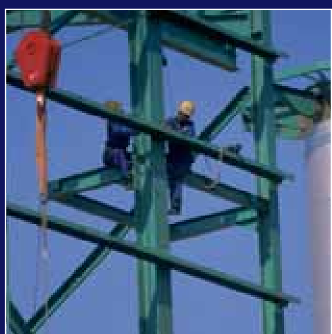
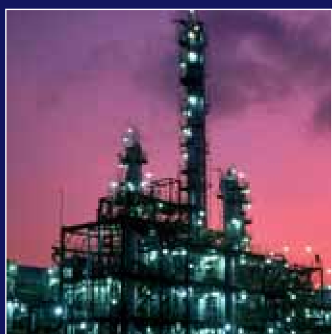
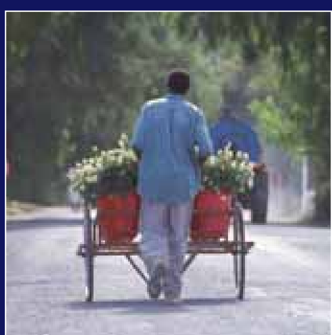
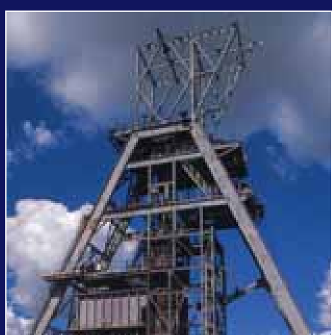
CAPITAL for DEVELOPMENT

CDC Group plc Annual Report & Accounts 2005



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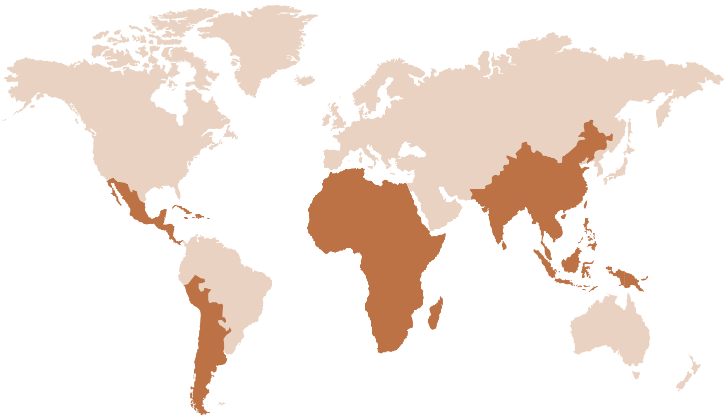
Our mission is to generate wealth, broadly shared, in emerging markets, particularly in poorer countries, by providing capital for investment in sustainable and responsibly managed private sector businesses.

Our target is to make at least 70% of our investments in the poorer countries* in the world and the remaining 30% in countries which are classified as poor**.

We also target at least 50% of our investments in sub-Saharan Africa and South Asia.

* Countries where Gross National Income (GNI) per head is less than US$1,750.
**Countries where GNI per head is less than US$9,075.



2005 Highlights

£1.6bn
(2004: £1.2bn)
Net assets

£426m
(2004: £179m)
Total return after tax

35%
(2004: 16%)
Increase in value of assets

£284m
Third party funds mobilised

11
Commitments to new fund managers

Excellent results stem from successful pioneering investments in Africa, Asia and Latin America

Net returns compare favourably with 30% increase in MSCI Emerging Markets Index

Profits are recycled into new investments in poor countries

75% of new investments over last 5 years in poorer countries

62% of new investments over last 5 years in sub-Saharan Africa and South Asia

The Development Process

CDC capital

CDC has assets of £1.6bn (US$2.8bn). Its purpose is to stimulate economic growth by investing successfully in the private sector.

Fund managers

We place our funds with skilled and experienced private equity fund managers in our target markets. We expect our managers to achieve returns which are appropriate to the opportunities and risks in the relevant market.

Our investment is aimed at the private sector, as the engine of growth. The scarcity of long term risk capital, particularly equity capital, is one of the factors which constrains the private sector in the developing world.

We aim to achieve:

- A direct economic impact by providing funding for successful companies
- An indirect impact by demonstrating the benefits of successful investment to other capital providers.

Actis
The positive power of capital

aureos CAPITAL

African Capital Alliance

AFL African Lion Limited

GroFin

Cordiant
Investors in a developing world

Acap Partners

ETHOS PRIVATE EQUITY

ShoreCap International

EMP AFRICA

IDFC

NAVIS Asia Partners Limited

Baring Private Equity Partners

SPHERE HOLDINGS

Lok Capital

HORIZON EQUITY

INDIA VALUE FUND

Kendall Court

Investee companies

Fund managers deploy CDC's capital in profitable private sector companies, across a range of sectors.

344
Number of investee companies

US$**2.5-310m**
Range of commitments to individual funds

49%
Africa

27%
South Asia

18%
Americas

6%
Asia Pacific

Portfolio by geographical area

Economic growth

Successful companies stimulate economic growth which reduces poverty.

US$**75m**
New commitment to Actis Africa Agribusiness Fund

US$**52m**
Commitment to two new black empowerment funds

US$**8m**
Commitment to two new microfinance funds

72%
Portfolio in poorer countries

51%
Portfolio in infrastructure and power

Chairman's Statement

When two separate management companies, Actis and Aureos, were spun out of CDC, leaving CDC as a fund of funds, it was the clear intention that each organisation would have increasing degrees of independence over time. That process accelerated well during 2005.

Although we continue to put most of our capital to work with Actis and Aureos, we have also made a number of investments with a range of new fund managers who know and understand emerging markets. It is particularly pleasing to have made such good progress in Africa in this respect, where the investment climate is not yet on a par with that of Asia, especially India and China. Both Actis and Aureos have made significant progress in establishing and attracting third party capital for their new funds.

2005 was also a year of excellent returns. Favourable market cycles played a part in this success, as did the underlying quality of our investments. An increase of £426m in our net worth is a testament to the hard work and determination of our fund managers as well as the CDC team.

"The need for private sector investment in infrastructure remains strong."

A proportion of these profits derives from some investments that were considered controversial at the time we made them. Back in 1998, for example, the African mobile telephony market was by no means an obvious target for investment. Nor was it seen as a mainstream development opportunity. Nonetheless, the setting up, development and eventual sale of Celtel, in which CDC was a pioneer investor, was one of the great successes of the last few years. From a standing start, Celtel has been built up to become the largest mobile operator outside South Africa, providing coverage for well over five million Africans in a part of the world noted for its communications difficulties. It is a major taxpayer in many countries and, for example, is the biggest in the Democratic Republic of the Congo. Investors made excellent returns on their original investment and many of those investors – and certainly CDC – will recycle the profits back into developing economies.

Clean, safe and reliable power remains a fundamental requirement for development and it is not by chance that the sector accounts for approximately one third of our portfolio. Power companies themselves require significant levels of investment and throughout the developing world there has been serious under-investment in power. In sub-Saharan Africa, 70% of the population still does not have access to mains electricity. If Africa is to stand any chance of achieving the Millennium Development Goals, it will need at least 60 new power plants in the next five years and, according to the World Energy Council, US$600 billion of investment over the next 25 years.

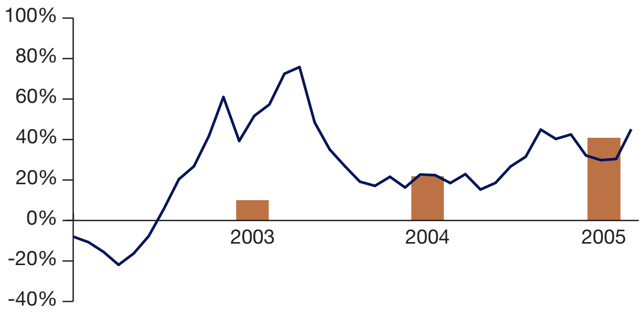
In Asia, the need is also on a massive scale. Over one billion people live without electricity, representing 60% of the population.

Overall across our markets, the investment climate was positive. In India, the recent trend of increased levels of private equity activity continued. Robust stock markets and more mergers and acquisitions have generated strong returns for investors. Yet the need for private sector investment in infrastructure remains strong. The Indian Prime Minister, Dr Manmohan Singh, has estimated a requirement of US$150 billion for a quantum leap in this area.

The Board visited the Shandong province of China during the year. By virtually all measures, 2005 was a spectacular year for the Chinese economy, which has demonstrated how the private sector can grow when investment in infrastructure and education to support that growth is made a priority. However, the positive statistics mask the growing and significant wealth divide. One of the most obvious investment needs is in the capital-starved small and medium sized enterprises (SME) sector. The catalysing effect of entrepreneurship will be slow while smaller businesses have so little access to capital or debt. This is precisely where private equity has so much to contribute. We are working closely with Aureos to set up an SME fund in Shandong.

£1.6bn
Net assets

MSCI Index versus CDC fund return



2005 was a year of unprecedented public focus on Africa. However, although the problems around debt, aid and trade need attention, one stark fact remains: these things alone will never solve Africa's problems nor will they allow Africa to capitalise on her wealth of resources, both natural and human. We delude ourselves if we imagine improved aid, debt relief and trade reform, important and necessary as they are, will have anything but a medium term impact.

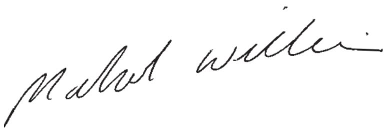
Without a thriving private sector, the nations of Africa will never move beyond the constraints of aid and debt. It is business that creates wealth in the long term, and it is wealth, broadly shared, that will put an end to poverty.

It has been encouraging to see that, during the consultation process for the Department for International Development's new White Paper on poverty, the role of business and jobs in the developing world has been repeatedly mentioned.

The importance of this subject in policy formulation cannot be over-stated. The International Development Select Committee is also conducting an inquiry into the role of the private sector. This focus on the role that the private sector has to play in development is most heartening, particularly for those of us who have had long experience of doing business in emerging markets and have seen at first hand the benefits of well and responsibly run companies.

Governments throughout the developing world are working to create the environment in which the private sector can flourish. The malaise of bureaucracy and systemic inefficiencies is beginning to be tackled. A business environment where as many as 19 separate licences are required to establish even the most modest business cannot be resolved soon enough.

My thanks are due to all the staff in CDC for their vigour and determination in managing the company through a period of unequalled change. I thank, too, my fellow Board members for their commitment and guidance throughout the year.



Malcolm Williamson
Chairman

"Without a thriving private sector, the nations of Africa will never move beyond the constraints of aid and debt."

Chief Executive's Report

CDC is now fully operational as an emerging markets fund of funds, and I am delighted to report on a positive and successful year. The financial results for the business were excellent and we have remained firmly focused on our overriding mission to grow a flourishing private sector in Africa, Asia and Latin America.

Our net assets at the end of 2005 stood at £1.6 billion, an increase of 35% over the year. Total returns after tax in 2005 were £426m, representing 30% on total average assets. The return on the portfolio was 42%. Divestments generated £473m, which will now be re-invested in the economies of the poorer countries of the world, where a shortage of risk capital is one of the most serious barriers to business growth.

