changes to the company's memorandum and articles of association, and changes to the company's capital structure. The share otherwise carries no voting rights and no rights to share in the capital or profits of CDC.

22 Reserves

			Group	Company
	Revaluation reserve £m	P&L reserve £m	Total reserves £m	P&L reserve £m
At 1 January 1999	12.8	507.9	520.7	431.2
Profit for the year	–	56.7	56.7	45.5
Transfer to share capital	–	(10.0)	(10.0)	(10.0)
Transfer to distributable reserves on realisation	(0.9)	0.9	–	–
Exchange gains	0.5	10.8	11.3	–
At 31 December 1999	**12.4**	**566.3**	**578.7**	**466.7**

23 Notes to the statement of cash flows

	1999 £m	1998 as restated £m
(a) Reconciliation of operating profit to net cash inflow from operating activities		
Group operating profit	**98.9**	113.8
Profit on sale of investments	**(19.9)**	(1.2)
Depreciation	**33.8**	31.8
Amortisation of goodwill	**2.8**	–
Decrease/(increase) in stocks	**3.3**	(10.4)
Decrease in debtors	**(12.6)**	(25.6)
(Decrease)/increase in creditors and provisions	**(17.0)**	4.5
Fundamental restructuring	**(3.6)**	(1.5)
Exchange and other movements	**(8.4)**	8.6
Net cash inflow from operating activities	**77.3**	120.0

	1999 £m	1998 as restated £m
(b) Returns on investments and servicing of finance		
Interest received	**4.1**	2.8
Interest paid	**(7.5)**	(4.4)
Dividends from associates	**2.8**	3.3
Dividends paid to minority interests	**(0.8)**	(0.4)
Net cash outflow from returns on investments and servicing of finance	**(1.4)**	1.3

23 Notes to the statement of cash flows continued

	1999 £m	1998 as restated £m
(c) Capital expenditure and financial investment		
Loan redemptions	**203.0**	164.8
Proceeds from equity realisations	**37.1**	8.4
Payments to acquire fixed assets	**(44.8)**	(60.9)
Proceeds from disposal of fixed assets	**1.1**	2.2
New loan and equity investments	**(219.1)**	(185.4)
Net cash outflow from capital expenditure and financial investment	**(22.7)**	(70.9)

	1999 £m	1998 as restated £m
(d) Acquisitions and disposals		
Purchase of subsidiary undertakings	**(31.4)**	(15.7)
Cash acquired in subsidiaries	**1.0**	0.1
Overdrafts acquired in subsidiaries	**(7.4)**	–
Net cash outflow from acquisitions and disposals	**(37.8)**	(15.6)

	1999 £m	1998 as restated £m
(e) Financing		
Debt due within one year:		
Increase in short term borrowings	**8.0**	10.0
Repayment of short term borrowings	**(42.7)**	(35.9)
Debt due after one year:		
Increase in long term borrowings	**51.7**	50.5
Repayment of long term borrowings	**(4.4)**	(3.0)
Net cash inflow from financing	**12.6**	21.6

	At 31 Dec 1998 £m	Cash flow £m	Acquisitions £m	Other movements £m	Exchange £m	At 31 Dec 1999 £m
(f) Analysis of net debt						
Cash at bank and in hand	32.2	43.1	–	–	–	**75.3**
Less liquid resources	(7.7)	(35.0)	–	–	–	**(42.7)**
Overdrafts	(6.8)	(18.2)	–	–	0.1	**(24.9)**
Cash per group cash flow statement	17.7	(10.1)	–	–	0.1	**7.7**
Liquid resources	7.7	35.0	–	–	–	**42.7**
Debt due within one year excluding overdrafts	(49.1)	34.7	(8.0)	(38.7)	(0.7)	**(61.8)**
Debt due after one year	(771.7)	(47.3)	(5.1)	38.7	(1.5)	**(786.9)**
Net debt	(795.4)	12.3	(13.1)	–	(2.1)	**(798.3)**

Notes to the accounts continued

24 Capital commitments

Amounts contracted for but not provided in the accounts amounted to £174.8m (1998 – £276.3m) for subscriptions to debentures, loans and shares, including commitments of £14.6m (1998 – £58.4m) to subsidiaries.

In addition, board authority has been given for further investments of £171.9m (1998 – £359.9m).

Subsidiaries had capital commitments of £4.3m (1998 – £4.2m).

25 Contingent liabilities

The company has guaranteed the performance of contracts by certain subsidiaries to the extent of £25.4m (1998 – £2.7m) and of other companies to the extent of £18.1m (1998 – £4.4m).

26 Pension commitments

The company operates one defined benefit pension scheme in the UK for staff, called the CDC Pensions Scheme. In accordance with statutory requirements, membership of the scheme is voluntary. The pension scheme is funded by the payment of contributions to a separately administered trust fund.

An actuarial valuation of the scheme was carried out as at 31 August 1998 by independent consulting actuaries, using the projected unit method. The valuation had been due as at 31 March 1999, but was brought forward to quantify the impact of various changes affecting the scheme. The next periodical valuation is due as at 31 March 2001.

The results of the most recent valuation were as follows:

Main assumptions	**% per annum**
Rate of return of investments	7.0
Salary increases	5.0
Pension increases – pre 1 May 1996 joiners	5.0
Pension increases – post 30 April 1996 joiners	3.0
Growth of dividends	3.5
Market value of scheme's assets	£174.5m

The actuarial value of the scheme's assets was calculated to be 125% of the amount needed to cover the benefits that had accrued to scheme members, after allowing for expected future increases in earnings and increases to pensions in payment.

Acting on the advice of the actuary, the company made no contribution or accrual up to 31 August 1998 but commenced accruing pension costs from 1 September 1998. After allowing for the amortisation of the surplus over the average remaining service lives of current staff, the pension cost charged in the company's accounts for 1999 was £1.6m (1998 – £0.5m). All amounts due to the scheme were paid before 31 December 1999.

The group has 14 overseas defined contribution pension schemes. The cost of these schemes was £0.7m (1998 – £0.2m). Accrued costs in the balance sheet are £0.7m (1998 – £0.3m).

27 Related party transactions

The Department for International Development is the company's sponsoring Government department and provides funding in the form of loans and is, therefore, a related party. Details of the amounts due are shown in notes 15 and 16.