While the results for 2005 are excellent, outperforming the market index, they incorporate unrealised gains of £179m and should also be seen against a background of volatile markets. At some point the markets may turn, but CDC as a steady long-term investor will continue to commit capital, whether the markets are difficult or benign.

A growing portfolio of fund managers

Under the terms of our agreement with Actis, which was spun-out of CDC in 2004, most of CDC's capital is invested through them. We also place capital with Aureos, which was spun-out from CDC in 2001 and which specialises in the small and medium sized enterprises sector. One of our objectives is to grow the numbers of funds and fund managers where our capital is put to work. Therefore, in addition to outstanding commitments to 12 Actis and 9 Aureos funds, we also seek out and place capital with additional emerging markets fund managers. We now have current commitments or Board approvals to commit to 18 other funds: Navis, Barings, ICICI, Infrastructure Development Finance Corporation, India Value Fund II, LokCapital, Kendall Court and Afghanistan Capital Partners in Asia; Ethos, GroFin, Sphere, Capital Alliance, Emerging Markets Partnership, African Lion and Horizon in Africa; and Cordiant, ShoreCap, and European Financing Partners across our markets.

The demonstration effect

By making good returns in sustainable private sector businesses through private equity funds, we aim to demonstrate to third party investors that investing in such funds is a worthwhile exercise. It is crucial to our aim of deepening capital markets. During the year a range of public and private investors committed capital to funds in which CDC invested. This was the case in 12 new funds and existing funds managed by Actis and Aureos. It was most gratifying to see some £284m from other investors committed alongside CDC money during the year. Over the last two years, Actis and Aureos have attracted £390m from other investors into their funds alongside our £641m.

The Actis India Fund 2 demonstrates this well. Actis's fundraising activities were so successful that we scaled back our initial US$150m commitment to US$100m, allowing 10 other leading investors, from Asia, Europe, the USA and the Middle East, to commit to the fund which had a final closing of US$325m. These are precisely the circumstances we hope to see achieved more widely.

Richard Laing
Chief Executive

£426m
Total returns

£284m
Third party funds mobilised

New commitments by fund manager (£m)

Realisations: profits for re-investment

2005 was an excellent year for realisations. The exit from Celtel, the mobile telephone business in Africa attracted much attention and is a strong example of how it is possible to make very respectable returns in Africa, despite the all too common but mistaken public perception that Africa's commercial prospects are remote. This exit generated £130m of cash for CDC during the year.

Other major exits included a palm oil disposal in Indonesia and Papua New Guinea, a partial exit of Suntech solar panels in China and Colquiri tin mine in Bolivia. The palm oil investment is a classic example of how CDC's capital should be used. Over the last 15 years, investments were made in five palm oil estates in Papua New Guinea and Indonesia. These were developed and expanded with further capital injections and consolidated under a top quality management team, resulting in a world class business. CDC's investment, held within the Actis Asia Pacific Fund 1, was then sold to an industry player who will take the business on to its next stage. The £80m of sales proceeds paid to CDC is now available for re-investment.

One consequence of having had a strong performance in terms of exits is our high cash balance which stood at £460m at the end of the year. That sum is now ready to be recycled into the business through a growing pipeline of investment opportunities in 2006 and beyond. Our current outstanding commitments stand at £833m exceeding our cash resources.

2005: a year of focus on Africa

2005 was a year of unprecedented focus on Africa. The G8 meetings, the 'Live 8' activities and the Commission for Africa all generated headlines throughout the year. At CDC we worked hard to ensure that our message about the importance of the private sector in delivering the vision of the Commission for Africa was communicated clearly. We contributed to the Commission's deliberations on infrastructure and we remain a member of the Business Action for Africa group which was formed during the year.

Over the course of the year we committed a total of £82m to seven new funds, so that at the end of 2005 we had outstanding commitments to 12 funds operating in Africa.

In South Africa, the Black Economic Empowerment (BEE) programme continues to be an important mechanism in reversing the imbalances of the past. However, business success stands or falls on profits. Companies, including South African companies assisted by BEE, must be internationally competitive in order to survive. If this competitiveness is compromised, these businesses will simply not be sustainable and will eventually fail. We worked with Actis to set up the Actis Africa Empowerment Fund with US$50m of CDC's capital. This fund will operate according to strict commercial lines, aiming to maximise our returns within BEE investments.

Looking back on a year of good progress in Africa, it is perhaps tempting to talk of a turning point. Yet there is still much to be done. Although the signs are encouraging for private equity in Africa, it is early days and the market is immature. Our job is to stay for the long term, to show other investors that Africa is a profitable and worthwhile place to do business, and to encourage fund managers to operate within the continent.

> "Our high cash balance… is now ready to be recycled into the business through a growing pipeline of investment opportunities in 2006 and beyond."

Visit to Zhangqiu Hualin Wood Products in Jinan.
CDC Board meeting, November 2005, China.

2005: a booming Asia
In India, fund managers have broadened the focus of their investments beyond the technology and service sector emphasis of three to four years ago, with the IT sector accounting for only 12% of total deals in 2005. We now have US$348m of outstanding commitments to eight fund managers focused on India, who have invested across a range of businesses including service companies, heavy and light engineering, transport and other infrastructure, pharmaceuticals and chemicals.

Turning to China, the good news story on progress in the economy in 2005 was overshadowed by the growing wealth divide. SMEs can do much to help grow the economies of the poorer areas, but there is a severe lack of available capital. CDC can play a pivotal role here and we expect shortly to commit US$20m to an Aureos SME fund focused on Shandong province.

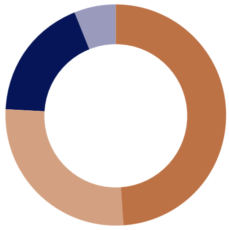
"Our job is to stay for the long term, to show other investors that Africa is a profitable and worthwhile place to do business."

2005: hesitancy in Latin America
Despite some uncertainty in Latin American markets and some unhelpful political developments, we saw successful exits in the region in 2005. Particular highlights were the profitable sales achieved by Actis of our investments in a tin mine and a cement business in Bolivia.

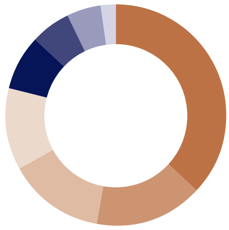
Energy
Representing approximately one third of our portfolio, CDC's power assets are a lynchpin of our strategy to contribute to growth in the economies of the developing world. 2005 was a further year of progress for Globeleq, CDC's wholly owned emerging markets power company. Globeleq now manages six separate power operations across Africa, Asia and Latin America. The focus in 2005 was on building up the business and strengthening our assets, in readiness for future growth and deepening the reach of the business. In April 2005, Globeleq increased its stake in the 683MW Sidi Krir power station in Egypt to 100% and in January 2006 Globeleq signed an agreement with El Paso to acquire six operations in Central America. Plans are well in place to expand activities in other parts of Africa and in Asia.

Robert Hart, who was Chief Executive of Globeleq since its start in 2002, has decided to retire as CEO. We are indebted to his energy and vision in bringing Globeleq to the leading position it now holds in emerging markets power.

Portfolio by geographical area



Portfolio by sector



Profit and development: interdependent outcomes

CDC has two interdependent measures of success: profit and sustainable development. These are flip sides of the same coin. Achieving an appropriate financial return on our investments is non-negotiable. So is achieving that in accordance with our business principles of international best practice in corporate governance, environmental, health and safety, and social issues.

Expanding access to finance for the SME sector, upgrading corporate governance and financial discipline in portfolio companies and supporting incumbent management teams in unlocking the full value of their businesses are all major contributors to the development of entrepreneurial skills so vital for economic growth. In order to capture and measure these impacts, we spent considerable effort further refining CDC's development evaluation framework. We have also been working closely with our development financial institution partners in agreeing a common approach to carrying out development impact assessments for private equity funds.

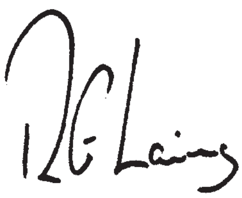
> "Our approach is unique among development finance institutions."

Development finance and private equity in emerging markets

We continue to play an active role in the development community and have encountered a great deal of positive interest in the private equity model. Our approach is unique among development finance institutions, and we know that others are watching our progress closely.

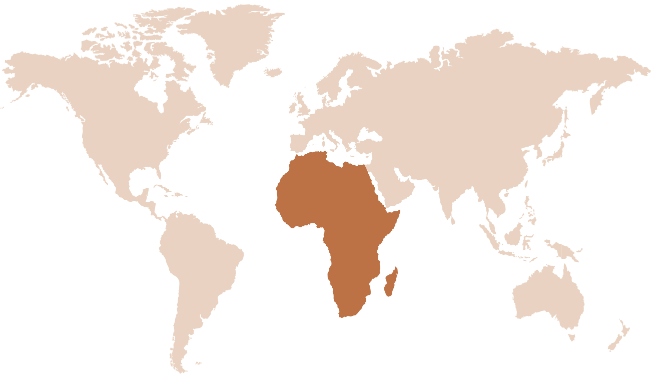
During the year we joined the African Venture Capital Association and sponsored its yearbook. We also continued our close association with the Association of European Development Finance Institutions, hosting its AGM in May, and played an active role in the Emerging Markets Private Equity Association, of which CDC is a founding member.

I am happy to report on such a positive year. We are beginning to see significant progress in our core aim of addressing market failure. I would like to thank the Board and all the staff of CDC whose enthusiasm for the organisation has been the keystone for the achievements of 2005. My thanks, too, go to all those organisations and individuals who have made their own contributions to our success, particularly Actis, Aureos and our other fund managers for their support in making our new business model work so well.



Richard Laing
Chief Executive

Business Review – Africa



There was increased interest in private equity in Africa during 2005, and although the continent still remains an immature market, the signs are encouraging. There was an improvement in general economic performance.

Rising minerals, oil and gas prices supported growth during the year, particularly in Tanzania, Ghana and Nigeria. The private equity industry was buoyed by some landmark realisations during 2005, reflecting the fact that it is possible to make good returns in Africa. Substantial trade sales, such as Celtel in which CDC was a pioneer investor, are the lifeblood of private equity and these successes encourage more private equity firms into the market.

Beyond its commitments to funds, CDC is contributing to the development of private equity in Africa by working with the African Venture Capital Association (AVCA) in launching two new publications. CDC has sponsored AVCA's 2005 yearbook and 2005 Investment Activity Report, both of which are available through AVCA's website. This is the first time these publications have appeared and we hope that future editions will provide clear evidence to the investing community, as well as other stakeholders, of the contribution which the African private equity industry is making to the development of the continent.

2005 was also a record year for fundraising in Africa with many of the established private equity players including Actis, Ethos, Brait and EMP raising funds. For CDC too, commitments made to Africa during the year were significant. We committed over US$140m to new funds in 2005 and made our first commitments to new fund managers since repositioning ourselves as a fund of funds in 2004.

This was a vital landmark for CDC, and demonstrates that we are meeting the criteria set down for us by our shareholder. By committing at first close to the larger African funds, CDC has provided early support to the fund manager's fundraising efforts.
For example:

- CDC's commitment of US$20m to Canada Investment Fund for Africa helped it to secure US$145m of commitments by the end of 2005;
- Ethos Fund V exceeded US$300m by the end of 2005, with CDC having committed US$30m at first close; and
- EMP Africa Fund 2 exceeded US$220m by the end of 2005, with CDC having committed US$30m.

We are also looking to find ways to reach the small enterprise sector through specialist private equity managers. We have committed US$3m to the Aspire East Africa Fund, managed by GroFin, which targets small scale businesses which are too large for microfinance, yet too small for other private equity funds. Investing alongside us are the Shell Foundation, the Dutch and Belgian development finance institutions (FMO and BIO) and the Triodos Renewable Energy for Development Fund, with co-financing facilities from local banks in Uganda and Kenya. These smaller businesses represent an often neglected market and our investment recognises the importance of the so called missing 'S' in the SME sector.

Operating Fund Managers

In South Africa, we supported BEE initiatives, by seeking to encourage broad-based empowerment without jeopardising international competitiveness. We believe that South African private equity managers have a vital role to play in this transformation process. In addition to our commitment to Ethos Fund V we also committed:

- The Rand equivalent of US$2.5m to a first-time fund raised by Sphere Private Equity, who are Ethos's BEE partner; and
- US$50m to the Actis Africa Empowerment Fund, which is the first mezzanine fund focusing on financing BEE groups to assist them to acquire shares in transforming businesses, primarily in South Africa.

Recognising the importance of the mining sector to Africa, we committed US$5m to African Lion's second pan-African US$25m early stage mining fund. CDC has been an important backer of their first fund, which has performed strongly. Our fund manager, African Lion, made some good exits in 2005 and also made key investments in junior mining companies during the year, providing vital early stage capital leading to follow-on finance through bankable feasibility studies. This approach enables the business to raise other capital to complete the business and start production. African Lion has demonstrated its expertise in backing good quality junior mining houses, often at a pre-production stage, and assisting them to manage their transformation to production. This has included detailed attention to the environmental and social impact of mining operations. This brings CDC's total outstanding commitments to Africa to US$512m.

ATM Solutions, South Africa

Fund manager: **Horizon Equity Partners**
CDC fund commitment: **R26m** ($4.0m)
Investing fund: **Horizon Techventures**
Investment size: **R15m** ($1.7m)

About ATM Solutions

- Nearly 2,500 stand-alone cash machines installed since 2000 in locations traditionally avoided by the banks, e.g. petrol stations, convenience stores, supermarkets and hospitals.
- Provides retailers with in-store cash dispensers.
- Helps other banks develop their own ATM network.
- Aims to expand into countries beyond South Africa such as Kenya.

Performance

- Compound annual growth since investment of 30% in sales and 70% in EBIT.
- Over 175 jobs created since commencement.
- 40% share of the 'off-site' cash machine market.
- 31 cash operation centres nationwide fulfilling ATM cash replenishment services.
- Expanding internationally into sub-Saharan Africa.

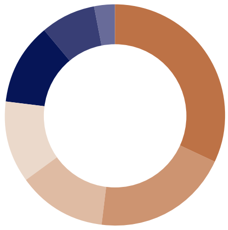
Overall investment impact

- Helping to bring financial services to rural communities previously neglected by the established banking infrastructure – around 60% of the group's cash machines are outside metropolitan areas. Local access to cash helps stimulate the local economy.
- Job creation internally and among suppliers.
- Installation of subsidised strategic machines in several rural locations, such as Qumbu, Tsolo, Black Rock and Kuruman.
- Potential to offer other financial services, such as a card system, to customers traditionally underserviced by banks.
- Profitable equity realisation releases cash for further investments in developing economies.

£335m

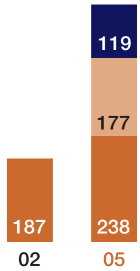
Portfolio value

Portfolio by sector – Africa



- Minerals, oil and gas (32%)
- Infrastructure (20%)
- Financial Services (13%)
- Manufacturing (12%)
- Telecoms (12%)
- Agribusiness (8%)
- Other (3%)

Fund value growth



- Unrealised profit
- Realised profit
- Investment

Brookside Dairy Limited, Kenya

Fund manager: **Aureos Capital**
CDC fund commitment: **US$5.0m**
Investing fund: **Acacia Fund**
Investment size: **US$1.2m**

About Brookside

- Based in Ruiru, near Nairobi, with depots across Kenya.
- Sources from 65,000 suppliers, mainly smallholders.
- Number of collection centres to be increased.

Performance

- Forty-fold increase in production over ten years to current level of 200,000 litres a day.
- Now the top dairy in East Africa with a 40% market share of the Kenyan market.
- Its products are available in over 15,000 outlets.
- As well as selling to the domestic market, Brookside now exports to Tanzania, Uganda, Rwanda, Burundi and Mauritius.
- Three-fold increase in number of employees since 1998. Currently 1,100 staff.

Overall investment impact

- With its investment capital, Acacia entered into a partnership at an important phase in Brookside's business cycle. Over the years, the company has improved various aspects of the business, including financial planning and analysis, operational efficiency and a reduction in environmental impact through the implementation of better waste treatment processes.
- Job creation, sales growth and a steady income for its wide and growing network of suppliers.
- Benefits to local communities in the form of health education programmes, funding for school, church and road building projects, as well as sponsorship of the local football team, Thika United.
- Brookside sponsored training field days attended by up to 6,000 local farmers at a time to help spread best practice in livestock management and provide networking opportunities for smallholders, many of whom are geographically isolated.
- The expanding business provides linkages between rural and urban economies and a sustainable route out of poverty for many.

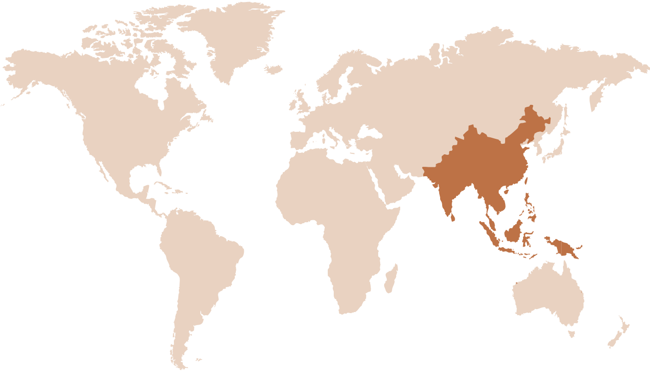
The year also saw significant deals by some of our fund managers. The buy-out of the electrical services and spare parts division of Delta by Actis, Ethos and Sphere was a large transaction and was especially gratifying.

Actis had a successful year in its management of CDC's historic portfolio of direct African investments. The highly successful Celtel exit in March 2005 was a vindication of our early commitment to the telecommunications sector back in 1998. In a continent so often associated with poor communications and technology infrastructure, we are proud to have played a part in bringing reliable mobile telephony to Celtel's five million customers across Africa.

That was followed by another successful exit in July, when Actis sold our stake in Protea Hospitality Corporation to a BEE consortium. With a dollar return in excess of 20%, this again demonstrated that the private equity model of investment can succeed in Africa by building value in companies. Another CDC sponsored fund, Comafin, was an investor in both Celtel and Protea, and its performance further supports the private equity thesis in Africa, notwithstanding its pioneering nature when launched in 1996.

> "We are proud to have played a part in bringing reliable mobile telephony to Celtel's five million customers across Africa."

Business Review – Asia



South Asia is a core market for CDC, with £225m invested in the region. Significant progress was made during the year in identifying new fund managers who know and understand the region's markets.

South Asia

We began the year with two fund managers, namely Actis and Aureos, which specialises in the SME sector. By the end of the year we had identified several additional fund managers across Asia. In South Asia we added fund commitments to India Value Fund Advisors, Barings India and have agreed to commitments to Infrastructure Development Finance Company (IDFC) and ICICI which should close during 2006.

India Value Fund II closed with a commitment of US$5m from CDC. Barings India Fund II closed at US$175m, with CDC's commitment of US$15m alongside the Asian Development Bank, the Dutch and Swedish development finance institutions (FMO and SwedFund), United Overseas Bank and Siguler Guff. The Actis India Fund 2 closed at US$325m, including US$100m from CDC which we scaled back from US$150m to allow other investors in. A further US$25m is earmarked for transfer to the Actis Umbrella Fund upon the latter's closing (due April 2006).

BRAC Bank Limited, Dhaka, Bangladesh

Fund manager: **ShoreCap Management**
CDC fund commitment: **US$4.0m**
Investing fund: **ShoreCap International**
Investment size: **US$1.5m**

About BRAC Bank Limited

- Founded in 2001 to provide loan and general banking facilities to SME enterprises in Bangladesh, a sector under-serviced by the established banking community.
- Fastest growing bank in Bangladesh in both deposits and credit, making average SME loans of US$6,500 and also offering loans and credit cards to customers.

Performance

- The bank has grown nearly four-fold in size and earnings in just two years.
- Loans outstanding grew by 103% during 2005 and total deposits increased by 66% to US$200m.
- SME lending of US$147m to nearly 32,000 SME customers in 2005.
- Growing retail market presence with 125,000 account holders and 60,000 cash cards in circulation.
- The bank now has a total of 1,261 full-time staff (475 in 2003).

Overall investment impact

- BRAC Bank customer surveys reveal that an estimated 18,000 new jobs have been created thanks to SME loans helping business expansion.
- BRAC Bank's SME focus has proved so successful that many of the larger commercial banks are now competing for customers in this sector.
- The bank is planning to open another 12 branches in 2006, bringing its total to 30 while adding another 300 small business loan officers.

Operating Fund Managers

Linatex Group, Malaysia

Fund manager: **Navis Capital Partners**
CDC fund commitment: **US$10.0m**
Investing fund: **Asia Fund IV**
Investment size: **US$33.0m**

About Linatex
- Global latex rubber manufacturer for industrial, construction and manufacturing uses.
- Aims to expand into China, Poland, Russia and Chile.
- Manufacturers in Malaysia.
- Headquarters to be relocated from the UK to Malaysia.

Performance
- 256 employees, likely to grow to over 300 by the end of 2006.
- Expansion into international markets.
- Increased sales.

Overall investment impact
- Linatex plans to invest around US$5m in 2006 to enter new markets in Chile, Poland and China.
- Before the Navis acquisition, Linatex already had a good reputation for commitment to health and safety and hopes to extend this to its new markets.
- Relocation of Linatex's HQ from the UK to its main manufacturing centre in Malaysia will save millions of dollars cumulatively over the next five years and will improve organisational effectiveness.