28 Change in accounting policy

Up until 31 December 1998, CDC had adopted the policy of not consolidating certain subsidiaries. From 1 January 1999, CDC has changed its accounting policy to consolidate all subsidiaries. At the same time, the directors have decided to recognise the tax liabilities that may arise if earnings are remitted to the UK from other countries where tax rates are lower. The directors consider that these changes will result in a fairer presentation of the group's results. As a result of these changes in accounting policy, the financial statements for the year ended 31 December 1998 have been restated.

	1998	1998 as restated
Profit and loss account	£m	£m
Loss before taxation	(44.7)	(28.2)
Taxation	3.1	(0.4)
Loss after taxation	(41.6)	(28.6)
Minority interest	–	(3.5)
Retained loss for the year	(41.6)	(32.1)
Balance sheet		
Fixed assets	1,053.7	1,291.7
Net current assets	202.8	77.9
Long term liabilities	(739.4)	(802.0)
Total net assets	517.1	567.6
Revaluation reserve	5.8	12.8
Profit and loss account	511.0	507.9
Shareholders' funds	516.8	520.7
Minority interest	0.3	46.9
	517.1	567.6

Reserves note	Revaluation reserve £m	Profit and loss account £m	Total reserves £m
At 1 January 1998 – as previously reported	5.8	557.8	563.6
Prior year adjustment	7.0	(17.1)	(10.1)
As restated	12.8	540.7	553.5
Retained loss for the year	–	(32.1)	(32.1)
Exchange gains and losses	–	(0.7)	(0.7)
	12.8	507.9	520.7

Details of subsidiaries and associates

Country of incorporation and operation	Region/company	Class of share	Percentage held by CDC	Principal activities
SUBSIDIARIES				
AFRICA				
Côte d'Ivoire	Compagnie Heveicole de Cavally SA	Ordinary	100	Rubber cultivation and processing
Ghana	Venture Fund Management Company Ltd	Ordinary	53	Fund management
Kenya	Kenya Capital Partners Ltd	Ordinary	51	Fund management
Kenya	Sulmac Flowers Ltd	Ordinary	71	Flower and vegetable cultivation
Malawi	Kawalazi Estate Company Ltd	Ordinary	100	Tea and macadamia cultivation and processing
Malawi	Portland Cement Company (1974) Ltd	Ordinary	75	Cement production
Malawi	Sable Farming Company Ltd	Ordinary	96	Coffee, tea, macadamia and arable cultivation and processing and dairy
Mauritius	CDC Financial Services (Mauritius) Ltd	Ordinary	100	Investment holding
		Preference	100	
Mauritius	CDC Industries Holdings (Mauritius) Ltd	Ordinary	100	Investment holding
Mauritius	CDC Pulp and Paper (Mauritius) Holding Company Ltd	Ordinary 'A'	100	Investment holding
Mauritius	Venture Capital Partners Ltd	Ordinary	50	Fund management
Mozambique	Mozambique Capital Partners Ltd	Ordinary	50	Fund management
		Preference	50	
Swaziland	Shiselweni Forestry Company Ltd	Ordinary	100	Eucalyptus pine plantation
		Ordinary 'A'	100	
		Ordinary 'B'	100	
Swaziland	Swaziland Development Corporation Ltd	Ordinary	100	Investment holding
Tanzania	East Usambara Tea Company Ltd	Ordinary	100*	Tea cultivation and factories
		Preference	100	
Tanzania	First Capital Partners Ltd	Ordinary	56	Fund management
Tanzania	Kilombero Valley Teak Company Ltd	Ordinary 'A'	100	Teak development
		Ordinary 'B'	100	
Tanzania	Mbeya Cement Company Ltd	Ordinary	65	Cement production
Tanzania	Tanganyika Wattle Company Ltd	Ordinary	100*	Tanning extract and timber production,
		Ordinary 'B'	100	tea cultivation
Uganda	CDC Uganda	Ordinary	100	Investment holding
Uganda	Rwenzori Courts Limited	Ordinary	74	Office block development
Uganda	Rwenzori Highlands Tea Company Ltd	Ordinary	51	Tea cultivation and factories
Zambia	Chilanga Cement Ltd	Ordinary•	50	Cement production
Zambia	Industrial Credit Company Ltd	Ordinary	100	Leasing finance
Zambia	Mpongwe Development Company Ltd	Ordinary	89	Coffee and arable cultivation and production
Zambia	Nanga Farms Ltd	Ordinary	76*	Coffee, cotton and arable cultivation
		Ordinary 'B'	100	and ranching
Zambia	York Farm Ltd	Ordinary 'A'	48	Roses and baby vegetable farming
		Ordinary 'B'	51*	
Zambia	Zambia Capital Partners	Ordinary	52	Fund management
Zimbabwe	Comafin Management (Pvt) Ltd	Ordinary	100	Fund management
Zimbabwe	Lake Harvest Aquaculture (Pvt) Ltd	Ordinary	72	Fish farming and processing
AMERICAS				
Barbados	Capital Partners Caribbean Ltd	Ordinary	100	Fund management
Barbados	CDC (Euro) Ltd	Ordinary	100	Investment holding
Barbados	CDC Holdings (Barbados) Ltd	Ordinary	100	Investment holding
Belize	Barton Creek Farms Ltd	Ordinary	100	Citrus cultivation
Belize	Belize Food Holdings Ltd	Ordinary	99	Citrus cultivation
Belize	Big Falls Plantations Ltd	Ordinary	65	Citrus cultivation
Belize	Citrus Company of Belize Ltd	Ordinary 'A'	97	Citrus cultivation
British Virgin Islands	CDC Haina Ltd	Ordinary	100	Investment holding
Costa Rica	Central America Investment Managers Ltd	Ordinary	94	Fund management
Costa Rica	Del Oro SA	Ordinary	100	Citrus juice blending plant
Costa Rica	Inversiones Guanaranja SA	Ordinary	100	Citrus cultivation
Cuba	Caribbean Finance Investments Ltd	Ordinary	60	Development finance
Cuba	CDC Equipment Leasing Ltd	Ordinary	100	Leasing finance
Dominica	Dominica Electricity Services Ltd	Ordinary	72	Electricity generation, transmission and distribution
Guyana	Guyana Housing and Development Co Ltd	Ordinary	100	Mortgage finance
Guyana	Guyana Mortgage Finance Company Ltd	Ordinary	100	Mortgage finance
Guyana	Guyana Power & Light Inc	Ordinary	50	Power generation
Jamaica	West Indies Development Corporation Ltd	Ordinary	100	Investment holding
		Preference	100	
Puerto Rico	CDC (Puerto Rico) Inc	Ordinary	100	Investment holding