Key portfolio investments included India Value Fund's US$8m investment in RDC, a ready mix concrete business with focus on North India. Use of ready mix concrete is growing in India with demand being driven by the growth in infrastructure.

2005 was a good year for realisations generally. The partial exit of Glenmark by Actis at US$38m, generating a cost multiple of 7.2 and an IRR of 129% provided an excellent return for CDC.

South East Asia and the Pacific
In South East Asia, we placed capital with Navis, a fund manager new to CDC, with a US$10m commitment to Navis Fund IV and in the Pacific up to $5m is scheduled for commitment to Aureos' Kula Fund II.

In Malaysia, the Actis Malaysia Fund continued developing its pipelines. Several transactions failed to complete at late stages but management is forecasting a better conversion rate in 2006. The fund's existing investment in Unza is performing well.

Navis' investments include Linatex, an international specialist rubber manufacturer based in Malaysia, and Hill and Associates, a security consultancy business with operations in Indonesia and other emerging markets which focuses on credit and reputational risk assessment for individuals and firms, as well as personal security services.

ShoreCap International invested US$1.5m in Eskhata Bank in Tajikistan, and Barings made a US$3m investment in Maples ESM Technologies, an IT services business based in Bangalore.

Actis' investments included Tema, a specialised heat exchanger manufacturing company in Western India and DVCom, a local loop telecom operator in Pakistan. Private equity is still a nascent asset class in Pakistan, but is beginning to attract attention from banks, asset managers and entrepreneurs keen to raise debut funds to meet the capital needs of private and listed companies.

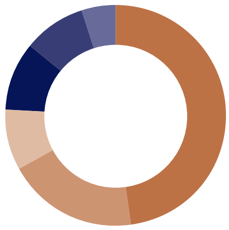
China
China has one of the fastest growing economies in the world and 2005 was an exceptionally good year. CDC has US$57m invested in China and those funds performed well during the year.

CDC's offering in China covers the provision of capital to mid-cap companies and to SME enterprises. Our funds in these segments are managed by Actis and Aureos respectively. We are actively looking to identify other fund managers in this market.

The Actis China Investment Company was launched in 2000, and is now mostly exited. The exit of the Meng Niu dairy business was substantially completed during the course of 2005. The turnaround at Northpole continues with new appointments at senior

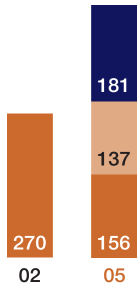
£225m
Portfolio value

Portfolio by sector – Asia



- Manufacturing (48%)
- Infrastructure (19%)
- Financial Services (9%)
- Healthcare and pharmaceuticals (10%)
- Agribusiness (9%)
- Other (5%)

Fund value growth



- Unrealised profit
- Realised profit
- Investment

Suntech Power Holdings, China

Fund manager: **Actis**
CDC fund commitment: **US$100.0m**
Investing fund: **Actis China Fund 2**
Investment size: **US$12.5m**

About Suntech Power Holdings
- Solar energy company based in Wuxi, China, using photovoltaic (PV) cell technology converting sunlight into electricity.
- Provides clean electricity to residential, commercial, industrial and public utility markets worldwide.
- Tenth largest solar cell manufacturer worldwide, with annual production capacity of 120MW.
- Floated on the New York Stock Exchange in December 2005.

Performance
- 12-fold increase in manufacturing capacity since 2002.
- 1,282 employees since 2002.
- Actis's remaining stake worth around US$85m as at end December 2005.

Overall investment impact
- Suntech has gained access to valuable expansion capital in a fast-growing market.
- Actis's input has helped improve corporate governance and the recruitment of key positions, such as chief financial officer.
- Through its experience of market opportunities in developing economies Actis is helping Suntech identify and enter new markets.
- Increased availability of PV cell technology.

management level, improved control of costs and a gradual pick up in sales. Actis is also responsible for Actis China Fund 2, which also had a good year with most investments doing well. Powercom continued to grow, providing systems integration equipment to China's main mobile phone operators, and Ningxua – based China Wolfberry further developed its market presence in the Chinese beverage sector.

Despite extraordinary levels of growth in recent years, China remains a poor country. Some 600 million people still live on less than US$2 a day and notwithstanding recent revisions to China's GDP statistics, the country still classifies as a low income one in CDC terms.

The fundraising outlook has improved in line with economic performances. Actis for instance, has been able to raise US$225m for Actis China Fund 2 with the majority of the funds coming from sources other than CDC. However, raising funds for China remains challenging, reflecting persistent concerns over governance, the rule of the state and the availability of liquidity for exits.

The provision of private equity remains small in relation to the size of the economy. This, combined with the underdeveloped nature of the banking market, means that mid-cap and small companies generally have to rely on organic growth to fund capital investment. Our view remains that private equity has a vital role to play in accelerating the manufacturing industry and services in China and in deepening the capital markets. This is particularly true at the smaller end, where our due diligence review of Aureos's proposal to set up a fund dedicated exclusively to Shandong province, revealed a pervasive and constricting scarcity of capital at the SME level.

Business Review – Latin America

Operating Fund Managers

Actis
The positive power of capital

aureos CAPITAL

Stimulated by demand in Asia and North America, Latin America's 4.3% growth in 2005 was at a respectable level.

The legacy of the over investment of the late 1990s and the superior attractions of China and India dampened the private equity market, and continuing political volatility in key countries meant that most managers found fundraising difficult. The prospect for 2006 remains one of uncertainty. The policy of the new Bolivian government towards the ownership of the country's energy assets is not yet known and there are elections due in Brazil, Mexico, Peru, Ecuador and Colombia during the course of the year.

Despite this difficult environment, the need for private equity remains urgent. Outside the largest companies, which have access to international markets, businesses in the major markets in Brazil and Mexico, and more particularly in the smaller ones, continue to find access to capital difficult. This is inhibiting the restructuring of industries and services which will be required if the region is to compete effectively with the tiger economies of Asia.

Favorita Fruit Company, Ecuador

Fund manager: **Actis**
CDC fund commitment: **US$115.8m**
Investing fund: **Actis Latin America Fund 1**
Investment size: **US$20.0m**

About Favorita

- One of Ecuador's leading banana and tropical fruit producers, exporting to over 20 countries around the world.
- Over 8,000 hectares of environmentally-friendly banana plantations.
- Won accreditation from the Rainforest Alliance for managing its plantations in a sustainable manner.
- Its subsidiary support businesses provide packaging, fertiliser, air fumigation services as well as port and shipping services.

Performance

- Exports to Europe, USA and China.
- Now employs over 9,200 people.

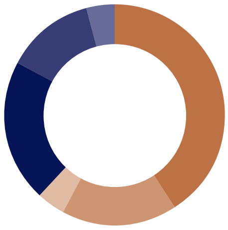
Overall investment impact

- The US$20m invested since 1998 has helped Favorita expand its port and banana businesses.
- Financial expertise has helped with the company's expansion model, its corporate governance and the financing of its investment programme.
- Many farms are ECO-OK certified (covering health and safety of employees, as well as environmental standards), ISO 14001 approved.
- The Wong Foundation has helped establish 31 elementary schools, benefiting 2,700 children. It also manages the Rio Palenque Science Centre which includes around 100 hectares of pristine tropical rainforest that is protected as an ecological reserve.

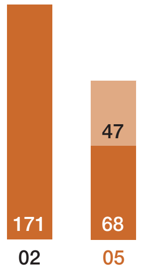
£52m

Portfolio value

Portfolio by sector – Latin America



Fund value growth



"CDC continues to have a pivotal role to play in deepening capital markets and developing the private sector, the bedrock of sustainable economic growth."

Against this background, our Latin American strategy during the year was to encourage our existing managers to focus on exits and Actis met with particular success in Bolivia in 2005. The carefully negotiated and profitable sales of the Colquiri tin mine and the SOBOCE cement business to trade buyers left both companies in good hands. Actis also exited Banco Sol, a successful microfinance bank, also in Bolivia and Ferrocaril Central Andino, a Peruvian railway company during the year.

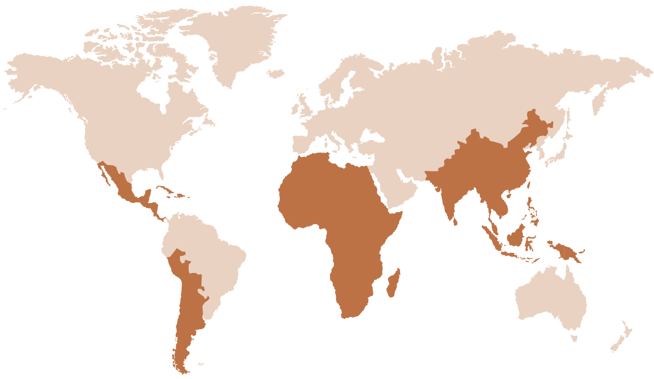
The prospects for the Aureos Central America Fund, which concentrates on SME enterprises, remain encouraging. Partial exits were made from Avance, a housebuilder in El Salvador, and Distribuidora Fotografica S.A, an expanding imaging, printing and IT provider in Central America.

A healthy SME sector is an essential ingredient for economic development in Latin America and the Aureos Central America Fund continued to help grow smaller businesses during 2005. Towards the end of the year we noted a pick up in deal flow, stimulated by the prospect of the Central American Free Trade Agreement (CAFTA), which we expect to see continued in 2006.

Our view is that Latin America is at an inflection point. Most of the economies of the region are generating substantial current account surpluses in tandem with relatively high levels of growth. This is the first time in recent economic history that this virtuous combination has been achieved and the consequence is that the major economies of the region now have a chance to break the cyclical pattern whereby periods of growth produce balance of payments crises, which in turn lead to savage contractions. Despite this healthy development, perceptions of volatility remain and prices of assets are therefore lower than fundamentals would warrant. There are therefore opportunities for skilled investors to make sound and profitable investment. Many sectors, such as consumer goods, financial services and agribusiness are fragmented, underperforming and in need of restructuring.

The scarcity of risk finance in many parts of Latin America means that CDC continues to have a pivotal role to play in deepening capital markets and developing the private sector, the bedrock of sustainable economic growth.

Business Review – Energy



Operating Fund Managers

Actis
The positive power of capital

GLOBELEQ

The importance of clean, safe and reliable power to the economic growth of countries in the developing world cannot be overestimated.

Without reliable power, schools, hospitals and vital services, let alone businesses, cannot operate efficiently.

Power companies themselves require significant levels of investment and throughout the developing world there has been serious under investment in the sector. Over 70% of Africa's sub-Saharan population, and 60% of Asia's population, have no access to electricity.

That is why power continues to represent approximately one third of CDC's portfolio. Through the Actis Energy Fund, whose main investment is our wholly owned subsidiary, Globeleq, the focus is on power companies operating in the emerging markets of Africa, Asia and Latin America.

2005 was a year of consolidation and solid progress for us in this sector. CDC is now three years into its programme of building Globeleq as an operating power company solely focused on the emerging markets, and progress is encouraging. Emphasis was on the integration of Globeleq corporate structure along with the continued positive performance and cash generation of the investee companies. Globeleq continues to seek investments in emerging markets and is actively pursuing opportunities in Africa, South Asia and Latin America.

The Songas plant in Tanzania, which provides power generated from indigenous natural gas to the national electricity company, continued to do well in 2005. In June the addition of 50% capacity at the facility was announced. Songas now generates a total of 180MW and supplies 35% of the country's energy requirements.

In Egypt, we stepped up our stakeholding in Sidi Krir, a 683MW natural gas-fired power plant which employs over 100 people, from the 61% holding we took last year to 100%. This puts Globeleq in the best position possible to derive the maximum benefit from the asset.

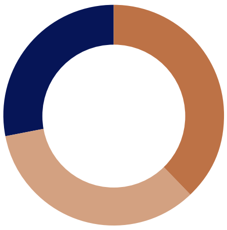
There was solid progress at Umeme in Uganda, where jointly with Eskom Enterprises, Globeleq has the concession to refurbish, manage and operate the existing distribution network to provide electricity to 250,000 people.

In Bangladesh, the Haripur and Meghnaghat plants give us a significant presence. These two plants provide 25% of the generating capacity of the country, with modern combined cycle gas turbine generators situated near the capital city of Dhaka, and have helped improve the reliability of supply to the national electricity grid. Power outages have been reduced. These investments continue to do well, along with the minority positions in Sri Lanka and India.

£326m

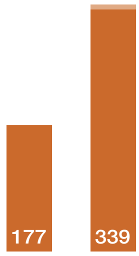
Portfolio value

Portfolio by region – Power



- Africa (38%)
- Latin America (34%)
- South Asia (28%)

Fund value growth



- Realised profit
- Investment

Globeleq seeks to play an active and positive role in the communities served by its power businesses. The continuing aim is to build value by ensuring strong corporate social responsibility, governance and international best practice in all areas of the business. The Globeleq plants contribute to a variety of local projects supporting schools, hospitals, and community development. At the corporate level, Globeleq has contributed to disaster relief in the markets where it operates.

CDC's power portfolio remains focused on profitable, sustainable businesses which bring reliable, safe and clean power to the people who need it most.

> "The continuing aim is to build value in the portfolio by ensuring strong corporate social responsibility, governance and international best practice."

Compañía Boliviana de Energía Eléctrica (COBEE), Bolivia

Fund manager: **Actis**
Investing fund: **Actis Energy Fund**
Investment size: **$47.4m**

About COBEE
- One of the largest generation companies in Bolivia, accounting for a third of the country's power supply.
- Provides 20% of power to La Paz and the surrounding areas.
- Over 200MW of hydroelectric generation.
- Sells almost all of its output to distribution companies of La Paz.

Performance
- Employs around 200 people.
- Bolivian economy growing at around 4% per annum so demand for power is growing – COBEE has a concession to expand in the Miguillas Valley.

Overall investment impact
- Clean, reliable and safe energy to consumers and industry.
- Investment capital finances improvements, such as upgrades to eight of its 15 plants to facilitate remote operation from the central control room in La Paz.
- Successful launch in June 2005 of US$30m worth of local bonds, managed by Bolivia's Credi-Bolsa.
- Community engagement through the COBEE Foundation and assistance to the valley communities with road building, education and health facilities, as well as agricultural outreach programmes advising farmers on crop selection and other matters.

Performance Review

CDC, as a fund of funds, has developed relationships with 18 new fund managers since the beginning of 2004.

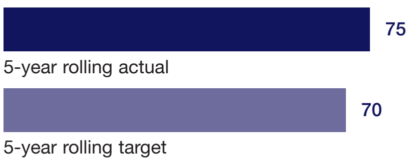
Key performance indicators

42%
(2004: 22%)
Gross portfolio performance in US$ exceeded the MSCI Emerging Markets index of 30% by 12%

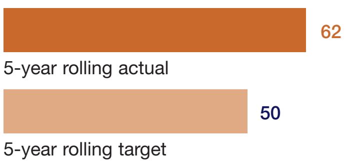
£426m
(2004: £179m)
Total return

35%
(2004: 16%)
Return on net assets

New investment in poorer countries (%)



New investments in sub-Saharan Africa and South Asia (%)



£284m
(2004: £58m)
Third party funds mobilised alongside CDC's capital in Actis and Aureos funds

Godfrey Davies
Chief Financial Officer

Description of the business and objectives

CDC is a government-owned investment company that invests in private sector businesses in developing countries where it has been an innovative investor for nearly 60 years. CDC is part of the UK programme for promoting international development and the reduction of poverty. The Government has no involvement in, or responsibility for, CDC's day-to-day decision-making which is carried out by the CDC Board of executive and non-executive directors based in London. CDC is required to operate commercially according to the highest standards of corporate governance.

CDC's mission is to generate wealth, broadly shared, in emerging markets, particularly the poorest countries, by providing capital for investment in sustainable and responsibly managed private sector businesses. CDC also plays a catalytic role, using our investments to mobilise third party capital by demonstrating the benefits of successful investment to other capital providers. Profitable and sustainable private sector businesses are the principal driver for creating economic growth, which is critical to reducing poverty and improving living standards. Scarcity and unequal access to long term risk capital constrains the establishment and growth of viable businesses in our target markets.

Our investment strategy is to align our activities with our shareholder's objective of reducing poverty. We have two investment targets: 50% of new investments in sub-Saharan Africa and South Asia; and 70% in the poorest countries of the world (defined as countries with an annual Gross National Income (GNI) per capita below US$1,750 in 2001). Both tests are measured over a five-year rolling period. We do not invest in countries which have a GNI per capita of over US$9,075 or EU accession countries.

In making our investments we:

- Target an appropriate commercial return, which may vary by geography, product or sector;
- Require managers to invest in companies with strong business principles including environmental, health, safety and social policies; and
- Aim to be catalytic and innovative in what we do.

Our core values are:

- To be open and honest in all our dealings, while respecting commercial and personal confidentiality;
- To operate professionally in a performance-orientated culture and be committed to continuous improvement;
- To be objective, consistent and fair with all our stakeholders;
- To be a good corporate citizen, demonstrating integrity in each business and community in which we operate;
- To respect the dignity and well-being, safeguard the health and safety and treat fairly all our people and those with whom we are involved;
- To work over time towards full compliance of our investments with the International Labour Organisation Fundamental Conventions and with the UN Declaration of Human Rights; and,
- To protect the environment, encourage the efficient use of natural resources and promote the improvement of the environment wherever possible.

Strategies for achieving the objectives of the business

CDC as a fund of funds places its portfolio with skilled and experienced private equity fund managers in our target markets. CDC expects its managers to achieve returns that are appropriate to the opportunities and risks in the relevant market. Amongst the features that CDC seeks in making a decision to commit to a fund are:

- A credible thesis aimed at our preferred markets;
- A strong management team, preferably with a track record of investing successfully together for a period of years;
- Prospective returns which are commensurate with the potential risk; and,
- A management team who will apply high standards of business ethics and corporate governance.

CDC evaluates fund performance according to the financial performance of the funds and the development impact which the funds have had in terms of creating profitable businesses that are economically sustainable, environmentally non-distorting and have a positive impact on the private sectors in which they operate.

Presentation of results

CDC's financial results are presented in two ways. Firstly, following International Financial Reporting Standards, we consolidate all businesses where we have a controlling interest. These audited consolidated accounts can be found in full in CDC's Financial Report. The Directors' Report gives a summary of those results. Secondly, in order to explain more fully our investment activities as a fund of funds, we have valued all our investments, including subsidiaries, at fair value and used the results of this valuation in a statement of total return and a summarised balance sheet. These valuation results are shown on page 22. Ernst & Young LLP has examined these statements and their report is also shown.

Other results highlights

£156m
(2004: £200m)
New investments in the year

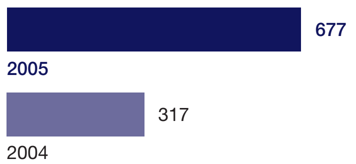
£232m
New commitments during the first full year of CDC's new business model

£174m
(2004: £35m)
Realised profit on exits

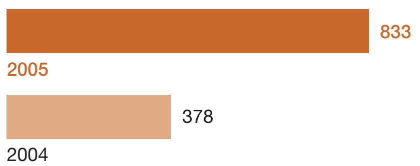
£179m
(2004: £78m)
Unrealised valuation gains

£508m
(2004: £299m)
Cash generated from portfolio

Cash and short-term deposits held at year end (£m)



Outstanding commitments (£m)



The financial position and financial statements

Summary statement of total return (for year ended 31 December)	**2005 £m**	2004 £m
Revenue account		
Portfolio yield	**34.9**	37.2
Net realised profits	**173.6**	34.5
Unrealised value gains	**178.6**	77.5
Portfolio return	**387.1**	149.2
Operating costs	**(4.9)**	(16.0)
Interest and other items	**25.8**	22.5
Tax	**17.8**	23.4
Total return after tax	**425.8**	179.1
Summarised balance sheet on a valuation basis (at 31 December)		
Portfolio	**937.8**	937.4
Net cash	**459.5**	317.2
Short-term deposits over 90 days	**217.0**	–
Other net assets/(liabilities)	**25.5**	(40.6)
Total net assets on a valuation basis	**1,639.8**	1,214.0

Basis of preparation
The summary statement of total return and the summarised balance sheet have been prepared in accordance with valuation guidelines to comply with the International Private Equity and Venture Capital guidelines. These guidelines are detailed on page 25 under the valuation methodology heading. In addition, they have been compiled to include the following items for the parent company and investment holding subsidiaries:

Revenue account
Portfolio return comprises three items: First, portfolio yield, which includes dividend income from the equity portfolio and interest income on the loan portfolio net of investment deal costs and management fees. Second, net realised profits, which represent gains and losses calculated by reference to cash proceeds less valuations at the last balance sheet date. Finally, portfolio return includes net unrealised profits which represent valuation gains and losses arising since the last balance sheet date, in accordance with the guidelines set out on page 25.

Other revenue account items include operating costs, interest and other items (which comprise bank deposit interest, net of interest payable on external borrowings and other income that is not portfolio related) and tax.

Balance sheet
This comprises the portfolio at valuation on the basis outlined on page 25, net cash (which includes all cash and cash equivalents and is net of overdrafts), short term deposits over 90 days at initiation and other net assets/liabilities. Other net assets/liabilities include property, plant and equipment, employment benefits assets/liabilities, trade receivables and payables, short and long term external borrowings and other provisions and charges.

Restatement of 2004
2004 comparatives have been restated to reflect certain changes arising from implementation of International Financial Reporting Standards. Attention has been drawn to this change on page 25. The effect of this change on the comparatives was to recognise additional pension liabilities as per IAS 19 and to recognise valuation changes as per IAS 39. The total adjustment against net assets for these adjustments was (£33.4m), taking net assets from £1,247.4m as previously published to £1,214.0m.