Country of incorporation and operation	Region/company	Class of share	Percentage held by CDC	Principal activities
SUBSIDIARIES				
EAST ASIA & PACIFIC				
Fiji	Fiji Development Company Ltd	Ordinary	100	Development finance
Indonesia	PT Harapan Sawit Lestari	Ordinary	65	Oil palm cultivation and processing
Malaysia	CDC (Sabah) Sdn Bhd	Ordinary	100	Investment holding
Malaysia	CDC (West Malaysia) Sdn Bhd	Ordinary	100	Investment holding
Malaysia	CDC Holdings Sdn Bhd	Ordinary	100	Investment holding
Malaysia	Kulai Oil Palm Estate Sdn Bhd	Ordinary	100	Investment holding
Papua New Guinea	MacGregor Property Ltd	Ordinary	78	Commercial development
Papua New Guinea	Pacific Capital Partners PNG Ltd	Ordinary	100	Fund management
Papua New Guinea	Pacific Rim Plantations Ltd	Ordinary	76	Oil palm and cocoa cultivation and processing
Papua New Guinea	PNG Home Finance Company Ltd	Ordinary	100	Mortgage finance
Papua New Guinea	PNG Venture Fund Ltd	Ordinary	100	Private equity fund
Solomon Islands	Kolombangara Forest Products Ltd	Ordinary 'A'	51*	Tropical hardwood timber production
		Ordinary 'B'	82	
Solomon Islands	Solomon Islands Plantations Ltd	Ordinary	68	Oil palm and cocoa cultivation and processing
Vanuatu	Pacific Capital Partners Ltd	Ordinary	100	Fund management
SOUTH ASIA				
India	CDC Advisors Private Ltd	Ordinary	100	Advisory company
India	International Venture Capital Management Ltd	Ordinary	100	Fund management
India	Nandi Investments Ltd	Ordinary	100	Private equity fund
		Preference	100	
Sri Lanka	Ayojana Fund Management (Pvt) Ltd	Ordinary	50	Fund management
ASSOCIATES				
AFRICA				
South Africa	Enterprise Capital Fund Ltd	Ordinary	50	Fund management
		Preference	38	
Swaziland	Inyoni Yami Swaziland Irrigation Scheme	Ordinary	50	Irrigated sugar cane and citrus, ranching
Swaziland	Mhlume (Swaziland) Sugar Company Ltd	Ordinary	50	Irrigated sugar cane cultivation and mill
AMERICAS				
Costa Rica	Aquacorporacion Internacional SA	Ordinary	20	Fish farming and processing
St Lucia	St Lucia Electricity Services Ltd	Ordinary	45*	Electricity generation, transmission and distribution
SOUTH ASIA				
Sri Lanka	Ayojana Fund Pvt Ltd	Ordinary	50	Private equity fund
Sri Lanka	NDB Venture Investments (Pvt) Ltd	Ordinary 'B'	50	Private equity fund

*Represents voting shares
•Denotes equity investments listed overseas

Portfolio

Country	Business	Activity	Equity	Debt
AFRICA	**FINANCIAL INSTITUTIONS**			
Botswana	Botswana Housing Corporation	Housing development		•
Botswana	ulc (Pty) Ltd	Lease financing	•	
Ghana	CAL Merchant Bank Ltd	Merchant banking	•	
Ghana	Ghana Leasing Co Ltd	Lease financing	•	•
Ghana	Ghana Venture Capital Fund Ltd	Private equity fund	•	•
Ghana	SSB Bank Ltd	Commercial bank	•	
Kenya	Acacia Fund Ltd	Private equity fund	•	•
Kenya	Development Bank of Kenya Ltd	Development finance	•	•
Kenya	Housing Finance Co of Kenya Ltd	Mortgage finance	•	
Kenya	Koma Rock Housing Project	Mortgage finance		•
Kenya	Shelter Afrique	Low income mortgage finance	•	
Liberia	Liberian Bank for Development & Investment	Development finance	•	
Malawi	Investment & Development Bank of Malawi Ltd	Development finance	•	
Mauritius	Mauritius Venture Capital Fund Ltd	Private equity fund	•	
Mozambique	Mozambique Investment Company Ltd	Private equity fund	•	
Mozambique	ULC (Mozambique) SARL	Lease financing	•	•
Sierra Leone	Sierra Leone Investments Ltd	Investment holding company	•	
South Africa	Enterprise Capital Fund Ltd	Private equity fund	•	•
South Africa	Enterprise Capital Management Co Ltd	Fund management company	•	
South Africa	Franchise Fund Consultancy (Pty) Ltd	Consultancy company	•	
South Africa	Infrastructure Finance Corporation Ltd	Financial intermediary	•	•
South Africa	International Pepsi Bottler Investments Ltd	Investment company for franchises	•	
South Africa	South Africa Franchise Equity Fund Ltd	Franchise equity fund	•	
Sudan	Sudan Rural Development Finance Co Ltd	Development finance	•	
Swaziland	Swaziland Industrial Development Co Ltd	Development finance	•	•
Swaziland	Swaziland Stockbrokers Ltd	Stockbroking	•	
Tanzania	Fedha Fund Ltd	Private equity fund	•	•
Tanzania	Tanzania Development Finance Co Ltd	Development finance	•	•
Tanzania	Tanzania Venture Capital Fund Ltd	Private equity fund	•	
Tanzania	ULC (Tanzania) Ltd	Lease financing	•	•
Uganda	Development Finance Co of Uganda Ltd	Development finance	•	
Uganda	Uganda Leasing Co Ltd	Lease financing		•
Zambia	Industrial Credit Company Ltd	Leasing finance	•	•
Zambia	Zambia Venture Capital Fund Ltd	Private equity fund	•	
Zimbabwe	Commonwealth Africa Investments Ltd	Private equity fund	•	
Zimbabwe	Low Cost Housing Project, Zimbabwe	Housing development & mortgage finance		•
Zimbabwe	Takura Ventures (Pty) Limited	Private equity fund	•	
Zimbabwe	Venture Capital Company of Zimbabwe Ltd	Private equity fund	•	
Zimbabwe	Zimbabwe Agriculture Trust	Agribusiness debt financing		•
Zimbabwe	Zimbabwe Development Bank	Development finance	•	
AFRICA	**FOOD & AGRIBUSINESS**			
Botswana	Molopo Ranch	Cattle ranch	•	
Cameroon	Cameroon Development Corporation	Oil palm, rubber & tea cultivation & processing		•
Cameroon	La Société Hevea Cameroon	Rubber production & processing		•
Côte d'Ivoire	Compagnie Heveicole de Cavally SA	Rubber cultivation & processing	•	•
Côte d'Ivoire	Palmindustrie	Oil palm cultivation & processing		•
Côte d'Ivoire	Plantation J Eglin et Cie SA	Pineapple cultivation	•	•
Côte d'Ivoire	Plantations Dam SA	Pineapple cultivation	•	
Côte d'Ivoire	Rubber Outgrowers Project	Outgrower rubber production & processing		•
Côte d'Ivoire	Sérébou Seeds Project	Seed production		•
Côte d'Ivoire	Société Africaine de Plantations d'Hévéas	Rubber cultivation & farming	•	•
Gambia	Makumbaya Farms Ltd	Cut flower cultivation		•
Ghana	Astek Fruit Processing Ltd	Fruit juice production & packaging		•
Ghana	Divine Seafoods Ltd	Seafood processing	•	•
Ghana	Forest Resource Industries Ltd	Pineapple & mango cultivation		•
Ghana	Twifo Oil Palm Plantations Ltd	Oil palm cultivation & processing		•
Kenya	Chebut Tea Factory Co Ltd	Tea factory	•	
Kenya	Chinga Tea Factory Co Ltd	Tea factory	•	
Kenya	Ikumbi Tea Factory Co Ltd	Tea factory	•	
Kenya	Imenti Tea Factory Co Ltd	Tea factory	•	
Kenya	Kambaa Tea Factory Co Ltd	Tea factory	•	
Kenya	Kangaita Tea Factory Co Ltd	Tea factory	•	•
Kenya	Kanyenyaini Tea Factory Co Ltd	Tea factory	•	
Kenya	Kebrigo Tea Factory Co Ltd	Tea factory	•	
Kenya	Kenya Tea Development Authority	Outgrower tea cultivation, marketing & processing		•
Kenya	Litien Tea Factory Co Ltd	Tea factory	•	
Kenya	Mataara Tea Factory Co Ltd	Tea factory	•	
Kenya	Mumias Sugar Co Ltd	Sugar cane cultivation & processing	•	
Kenya	Nyankoba Tea Factory Co Ltd	Tea factory	•	
Kenya	Nyansiongo Tea Factory Co Ltd	Tea factory	•	
Kenya	South Nyanza Sugar Co Ltd	Sugar cane cultivation & processing		•
Kenya	Sulmac Flowers Ltd	Flower and vegetable cultivation	•	
Kenya	Tegat Tea Factory Co Ltd	Tea factory	•	
Lesotho	Lesotho Brewing Co (Pty) Ltd	Brewery & soft drink production	•	