Review report to the Shareholders of CDC Group plc
We have reviewed the accompanying Summary Statement of Total Return for the year ended 31 December 2005 and the Summarised Balance Sheet as at 31 December 2005 of CDC Group plc, which are prepared on the basis of accounting set out above and in accordance with the valuation methodology set out on page 25. These statements are the responsibility of the company’s management. Our responsibility is to issue a report on these statements based on our review.

This report is made solely to the shareholder of CDC Group plc. Our review work has been undertaken so that we might state to the shareholder those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work or for this report.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether these statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review of the statements above, nothing has come to our attention that causes us to believe that the Summary Statement of Total Return and the Summarised Balance Sheet above are not presented fairly, in all material respects, in accordance with the basis of accounting set out above and in accordance with the valuation methodology set out on page 25.

Ernst & Young LLP
Registered Auditor
London
30 March 2006

Current performance

Portfolio return

The portfolio generated £34.9m (2004: £37.2m) of revenue from portfolio yield and interest received, net of costs and fees. Portfolio yield will decrease over time as the recently invested portfolio is intended to achieve returns through capital gain rather than yield.

Realised gains of £173.6m (2004: £34.5m) arose mainly on the legacy portfolio, particularly from Africa and Latin America.

We are now into the seventh year of valuing our portfolio according to our valuation methodology, which has been amended this year to follow the recently published International Private Equity and Venture Capital (IPEVC) guidelines issued jointly by the British and European Venture Capital Associations. The methodology is described on page 25. The gain in the portfolio valuation was £178.6m (2004: £77.5m), with the two largest valuation gains being £174.0m from the legacy portfolio and £16.8m from Actis China Fund 2.

Operating costs

Operating costs for the year of £4.9m have reduced from last year's £16.0m due to the revised cost and fee structure following the formation of Actis in July 2004. CDC now only has a London office with 24 employees. Operating costs represent 0.3% of funds under management.

Interest and other items

The higher average cash balance in 2005 gave increased deposit interest, which together with the release of some provisions no longer required and some exchange losses gave income of £25.8m (2004: £22.5m). Included in 2004 are exceptional charges of £7.5m representing costs of the fundamental restructuring.

Tax

CDC became UK corporation tax exempt in May 2003. During the year certain tax provisions were released giving a credit of £17.8m (2004: £23.4m).

Total return

The overall result is a total return of £425.8m (2004: £179.1m). As a return on opening total net assets on a valuation basis, this represents a return for our shareholder of 35.1% this year and an average annual return of 18.0% since the beginning of 2003.

Third party funds mobilised

One of CDC's objectives is to mobilise third party capital investment in emerging markets by demonstrating the benefits of successful investment to other capital providers. During the year, third party investment in funds raised by Actis and Aureos amounted to US$489.9m (2004: US$100.1m), with US$240.8m in South Asia funds and US$133.5m in Africa funds.

Portfolio

The portfolio consists of investments in funds managed by fund managers and the legacy portfolio which is managed by Actis as a fund under an Umbrella Agreement. During the year, the CDC portfolio, despite some large movements, remained at the same level, moving from £937.4m to £937.8m as below:

Fund cash generated

For the third year running there was a high level of cash generation at £507.7m (2004: £298.9m) driven by portfolio realisations. Portfolio realisations generated cash of £472.8m (2004: £261.7m). These arose mainly on the legacy portfolio and included some large underlying investment realisations within the funds. Celtel, a pan-African telecoms operator, realised cash of £130.0m, at a 4.5 multiple to cost and a 56% IRR. Colquiri, a tin mine in Bolivia, realised cash of £32.0m at a 12.3 multiple and a 71% IRR. Pacific Rim Palm Oil, with operations in Indonesia and Papua New Guinea, realised cash of £80.2m. There were also a number of realisations in South Asia where market movements favoured exits, which generated £77.6m of cash.

Movement of the CDC portfolio	Actis managed funds £m	Aureos managed funds £m	Other fund managers £m	Total £m
Portfolio at the start of the year	921.4	15.5	0.5	937.4
New investments	133.9	4.6	17.0	155.5
Realisations	(331.7)	(2.0)	–	(333.7)
Unrealised gains/(losses)	180.9	(3.2)	0.9	178.6
Portfolio at the end of the year	**904.5**	**14.9**	**18.4**	**937.8**

Cash flow	Actis managed funds £m	Aureos managed funds £m	Other fund managers £m	Total £m
Fund cash generated	505.4	2.2	0.1	507.7
Fund drawdowns	(133.9)	(4.6)	(17.0)	(155.5)
Net fund flows	**371.5**	**(2.4)**	**(16.9)**	**352.2**
Purchase of short term deposits over 90 days				(217.0)
Other cash flows				7.1
Net cash inflow				142.3

Fund drawdowns

Drawdowns by funds for new investments at £155.5m (2004: £200.2m) were lower than last year as a large power investment has been delayed and is now expected in 2006. Although CDC no longer makes direct investments, instead investing in managed funds, we do look through the new investments in funds to the underlying fund new investments to measure our new investment targets over a five-year period. With 75% in poor countries and 62% in sub-Saharan Africa and South Asia, the rolling five year targets of 70% and 50% respectively were exceeded.

Cash and short term UK deposits held

The high level of legacy portfolio realisations resulted in a higher cash and short term deposits balance at £676.5m (2004: £317.2m). Most of this balance is placed on term deposits with the UK Government's Debt Management Office at present but will be recycled into fund investments as current outstanding commitments for investment into new funds, which stand at £833.0m, are drawn down.

Fund commitment and investment

	Number of funds	Outstanding commitment £m	CDC investment value £m
Actis managed funds	**18**	**400.1**	**904.5**
Aureos managed funds	**18**	**30.3**	**14.9**
Navis Capital Partners	1	3.7	2.0
India Value Fund II	1	1.9	0.5
Barings India Fund II	1	8.2	0.1
African Lion	1	1.5	2.4
EMP Africa Fund II LLC	1	17.4	
GroFin East Africa SME Fund	1	1.7	
Ethos Fund V	1	16.6	0.8
Sphere Fund 1	1	1.4	0.3
Cordiant	1	48.8	9.0
ShoreCap	1	1.5	0.9
European Financing Partners	1	4.6	2.4
Other fund managers	**11**	**107.3**	**18.4**
Total legal commitment at end 2005	**47**	**537.7**	
Actis managed funds	3	174.1	
Aureos managed funds	3	37.7	
Afghanistan Capital Partners	1	2.9	
Capital Alliance Private Equity	1	8.7	
Infrastructure Development Finance Corporation	1	14.5	
ICICI India Advantage Fund II	1	43.5	
Horizon Equity III	1	5.8	
Lok Capital	1	2.3	
Kendall Court Mezzanine (Asia) Fund	1	5.8	
Board approved commitments	**13**	**295.3**	
Total	**60**	**833.0**	**937.8**

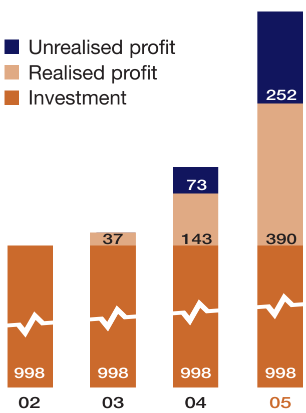
Fund managers

Since the end of 2004 CDC has been actively reviewing private equity fund managers within its investment universe. As will be seen from the table adjacent when compared to a similar table in last year's accounts, CDC, as a fund of funds, has developed relationships with 18 new fund managers since the end of 2004. Before investing in a fund, extensive due diligence is undertaken to ensure that top quartile fund managers have been chosen who will deliver above average returns in the chosen markets.

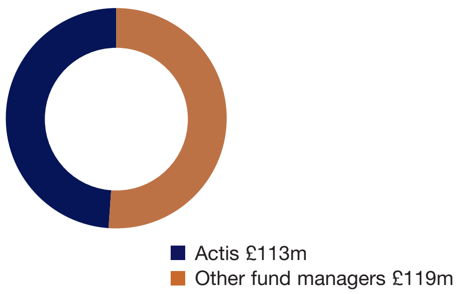
Risks and uncertainties

CDC's operations are managed within limits defined by the Board. The Board regularly reviews the overall risks inherent in CDC's business and the actions taken to mitigate those risks where appropriate. The Board reserves to itself the approval of commitments to new funds. One of the main risks facing CDC is the loss of portfolio value due to a catastrophic event. As can be seen from the graph of the MSCI Emerging Markets Index on page 5, values have decreased as well as increased in the past. Formal portfolio exposure limits are in place for each country and sector in which CDC invests to mitigate the portfolio risk.

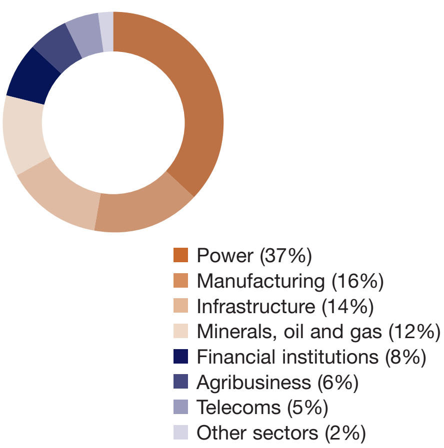
CDC value growth (£m)



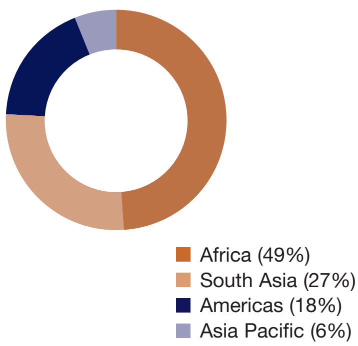
New commitments by fund manager (£m)



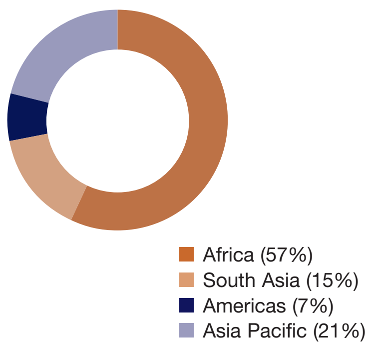
Portfolio by sector



Portfolio by geographical area



New investments by area



The main function of CDC's treasury unit is to manage the group's cash resources and group currency exposure. To mitigate currency risks, CDC enters into derivative type currency exchange transactions to hedge currency risk in accordance with a currency hedging policy agreed by the Audit, Compliance and Risk Committee. CDC does not trade in derivatives, nor does it enter into currency transactions of a speculative nature.

Certain subsidiaries within the group are engaged in the purchase or supply of commodities. These subsidiaries choose whether and how to hedge these risks. Such hedging is not speculative.

More details on derivatives are given in note 20 to the accounts starting on page 79.

Cash flow forecasting

CDC's investments in funds are long term in nature and individual fund cash flows are difficult to predict. However, CDC models best estimates of the performance and future cash flows of the individual funds in which it has invested. These models are the basis for a business plan, including long term cash flow forecasts, which is reviewed and approved by the Board.

Capital structure

In 2004, CDC was restructured, spinning out its fund management business, together with the majority of staff, into Actis, which is majority owned by its staff with a minority holding by the Department for International Development. The CDC balance sheet was also restructured by converting the interest free government loans to equity.

International Financial Reporting Standards

Although it is not a listed company, CDC has followed best practice and changed its basis of accounting to International Financial Reporting Standards (IFRS) from UK GAAP. Audited results for 2004 including the opening balance sheet have been prepared under IFRS so that IFRS comparatives for 2004 can be shown in the 2005 accounts. The adoption of IFRS causes opening net worth at the start of 2004 to change. Note 3 to the accounts, on pages 47 to 60, gives details of the first time adoption of IFRS together with reconciliations between the results under UK GAAP and IFRS.

Valuation methodology

CDC investment valuation guidelines have been developed in accordance with the International Private Equity and Venture Capital (IPEVC) Valuation Guidelines. Investments are valued at fair value, which is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. To determine the fair value of an investment, the enterprise value of the investee company is determined using the CDC methodology. Higher ranking financial instruments are then deducted from this enterprise value. A marketability discount to reflect the return market participants demand to compensate for the risk arising from a lack of marketability is then deducted, where appropriate, to give a net attributable enterprise value. This net attributable enterprise value is then allocated between instruments to determine the fair value of an investment.

The CDC methodology is:

- Investments where value derives mainly from the underlying assets, such as funds managed by fund managers, are valued at asset value using appropriate valuation measures for the underlying assets and liabilities;
- Quoted equity in an active market is valued at the quoted market price. However, discounts are applied for lock-ins or inactive markets;
- Realisations in process are valued at the expected realisation proceeds;
- If there has been a recent investment in the company the price of the recent investment is used to determine fair value;
- Early stage companies without positive cash flow or profit are valued using an appropriate industry benchmark;
- Companies with maintainable profits are valued on an appropriate earnings multiple from companies in similar sectors and markets;
- Companies in industries with specific valuation metrics are valued using those metrics where they provide the most reliable estimate of fair value;
- Companies with no maintainable profits or cash flows at present, but whose cash flows can be forecast with confidence, are valued using future cash flows discounted at the appropriate risk adjusted discount rate; and,
- In situations where fair value cannot be reliably measured, the investment is valued at previous carrying value, unless there is evidence of value impairment, in which case the value is reduced to reflect the extent of estimated impairment.

The summary statement of total return and the summarised balance sheet, using this valuation basis, have been prepared based on the financial statements, before the consolidation of any subsidiaries that are not primarily investment holding companies.

The main effects of this have been:

- Deconsolidating non-investment subsidiaries' turnover, costs, assets and liabilities;
- Including dividends and interest from subsidiaries;
- Measuring and all investments, including subsidiaries, at fair value.

Godfrey Davies
Chief Financial Officer

Board of Directors

Malcolm Williamson (67)
Chairman
Appointed in January 2004. He is Deputy Chairman of Resolution plc, a main Board member of National Australia Bank and Chairman of National Australia Group Ltd. He is also a Board member of Group 4 Securicor, JP Morgan Cazenove Holdings and Signet Group plc. He also chairs the Advisory Board of Youth Business International.

Until March 2004, he was President and Chief Executive of Visa International. He held various positions with Standard Chartered Bank in the 1990s, including that of Group Chief Executive from 1993 to 1998. He also served as a member of the Post Office Board and was Managing Director of Girobank. He started his career with Barclays.

Arnab Banerji (50)
Non-executive Director
Appointed in July 2004. He is the Partner responsible for emerging markets investments at Lansdowne Partners.

He was the Prime Minister's Senior Policy Adviser on Financial and City Affairs from October 2001 to April 2005 and was also appointed the Prime Minister's Economic Adviser in January 2004. He was previously Investment Chairman of the Foreign & Colonial Group. He served on the Advisory Council of the UK's Export Credit Guarantee Department for three and a half years from January 1997. He was also a member of the Morgan Stanley Capital International Advisory Board for four years. He is a trustee of the Ethox Foundation (The Oxford Foundation for Ethics and Communication in Health Care Practice).

Jonathan Kydd (54)
Non-executive Director
Appointed in 1997. He is Chairman of the Business Principles and Development Committee. He is Professor of Agricultural Development Economics at Imperial College, London, a non-executive director of NR International Ltd, and a member of the Advisory Council of ECGD.

He has extensive experience of Africa and the natural resources sector, together with a particular interest in the role of the private sector in development. His subject expertise is in agricultural policy analysis (especially links between the agricultural sector and the macro economy); economic liberalisation and structural adjustment; the role of the agricultural sector in the transition from central planning to the market; rural development and finance; food security and agricultural projects.

Fields Wicker-Miurin (47)
Non-executive Director
Appointed in November 2004. She is a co-founder of Leaders' Quest, an international not-for-profit organisation which connects and develops leaders round the world. She is also Chair of the DTI's Investment Committee and serves on the DTI's Executive and Strategy Boards. She is non-executive director of the Royal London Group, the Carnegie Group and Savills plc. She also serves on the Technology Advisory Council of Nasdaq.

Previously she was Chief Financial Officer of the London Stock Exchange and was COO and Partner of Vesta Group, an international venture capital firm investing in early stage technology businesses in Europe.

Andrew Williams (53)
Non-executive Director
Appointed in July 2003. He is a director of SVG Capital plc and Chief Executive Officer of its fund advisory business, SVG Advisers Ltd. He is a Visitor of the Ashmolean Museum.

He was formerly Managing Director of Schroder Ventures, having worked for Schroders plc since 1983. This included a period as co-head of equity capital markets and four years in Japan where he was head of corporate finance. He was also head of the Schroders Securities Asian divisions, with operations in Singapore, Hong Kong, Korea and Indonesia.

Richard Laing (52)
Chief Executive
Appointed as Chief Executive Officer in July 2004. He joined CDC in January 2000 as Finance Director and took up his role as Chief Executive following CDC's restructure in 2004. He is a trustee of the Overseas Development Institute, the UK's leading independent think tank on international development.

Prior to this, he spent 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 also a non-executive Director of Camelot plc. He previously worked in agribusiness in developing countries, and at PricewaterhouseCoopers.

Directors' Report

The Directors submit their report and the audited financial statements of the Group for the year ended 31 December 2005. The Directors' Remuneration Report is on pages 32 to 33, giving Directors' interests during the year and incentive arrangements for Directors and employees.

Principal activities

CDC Group plc ('CDC' or 'the Company') is a leading investor in emerging markets. The principal activity of CDC is investment in the form of risk capital via a series of funds. As part of its investment mandate, CDC has in the past taken majority stakes in investee companies, the activities of these subsidiaries are wide-ranging and include power, agriculture, finance and manufacturing.

Business principles

All CDC's investments are underpinned by its commitment to a set of business principles. These include policies and procedures to ensure that business integrity, environmental, health and safety and social issues are assessed as a key part of the investment and monitoring process. We require our fund managers to ensure that any business in which CDC funds are invested is committed to international good practice in these areas and that any shortfalls are addressed through an action plan.

The emerging markets are still characterised by poor labour standards, inadequate environmental protection and weak corporate governance. Employee representation and legislation may be weak or poorly enforced. In addition, official and public pressure to improve regulation and performance in these areas are not as strong as in more developed economies. CDC tries to reinforce efforts to apply principles of responsible investment in poorer countries, and requires its managers to engage with companies to encourage them to adopt higher standards.

Financial statements

Basis of preparation

The audited financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

Income

Income was £741.9m (2004: £459.7m). Increases came from sales of goods by subsidiaries acquired in 2004 and also from profit on disposal of fair value financial assets.

Profit from operations

Profit from operations before tax and finance costs of £464.2m compares to £252.6m for 2004. The much improved performance mainly reflects profits on realisations and unrealised valuation gains.

Taxation

The tax credit in 2005 was £4.2m compared with a credit of £8.3m in 2004. The provision in the Commonwealth Development Corporation Act 1999 concerning UK corporation tax exemption for CDC was brought into effect on 1 May 2003. However, CDC is still subject to corporate taxes outside the UK.

Changes in equity

Profit for the year attributable to equity holders of the parent was £427.8m (2004: 239.8m). Currency translation gains on retranslation of net assets of subsidiaries were £58.3m (2004: £51.3m loss) following appreciation of the US dollar against sterling. Overall, the increased level of performance mainly reflects valuations gains, coupled with successful realisations and better performance by operating subsidiaries.

Cash flow

Cash inflow before financing was £159.0m (2004: £117.1m) with substantially higher proceeds from equity realisations, including significant proceeds from the disposal of subsidiaries as shown in note 13.

Balance sheet

Total assets increased from £2,133.8m to £2,672.2m from the strong performance in 2005.

Pensions

CDC operates one pension scheme in the UK. The defined benefits section of this scheme was closed to new entrants from 1 April 2000. On the advice of the scheme actuary, CDC resumed contributions to the defined benefits section in 2003. A funding review was carried out in August 2005 and £15.5m (2004 £4.5m) was contributed to the scheme. Disclosures required under IAS 19 show a surplus of assets over liabilities of £7.8m (2004: £8.8m deficit). Further details are in note 17 to the accounts.

Dividend recommended

The Directors do not recommend payment of a dividend for the year.

Post balance sheet events

Material post balance sheet events are disclosed in note 30 on page 98.

Corporate governance

CDC supports established best practice in corporate governance and has complied with the Combined Code on corporate governance throughout 2005, as far as is practicable for a company that is wholly owned by HM Government.

In addition, there is a commitment to competence and integrity. In pursuit of its mandate CDC aspires to apply the highest ethical standards in the conduct of its business.

Directors

Statement of Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- Provide additional disclosures when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- State that the company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Role of Chairman and Chief Executive

There is a clear division of responsibility and authority between the Chairman and the Chief Executive. The Chairman is responsible for leading the Board in determining its strategy and objectives, but he does not participate in the day-to-day business of the Company. The Chief Executive is responsible for the management of the Company on a day-to-day basis and is accountable to the Board as such.

Role of the Board and processes

The role of the Board is to determine the direction and strategy of CDC in accordance with its investment policy; monitor the achievement of business objectives; ensure responsibilities to shareholders are met; ensure that the company is adequately protected against the risks it faces; and ensure that employees apply appropriate ethical standards in the performance of their duties, in accordance with CDC's business principles.

Certain matters are reserved for decision/approval by the Board and there is clear delegation of authority to the Chief Executive and other senior employees within the Company for other specific matters.

Board membership

The Board structure ensures that no single individual or group dominates. Certain matters are reserved for decision or approval by the Board, and there is clear delegation of authority to the Chief Executive and other senior members within the Company for other specified matters. There are procedures for planning, for the making of investments and for information and reporting systems for CDC's businesses and performance.
The Articles of Association provide for one third of the directors to retire by rotation at each annual general meeting. The directors retiring by rotation at the forthcoming annual general meeting are Malcolm Williamson and Arnab Banerji. Being eligible, they offer themselves for re-election.