Country	Business	Activity	Equity	Debt
Liberia	Decoris Oil Palm Co Inc	Oil palm cultivation & processing		•
Liberia	Liberian Rubber Development Project	Rubber replanting		•
Malawi	Kawalazi Estate Company Ltd	Tea and macadamia cultivation and processing	•	•
Malawi	National Seed Company of Malawi Ltd	Seed, oilseed & rice cultivation. Cotton ginning	•	
Malawi	Sable Farming Company Ltd	Coffee, tea, macadamia and arable cultivation and processing and dairy	•	•
Mozambique	Agrimo Companhia Agro – Pecuaria de Mocambique Lda	Cotton ginning		•
Mozambique	Industrias de Caju Mocita SARL	Cashew processing factory		•
Namibia	Aussenkehr Farms (Pty) Ltd	Grape cultivation	•	
Namibia	Cadilu Fishing (Pty) Ltd	Wet fish processing	•	•
Nigeria	Cross River Estates Ltd	Rubber production and processing facilities		•
Nigeria	Heleena Farms Ltd	Rose cultivation		•
Nigeria	Savannah Sugar Co Ltd	Sugar cane cultivation & mill	•	
South Africa	Afribrand Holdings Ltd	Branded food manufacturing and marketing	•	
South Africa	New Farmers Development Co Ltd	Agribusiness development finance	•	
Swaziland	Inyoni Yami Swaziland Irrigation Scheme	Irrigated sugar cane & citrus, ranching	•	
Swaziland	Mhlume (Swaziland) Sugar Co Ltd	Irrigated sugar cane cultivation & mill	•	
Swaziland	Royal Swaziland Sugar Corporation Ltd	Irrigated sugar cane production and mill	•	
Swaziland	Shiselweni Forestry Company Ltd	Eucalyptus pine plantation	•	
Tanzania	East Usambara Tea Company Ltd	Tea cultivation and factories	•	•
Tanzania	Kilombero Valley Teak Company Ltd	Teak development	•	•
Tanzania	Southern Highlands Tea Co	Tea processing facilities	•	
Tanzania	Tanganyika Wattle Company Ltd	Tanning extract and timber production, tea cultivation	•	•
Uganda	Rwenzori Highlands Tea Company Ltd	Tea cultivation and factories	•	•
Uganda	Sugar Corporation of Uganda Ltd	Sugar cane production factory & ethanol distillery		•
Zambia	Kaleya Smallholders Co Ltd	Irrigated sugar cane cultivation with smallholders	•	•
Zambia	Mpongwe Development Company Ltd	Coffee and arable cultivation and production	•	•
Zambia	Nanga Farms Ltd	Coffee, cotton and arable cultivation and ranching	•	•
Zambia	York Farm Ltd	Roses and baby vegetable farming	•	
Zambia	Zambia Cashew Co Ltd	Cashew nut cultivation & processing	•	
Zambia	Zambia Sugar Plc	Sugar cane cultivation & mill	•	•
Zimbabwe	Ariston Holdings Ltd	Agriculture & horticulture cultivation	•	
Zimbabwe	Cold Storage Commission	Wholesale beef supplier, abbatoir management		•

Country	Business	Activity	Equity	Debt
Zimbabwe	Lake Harvest Aquaculture (Pvt) Ltd	Fish farming and processing	•	
Zimbabwe	Rusitu Valley Development Co (Pvt) Ltd	Coffee, dairy and arable cultivation	•	•
AFRICA	**INDUSTRIAL – MANUFACTURING & COMMERCE**			
Ghana	Poly Tank (Ghana) Ltd	Plastic production		•
Ghana	Tropical Glass Co Ltd	Glassworks		•
Kenya	African Management Services Co Ltd	Management services	•	
Malawi	Portland Cement Company (1974) Ltd	Cement production	•	•
Mauritius	Shape Fabrics Ltd	Fabric production	•	
South Africa	Kelvinator South Africa Ltd	White goods manufacturing	•	•
Swaziland	Asean Interests Ltd	Textile production		•
Swaziland	Langa National Brickworks (Pty) Ltd	Brick production	•	•
Swaziland	Mananga Management Centre	Agricultural management training		•
Swaziland	Natex Holdings Ltd	Textile production	•	•
Tanzania	Africargo Haulage Ltd	Road transport	•	•
Tanzania	Mbeya Cement Company Ltd	Cement production	•	•
Uganda	Nytil Picfare Ltd	Textile production		•
Zambia	Chilanga Cement Ltd	Cement production	•	
Zambia	Gamma Pharmaceuticals Ltd	Pharmaceuticals manufacturing		•
Zambia	Kafue Textiles of Zambia Ltd	Textile production	•	•
Zambia	Swarp Spinning Mills Ltd	Cotton spinning mill		•
Zambia	Zambia Aluminium Ltd	Brass and bronze rolling mill		•
Zimbabwe	Zimchem Refiners (Pvt) Ltd	Benzol & tar production	•	
AFRICA	**INDUSTRIAL – MINERALS, OIL & GAS**			
Ghana	Satellite Goldfields Ltd	Gold mining		•
Mozambique	Grafites de Ancuabe SARL	Graphite mining and processing	•	•
Mozambique	Mozal SARL	Aluminium smelter development		•
Sierra Leone	Sierra Rutile Ltd	Rutile mining		•
South Africa	African Lion Ltd	Mineral resource development	•	•
South Africa	Kuyasa Mining (Pty) Ltd	Coal mining		•
Tanzania	East Africa Gold Mines Ltd	Gold mining	•	
Zimbabwe	Wankie Colliery Company Ltd	Gas processing and transmission		•
AFRICA	**INDUSTRIAL – PAPER & FOREST PRODUCTS**			
Cameroon	Printing and Packaging Company SA	Printing and packaging	•	•
Côte d'Ivoire	Société Pour Le Developpement Des Plantations Forestières	Hardwood forestry production		•
Swaziland	Usutu Pulp Company Ltd	Forestry and pulp production	•	•
AFRICA	**INDUSTRIAL – PROPERTY & TOURISM**			
Ghana	Hotel Investments (Ghana) Ltd	Tourist hotel		•
Ghana	Precious Fields Estates Co Ltd	House construction and management		•
Kenya	Hornbeam Investments Ltd	Shopping complex development	•	

Portfolio continued

Country	Business	Activity	Equity	Debt
Kenya	Jacaranda Hotel (Mombasa) Ltd	Tourist hotel	•	•
Kenya	Kenya Safari Lodges and Hotels Ltd	Tourist hotel	•	
Kenya	Nairobi City Council – Buru Buru Estates	Low income rental housing		•
Kenya	TPS (Holdings) Ltd	Tourist hotel	•	
Lesotho	Kingdom of Lesotho for Lesotho Housing and Land Development Corporation	Housing development		•
Malawi	Capital Developments Ltd	Commercial property	•	
Malawi	Tourism Development and Investment Co of Malawi	Tourist hotel	•	
Seychelles	Indian Ocean Hotels (Seychelles) Ltd	Tourist hotel	•	•
South Africa	Norcom (Proprietary) Ltd	Shopping complex development	•	
South Africa	Protea Hospitality Corp (Pty) Ltd	Hotel operator	•	
South Africa	Safety Security and Justice Property Holding Co Ltd	Property asset management	•	
Tanzania	International House Property Ltd	Commercial office development		•
Tanzania	Theatre Square Ltd	Property development		•
Tanzania	Tourism Promotion Services (Tanzania) Ltd	Tourist hotels	•	•
Tanzania	Tourism Promotion Services (Zanzibar) Ltd	Tourist hotel	•	•
Uganda	Rwenzori Courts Limited	Office block development	•	•
Uganda	Rwenzori Property Ltd	Commercial property development	•	•
Zambia	Manda Hill Centre Ltd	Commercial property development		•
Zimbabwe	Victoria Falls Safari Lodge Ltd	Tourist hotel	•	•
AFRICA	**INFRASTRUCTURE**			
Botswana	Botswana Power Corporation	Power generation, transmission & distribution		•
Botswana	Water Utilities Corporation	Water distribution		•
Cameroon	Société Nationale des Eaux du Cameroun	Water distribution		•
Côte d'Ivoire	Azito Energie SA	Power generation		•
Ghana	Electricity Corporation of Ghana	Power generation		•
Ghana	Kingdom Transport Services Limited	Public road transport	•	
Ghana	Volta River Authority	Power generation		•
Kenya	African Cargo Handling Limited	Air cargo handling terminal		•
Kenya	Grain Bulk Handling Ltd	Bulk commodities handling facility		•
Lesotho	Lesotho Highlands Development Authority	Water distribution		•
Liberia	Liberia Water and Sewer	Water distribution		•
Malawi	Electricity Suppy Commission of Malawi	Power generation		•
Mozambique	Mozambique International Port Services SARL	Container terminal		•
Seychelles	Public Utilities Corporation	Power generation		•
Sierra Leone	Guma Valley Water Company	Water distribution		•

Country	Business	Activity	Equity	Debt
South Africa	Trans African Concessions (Pty) Limited	Road highway development	•	•
Swaziland	Swaziland Electricity Board	Power generation		•
Uganda	Uganda Electricity Board	Power generation		•
Zimbabwe	Zimbabwe Electricity Supply Authority	Power generation, transmission & distribution		•
AFRICA	**TELECOMS & IT**			
Mauritius	London Telephone Systems Ltd	Telephone exchange rental	•	
Tanzania	Adesemi Communications International Inc	Telecommunications	•	
Uganda	Celtel Ltd	Private cellular telephone network	•	•
Zambia	Telecel Zambia Ltd	Telecommunications		•
AFRICA	**OTHER**			
Tanzania	Tanzania Government Loan	Rescheduled debt		•
AMERICAS	**FINANCIAL INSTITUTIONS**			
Barbados	Caribbean Financial Services Corporation Ltd	Development finance	•	•
Barbados	The Tiona Fund Ltd	Private equity fund	•	•
Bolivia	Banco Santa Cruz SA	Commercial bank		•
Bolivia	Banco Solidario SA	Micro finance bank	•	
Costa Rica	Caribbean Basin Power Fund	Private equity fund	•	
Costa Rica	Central America Investment Facility Ltd	Private equity fund	•	
Costa Rica	Corporación Banex SA	Commercial bank		•
Costa Rica	Corporación Privada de Inversiones de Centroamérica SA	Development finance		•
Costa Rica	Profund Internacional SA	Private equity fund for micro finance	•	
Cuba	Caribbean Finance Investment Company	Development finance	•	•
Cuba	CDC Equipment Leasing Ltd	Leasing finance	•	•
Dominica	Dominica Agricultural, Industrial and Development Bank	Development finance for small scale farmers		•
Dominican Republic	Banco Gerencial y Fiduciario	Commercial bank		•
Dominican Republic	Grupo Financiero Bhd SA	Commercial bank		•
Ecuador	Banco Aserval	Commercial bank	•	•
Honduras	Banco del Pais SA	Commercial bank		•
Honduras	Central American Bank for Economic Integration	Development bank		•
Jamaica	Caribbean Housing Finance Corporation Ltd	Mortgage finance		•
Jamaica	Jamaica Mortgage Bank	Mortgage finance		•
Jamaica	Trafalgar Development Bank Ltd	Development finance		•
Trinidad & Tobago	Trinidad & Tobago Development Finance Company Ltd	Development finance		•
AMERICAS	**FOOD & AGRIBUSINESS**			
Belize	Barton Creek Farms Ltd	Citrus cultivation	•	
Belize	Belize Food Holdings Ltd	Citrus cultivation	•	
Belize	Big Falls Plantations Ltd	Citrus cultivation	•	•
Belize	Citrus Company of Belize	Citrus cultivation	•	
Belize	Starich Inc	Aquaculture	•	•

Country	Business	Activity	Equity	Debt
Bolivia	Grupo Industrial de Bebidas SA	Beverage bottling plant	•	•
Costa Rica	Aquacorporación Internacional SA	Fish farming and processing	•	
Costa Rica	Bananera El Ciebo Limitada	Banana cultivation		•
Costa Rica	Cooperativa Agroindustrial de Productores de Palma Aceitera RL	Rural development with palm oil and cocoa cultivation and processing		•
Costa Rica	Del Oro SA	Citrus juice blending plant	•	•
Costa Rica	Fernexport SA	Leatherleaf fern production	•	
Costa Rica	Inversiones Guanaranja SA	Citrus cultivation	•	•
Dominican Republic	Café la Joya SA	Coffee cultivation and processing		•
Ecuador	La Universal SA	Confectionery and pasta production	•	
Ecuador	Palmoriente SA	Oil palm cultivation and processing	•	
Ecuador	Rey Banano Del Pacifico C.A. (trading as Favorita)	Banana cultivation and processing		•
Guatemala	Corporación Bananera SA	Banana cultivation		•
Guyana	Guyana State Corporation	Guyana timbers		•
Guyana	Kayman Sankar Investments Ltd	Rice growing and milling		•
Jamaica	Dr Ian Sangster & Co Ltd	Rum-based liqueur production		•
Jamaica	Jamaica Citrus Growers Ltd	Citrus processing		•
Nicaragua	Camarones del Pacifico SA	Shrimp culture	•	•
Nicaragua	Compañia Licorera de Nicaragua SA	Liquor distillery		•
Nicaragua	Nicaragua Sugar Estates Ltd	Sugar cultivation and processing		•
Nicaragua	Tip Top Industrial SA	Poultry farm	•	•
St Lucia	Intercontinental Distilleries (St Lucia) Ltd	Distillery	•	
AMERICAS	**INDUSTRIAL – MANUFACTURING & COMMERCE**			
El Salvador	Textiles San Andres SA de CV	Textile production		•
Honduras	Textiles Rio Lindo SA de CV	Textile production		•
AMERICAS	**INDUSTRIAL – MINERALS, OIL & GAS**			
Trinidad & Tobago	Petroleum Company of Trinidad & Tobago Ltd	Crude oil extraction and processing		•
AMERICAS	**INDUSTRIAL – PAPER & FOREST PRODUCTS**			
Jamaica	Forest Industries Development Co Ltd	Pine production and sawmill		•
AMERICAS	**INDUSTRIAL – PROPERTY & TOURISM**			
British Virgin Islands	Tradewinds Investment Holdings (BVI) Corp	Tourist hotel	•	•
Costa Rica	Desarrollos Hoteleros Guanacaste SA	Tourist hotel		•
Costa Rica	Hotel Camino Real SA	Hotel		•
Costa Rica	Torre Mercedes SA	Commercial property development	•	•
Cuba	HOSIC Company Inc	Tourist hotels	•	
Dominican Republic	Cranberry Dominicana SA & Tlantimar SA	Tourist hotel		•
Dominican Republic	Pisano SA	Industrial park development		•
Grenada	Liberty Club Ltd	Tourist hotel	•	•
Honduras	Centro Comercial Mulitplaza de CV	Shopping complex development		•

Country	Business	Activity	Equity	Debt
Honduras	Parque Industrial San Miguel SA de CV	Industrial park development		•
Honduras	Zona Industrial de Procesamiento San Jose	Industrial park development	•	•
Jamaica	Ciboney Hotels Ltd	Tourist hotel		•
AMERICAS	**INFRASTRUCTURE**			
Belize	Belize Electric Company Ltd	Hydroelectricity generation		•
Bolivia	Sociedad Boliviana de Cemento, SA	Cement production	•	•
British Virgin Islands	British Virgin Islands Electricity Corporation	Power generation		•
Costa Rica	Hydroeléctrica Platanar SA	Hydroelectric power plant		•
Dominica	Dominica Electricity Services Ltd	Electricity generation, transmission and distribution	•	•
Dominican Republic	Cementos Colon SA	Cement plant		•
Dominican Republic	Compañia de Electricidad de Puerto Plata	Power generation	•	•
Dominican Republic	Haina Investment Co Ltd	Power generation	•	•
Dominican Republic	Smith Enron Cogeneration Ltd Partnership	Combined cycle power plant		•
Ecuador	Empresa Provincial de Agua Potable del Guayas	Water distribution		•
Ecuador	Fertisa, Fertilizantes, Terminales 1 Servicios SA	Port facilities	•	•
Guatemala	Cementos Progreso SA	Cement plant		•
Guatemala	Derivados de Caña SA	Cement plant		•
Guatemala	Orzunil 1 SA	Power generation	•	•
Guyana	Guyana Power & Light Inc	Power generation	•	
Guyana	John Fernandes Ltd	Wharf and port facilities		•
Honduras	División Municipal de Aguas	Water distribution and sewerage		•
Honduras	Petróleos de Tela SA	Petroleum products storage		•
Jamaica	Jamaica Private Power Company	Power generation	•	•
Jamaica	Kingston Wharves Ltd	Port facilities	•	
Nicaragua	Empresa Energetica Corinto	Power generation	•	•
Peru	Gran Ferrocarril Central Del Peru	Public railway transport	•	•
St Lucia	St Lucia Electricity Services Ltd	Electricity generation, transmission and distribution	•	•
AMERICAS	**OTHER**			
Honduras	Honduras Government Loan	Rescheduled debt		•
EAST ASIA & PACIFIC	**FINANCIAL INSTITUTIONS**			
Fiji	Fiji Development Co Ltd	Development finance	•	
Fiji	Fiji Development Bank	Development finance		•
Fiji	Home Finance Co Ltd	Mortgage finance	•	
Indonesia	Nusantara Investment Fund	Private equity fund	•	
Indonesia	PT Bakrie Finance Corporation	Leasing finance		•
Indonesia	PT BBL Dharmala Finance	Leasing finance		•
Indonesia	Teak Investment Partners	Management company	•	
Malaysia	Malaysian Ventures 2 Sdn Bhd	Private equity	•	
Papua New Guinea	Kula Fund Ltd	Private equity fund	•	

Portfolio continued

Country	Business	Activity	Equity	Debt
Papua New Guinea	PNG Home Finance Co Ltd	Mortgage finance	•	•
Papua New Guinea	PNG Venture Fund Ltd	Private equity fund	•	
Philippines	H & Q Philippines Holdings (BVI) Inc	Private equity fund	•	
Philippines	H & Q Philippines Ventures I Inc	Private equity fund	•	
Philippines	H & Q Philippines Ventures II Inc	Private equity fund	•	
Solomon Islands	Naha Valley Housing Project	Housing finance		•
Thailand	Global Leasing Co Ltd	Leasing finance	•	•
Thailand	Industrial Finance Corporation of Thailand	Development finance		•
Thailand	Industrial Venture Company Ltd	Venture capital	•	
Thailand	Sinkahakan Credit Foncier Co Ltd	Mortgage finance	•	
Thailand	Thai Rural Equity Fund	Small enterprise development finance	•	
EAST ASIA & PACIFIC	**FOOD & AGRIBUSINESS**			
Indonesia	Nucleus Estates & Smallholders Project NES VI	Rubber and coconut smallholder development scheme		•
Indonesia	Nucleus Estates & Smallholders Project NES VII	Oil palm and rubber smallholder development scheme		•
Indonesia	PT Agro Indomas	Oil palm cultivation & processing		•
Indonesia	PT Harapan Sawit Lestari	Oil palm cultivation & processing	•	•
Indonesia	Smallholder Rubber Development Project II	Rubber production		•
Papua New Guinea	New Guinea Plantations Ltd	Cocoa cultivation and processing	•	•
Papua New Guinea	Pacific Rim Plantations Ltd	Oil palm and cocoa cultivation and processing	•	
Papua New Guinea	Ramu Sugar Ltd	Sugar cane cultivation, ethanol distillery, factory and ranching	•	
Philippines	Bukidnon Resources Co Inc	Tomato paste production	•	•
Solomon Islands	Kolombangara Forest Products Ltd	Tropical hardwood timber production	•	•
Solomon Islands	Solomon Islands Plantations Ltd	Oil palm and cocoa cultivation and processing	•	
Thailand	Mah Boonkrong Sirichai 25 Co Ltd	Cashew nut processing	•	•
Thailand	Mongkolwat Co Ltd	Prawn farming		•
Thailand	Thailand Rubber Replanting Aid Fund	Rubber replanting and extension services		•
Thailand	United Palm Oil Company Ltd	Oil palm cultivation and processing	•	
Vanuatu	South Santo Cattle Company	Ranch	•	•
Vietnam	Sucrerie Bourbon Tay Ninh	Sugar mill and refinery		•
EAST ASIA & PACIFIC	**INDUSTRIAL – MANUFACTURING & COMMERCE**			
Indonesia	PT Amerta Margayasa Aspal	Bituminous products production	•	•
Indonesia	PT Essar Dhananjaya	Cold rolling mill		•
Indonesia	PT Murni Mapan Mandiri	Polyproplyene bag production	•	•
Indonesia	PT Newera Rubberindo	Sandal production		•

Country	Business	Activity	Equity	Debt
Indonesia	PT Wiraswasta Gemilang Indonesia	Re-refining and blending of used lube oil		•
Malaysia	Wondertech Sdn Bhd	Oil palm production		•
Philippines	Primo Oleochemicals Inc	Oleochemical production	•	•
Philippines	Shemburg Biotech Corporation	Carrageenan production	•	•
EAST ASIA & PACIFIC	**INDUSTRIAL – MINERALS, OIL & GAS**			
Malaysia	Sungei Lembing Tin Sdn Bhd	Tin mining		•
Papua New Guinea	Cue PNG Oil Co Pty Ltd	Oil production		•
Papua New Guinea	Morobe Consolidated Goldfields	Gold and silver mining	•	•
Solomon Islands	Gold Ridge Mining Ltd	Gold mining		•
EAST ASIA & PACIFIC	**INDUSTRIAL – PAPER & FOREST PRODUCTS**			
Fiji	Fiji Pine Ltd	Pine production and sawmill		•
Fiji	Tropik Wood Industries Ltd	Sawmill and chip plant	•	•
Thailand	Advance Agro Public Company Ltd	Integrated pulp and paper mill	•	
Thailand	Advanced Communications Co Ltd	Printing and publishing	•	
Thailand	Soon Hua Seng Company Ltd	Eucalyptus forestry and pulp and paper production		•
EAST ASIA & PACIFIC	**INDUSTRIAL – PROPERTY & TOURISM**			
Indonesia	PT Suryacipta Swadaya	Industrial park development		•
Papua New Guinea	MacGregor Property Ltd	Commercial development	•	•
Lao People's Democratic Republic	Settha Palace Hotel	Hotel		•
Thailand	HOSIC Co Ltd	Tourist hotels		•
Vanuatu	National Housing Corporation of Vanuatu	Property development		•
Vietnam	Advanced Building Systems Ltd	Pre-engineered steel building production		•
EAST ASIA & PACIFIC	**INFRASTRUCTURE**			
Indonesia	Cirata Hydroelectrica Project	Power generation		•
Indonesia	PT Samudera	Shipping and cargo handling operations		•
Indonesia	PT Semen Andalas Indonesia	Cement production	•	•
Papua New Guinea	Papua New Guinea Electricity Commission	Power generation		•
Philippines	Hopewell Power (Philippines) Corporation	Power generation	•	•
Philippines	Pangasinan Electric Corporation	Power generation, transmission & distribution	•	•
SOUTH ASIA	**FINANCIAL INSTITUTIONS**			
Bangladesh	Industrial Promotion and Development Company	Development finance	•	
Bangladesh	United Leasing Co Ltd	Leasing finance	•	
India	First Leasing Co of India Ltd	Leasing finance	•	
India	Gujarat Venture Capital Fund 1990	Private equity fund	•	
India	Gujarat Venture Capital Fund 1995	Private equity fund	•	
India	Housing Development Finance Corp Ltd	Mortgage finance	•	•
India	India Access Fund Ltd	Open ended index fund	•	

Country	Business	Activity	Equity	Debt
India	Industrial Credit and Investment Corporation of India	Banking		•
India	Infrastructure Development Finance Co Ltd	Banking	•	
India	International Venture Capital Management Ltd	Private equity fund	•	
India	Nandi Investments Ltd	Private equity fund	•	
India	South Asia Regional Fund	Private equity fund	•	
India	Unit Trust of India – Venture Capital Scheme 1990 (VECAUS II)	Private equity fund	•	
Pakistan	Crescent Leasing Corporation Ltd	Equipment and vehicle leasing	•	•
Pakistan	International Housing Finance Corporation	Housing finance	•	•
Pakistan	NDB Venture Investments (Pvt) Ltd	Private equity fund	•	
Pakistan	Pakistan Industrial Leasing Corporation Limited	Leasing finance		•
Pakistan	Security Leasing Corporation Ltd	Vehicle and equipment leasing	•	
Pakistan	Trust Investment Bank Ltd	Investment bank	•	
Sri Lanka	Ayojana Fund Pvt Ltd	Private equity fund	•	•
Sri Lanka	National Development Bank	Development bank	•	•
Sri Lanka	NDB Venture Investments (Pvt) Ltd	Private equity fund	•	
SOUTH ASIA	**FOOD & AGRIBUSINESS**			
India	Asian Coffee Ltd	Soluble coffee factory	•	
India	ITC Agro-Tech Ltd	Vegetable oil production	•	
India	Somkan Marine Foods Ltd	Animal feed production	•	•
Pakistan	Mubarik Dairies Ltd	UHT milk processing plant	•	
Sri Lanka	Keells Plantation Management Services Ltd	Tea, rubber, coconut and arable cultivation	•	
Sri Lanka	Pelwatte Sugar Industries Ltd	Sugar cane production and mill with outgrowers	•	
SOUTH ASIA	**INDUSTRIAL – MANUFACTURING & COMMERCE**			
Bangladesh	Beximco Textiles Ltd	Textile weaving and finishing	•	•
Bangladesh	Kamaphuli Fertiliser Company Ltd	Urea and ammonia production	•	•
Bangladesh	Padma Textile Mills Ltd	Yarn spinning mill	•	•
Bangladesh	QC Container Line Ltd	Container shipping line	•	•
India	Andhra Petrochemicals Ltd	Oxo alcohol production		•
India	Baharat Starch Industries Ltd	Starch and citric acid manufacturer	•	•
India	CG Glass Ltd	Lighting component production	•	•
India	Cimmco Birla Ltd	Polypropylene production	•	
India	Consolidated Fibres and Chemicals Ltd	Acrylic fibre production	•	
India	DCM Hyundai Ltd	Manufacture of marine freight containers	•	•
India	Ester Industries Ltd	Polyester production		•
India	Jaswal Granites Ltd	Granite cutting and polishing	•	•
India	Modern Terry Towels Limited	Terry towel production		•
India	Rane TRW Steering Sytems Ltd	Production of power steering units		•

Country	Business	Activity	Equity	Debt
India	Sanghi Spinners India Ltd	Yarn spinning mill steering units	•	•
India	Shree Rama Multi Tech Ltd	FMCG packaging and label and sticker printing	•	
India	STI (India) Ltd	Textile spinning and knitting mill	•	•
Pakistan	Engro Chemical Pakistan Limited	Urea plant	•	•
Pakistan	Engro Paktank Terminal Ltd	Liquid chemical terminal		•
Pakistan	Fauji Fertilizer Company Ltd	Urea plant		•
Pakistan	FFC – Jordan Fertiliser Co Ltd	Fertilizer manufacturer	•	•
Pakistan	Hala Spinning Ltd	Yarn production		•
Pakistan	Minaco Fabrics Ltd	Fabric finishing	•	•
Pakistan	Nimir Chemicals Pakistan Ltd	Chemical plant	•	•
Pakistan	Regent Knitwear (Pvt) Ltd	Dyed cotton yarns and knitted dyed fabric production	•	•
Pakistan	Rupafil Ltd	Polyester production		•
Pakistan	Sarah Textiles Ltd	Knitted fabric and garment production	•	•
SOUTH ASIA	**INDUSTRIAL – PAPER & FOREST PRODUCTS**			
India	Mysore Paper Mills Ltd	Forestry, pulp and paper		•
SOUTH ASIA	**INDUSTRIAL – PROPERTY & TOURISM**			
Pakistan	Pakistan Services Limited	Hotel expansion	•	•
SOUTH ASIA	**INFRASTRUCTURE**			
India	CESC Ltd	Power generation and distribution		•
India	Gujarat Pipavav Port Ltd	Port and container facilities	•	
India	Lanco Kondapalli Power Ltd	Power plant	•	
Pakistan	D G Khan Cement Company Ltd	Cement production		•
Pakistan	Fauji Cement Co Ltd	Cement production	•	•
Pakistan	Fauji Oil Terminal and Distribution Co Ltd	Marine oil terminal	•	•
Pakistan	Karachi Water and Sewerage Board	Water supply		•
Pakistan	Liberty Power Limited	Power generation		•
Pakistan	Qasim International Container Terminal	Container terminal	•	•
Pakistan	The Hub Power Company Limited	Power generation	•	•
Sri Lanka	Asia Power (Pvt) Ltd	Power generation	•	•
Sri Lanka	Ceylon Electricity Board	Electricity generation		•
SOUTH ASIA	**TELECOMS & IT**			
Bangladesh	Grameenphone	Telecommunications		•
India	BPL Cellular Holdings Ltd	Private cellular telephone network	•	•
India	Haryana Telecom Ltd	Telephone cable production		•

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