The Board met nine times during the year. For the coming year, the Board has scheduled ten meetings. The Chairman and Chief Executive agree the agenda for Board meetings, but all Board members are entitled to raise other issues. The Chairman ensures that the Board is properly briefed on all issues arising at Board meetings. The Chief Executive supplies the Board with information, which is timely and of a quality that enables it to carry out its duties. Training, where appropriate, is provided to the Board and employees. All Directors have access to the advice and services of the Company Secretary and they can take independent professional advice at CDC's expense, if necessary.

The Board has not appointed a senior independent Director from the non-executive Directors as it is not felt to be appropriate for a company that has one beneficial shareholder.

The non-executive Directors are regarded as independent and are from varied business and other backgrounds. They exercise judgement and carry substantial weight in Board decisions. They contribute to strategy and policy formation, and monitor CDC's performance and senior management.

Board Directors

The table below gives the attendance of all the Board Directors, whose biographies are on pages 26 and 27, during the year ended 31 December 2005:

	Board meetings
Number of meetings during the year	9
Malcolm Williamson (Chairman)	7
Richard Laing (Chief Executive)	9
Jonathan Kydd	8
Andrew Williams	7
Arnab Banerji	8
Fields Wicker-Miurin	7

Performance evaluation of the Board was carried out during the year by means of an anonymous survey of Directors. The results of the survey were considered by the Board.

The Chairman, Chief Executive and Chief Financial Officer meet DFID quarterly to discuss shareholder issues.

None of the Directors at any time during the year ended 31 December 2005, or in the period between that date and 30 March 2006, was interested in any shares or debentures of the Company or its subsidiaries. The Chief Executive is, however, entitled to participate in the long term incentive plan, details of which are set out in the Directors' Remuneration Report on page 32. None of the Directors at any time during the aforesaid period had any material interest in any contracts with the Company or its subsidiaries.

At the end of 2005, Malcolm Williamson held seven directorships excluding CDC, three of which were taken on in 2005. Two of these seven directorships were as Chairman and one as Deputy Chairman/senior independent Director. The Board consider Malcolm has sufficient time to undertake his duties.

Board committees

The Board has four principal committees to assist it in fulfilling its responsibilities:

Audit, Compliance and Risk

The committee changed its name and terms of reference from the Audit and Compliance Committee to the Audit, Compliance and Risk Committee in March 2005. The table below indicates the members and their attendance at the scheduled meetings during the year, the committee has a required quorum of two members. The Chairman, Chief Executive and Chief Financial Officer attend by invitation.

Number of meetings during the year	3
Arnab Banerji (Chairman)	3
Jonathan Kydd	3
Fields Wicker-Miurin	2

The committee's main duties are to oversee the affairs of CDC; review the financial statements; review the findings of the external auditors; review the continued independence of the external auditors; direct the internal audit function; monitor the management accounting and valuations procedures and policies; investigate any irregularities; oversee the Company's regulated activities and compliance function; and monitor the Company's risk management function. The committee also reviews CDC's system of internal control, further details of which are set out below.

The committee satisfied itself as to the continuing independence of the external auditor. In doing so, it considered the following factors, having regard to the views of management, internal audit and the external auditor.

- The auditor's procedures in place for maintaining and monitoring independence, including those to ensure that the partners and staff have no personal or business relationships with the company, other than those in the normal course of business permitted by UK ethical guidance;
- The auditor's policies for the rotation of the lead partner and key audit personnel;
- Adherence by management and the auditor during the year to the Group's policies for the procurement of non-audit services and the employment of former audit staff.

The Audit, Compliance and Risk Committee has established policies determining the non-audit services that the external auditor can provide and the procedures required for pre-approval of any such engagement. These policies provide for the auditors to be engaged only for work that is not prohibited by professional or other regulatory requirements. This essentially limits work to tax services and assurance services that are of an audit nature, but excludes internal audit services. Even where the policy allows for the external auditor to be engaged to provide non-audit services, prior approval is required from the Chief Financial Officer.

Remuneration

The table below indicates each member's attendance during the year; each meeting has a quorum of two members. The Chairman and Chief Executive attend by invitation.

Number of meetings during the year	2
Andrew Williams (Chairman)	2
Arnab Banerji	2
Fields Wicker-Miurin	2

The committee's remit includes determining remuneration packages for the Chief Executive and senior management and making recommendations to the Board on the company's policy on executive remuneration. Details are set out in the Directors' Remuneration Report on page 32.

Business Principles and Development

The committee changed its name and terms of reference from the Business Principles Committee to the Business Principles and Development Committee during the year. Below is the attendance of members during the year; the quorum of any meeting is two which must include those nominated by CDC's shareholder, currently Jonathan Kydd and Andrew Williams. The Chief Executive attends by invitation.

Number of meetings during the year	2
Jonathan Kydd (Chairman)	2
Malcolm Williamson	2
Andrew Williams	2
Fields Wicker-Miurin	2

The committee ensures that CDC's business principles are embedded in the operations of its fund managers. It also reviews and reports to the Board on the continued appropriateness of or changes to business principles.

Nominations

The members of this committee are: Malcolm Williamson (Chairman), Jonathan Kydd, Andrew Williams and Richard Laing. The committee has not met during the year. The committee is required to meet as frequently as required, with a minimum quorum of two members who are non-executive. Its responsibilities include appointing new Board members and reviewing the Board's structure, size and composition, and succession planning (having regard to the rights of the Secretary of State as holder of the special share).

Going concern

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

Internal control

The Board is ultimately responsible for CDC's internal control system and reviewing its effectiveness. The design and operation of the system is delegated to the executive management team. Its effectiveness is regularly reviewed by the Audit, Compliance and Risk Committee. CDC's internal control system provides the Board with reasonable assurance that potential problems will normally be prevented, or will be detected early and appropriate action taken. Material breaches are reported to the Audit, Compliance and Risk Committee and are properly actioned. As with any system of internal control, CDC's system is designed to manage, rather than eliminate, the risk of failure and therefore cannot provide absolute assurance against material misstatement or loss. The Audit, Compliance and Risk Committee has conducted, in accordance with the Turnbull guidance, a review of effectiveness of the Group's internal controls. The key elements of the system include:

- Detailed business planning and control systems, including annual budgeting, business planning and quarterly reporting against financial and business targets;
- Regular reviews by the Chief Executive of corporate strategies, business principles and commercial objectives;
- Appropriate management authorisation, approval and control levels, from the Chief Executive down. The Board must specifically approve transactions above these levels; and
- A regular portfolio valuation process.

The greatest single risk to CDC is a significant reduction in the value of its portfolio. This can be considerably affected by external factors beyond CDC's control. The Board is, however, satisfied that the valuation process, described on page 25 of the Performance Review, is rigorous and effective. CDC has an outsourced internal audit function, which operates to a programme approved by the Audit, Compliance and Risk Committee, concentrating on areas of higher risk. In addition, CDC's external auditors review the system of internal controls and the information on them contained in CDC's annual report and accounts to the extent necessary in forming their opinion. CDC's executive management team operates a continuous process, agreed with the Audit, Compliance and Risk Committee, of identifying, evaluating and managing any significant risk, financial or non-financial, faced by the Company. This process also ensures that appropriate internal control mechanisms are in place. The team provides regular reports to the Audit, Compliance and Risk Committee.

Ownership

The Secretary of State for International Development ('the Secretary of State') holds 765,036,042 ordinary shares of £1 and one special rights preference share of £1 in the capital of the Company. The remaining one issued ordinary share of £1 is held by the Solicitor for the affairs of HM Treasury.

Political and charitable contributions

In 2005, CDC made a charitable donation to the NDB fishing boats appeal, Sri Lanka, of £3,005, matching staff donations to the tsunami appeal, and £2,000 to Ndi Moyo, a Malawi-based HIV – AIDS charity, in lieu of Christmas cards.

In 2004, CDC made a charitable donation to the Mango Tree Orphan Support Programme in Tanzania of £2,000, in lieu of Christmas cards, and US$5,500 to the Ethox Foundation, a UK medical charity.

CDC makes no political contributions.

Policy for paying creditors

CDC's policy is to pay its creditors promptly, as encouraged by UK Government initiatives. At 31 December 2005 the Company had an average of 14 days' purchases outstanding in trade creditors (2004: 10 days).

Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditors will be put to the forthcoming Annual General Meeting.

The auditors were commissioned to undertake some non-audit work during the year. This was within the Group policy for non-audit work by auditors and did not affect the objectivity and independence of the auditor.

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. 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. 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 meetings.

Godfrey Davies
Company Secretary
CDC Group plc
On behalf of the Board of Directors
30 March 2006

Directors' Remuneration Report

Remuneration Committee and advisers

The Company's Remuneration Committee makes recommendations to the Board on the overall remuneration package for executive Directors and other senior executives. The Remuneration Committee during 2005 comprised of Andrew Williams (Chairman), Arnab Banerji and Fields Wicker-Miurin.

CDC appointed MM&K Limited and Towers Perrin to assess comparability to the marketplace. Other advisers to CDC included Simmons & Simmons for procedural and employment law matters, Watson Wyatt LLP for retirement and other benefits and Sacker & Partners for the legal aspects of retirement benefits.

Remuneration policy for executive directors and senior executives

CDC needs to be able to attract, develop and retain high quality staff at all levels. Remuneration policy has an important part to play in achieving this objective. CDC aims to offer staff remuneration packages which are competitive in the relevant marketplaces and which reflect individual performance and experience.

Elements of remuneration

Base salary

Individual base salaries reflect job responsibilities, market rates and the sustained level of individual performance. CDC sets base salaries taking account of market data derived from appropriate salary surveys, especially those covering the private equity industry, and aims to pay around the median. All 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 executives have an element of their annual remuneration 'at risk' and based on individual contribution. The bonus 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.

Long term incentive plan (LTIP)

The LTIP provides all employees, including executive Directors, with the opportunity to share in the growth of the Company over the longer term. The plan was devised, after consultation with DFID, HM Treasury, Government's and CDC's advisors, to match the needs of CDC after the spin-off of Actis. All awards granted under the LTIP are subject to performance targets set by the Remuneration Committee. The 2003 to 2005 LTIP awards give the right to receive a cash bonus in the future subject to the rules of the plan and the satisfaction of certain performance targets. The amount of any cash payment depends on the extent to which the performance targets relating to the participant's award have been satisfied at the end of a 36 month performance period which runs from January to December. If performance meets or exceeds the target level set by the Remuneration Committee for all the performance targets, participants would be entitled to a cash bonus that is capped at a maximum of between 25% and 240% of their basic annual salary at the end of the performance period, depending on seniority.

In 2005 the first payment under the old 2002 LTIP Scheme was made to all eligible staff and the second and final instalment of an equal amount was paid in March 2006.

At their meetings held on 23 and 30 March 2006, the Remuneration Committee of CDC approved payments to all eligible staff under the 2003 LTIP scheme, where performance targets have been exceeded.

LTIP payable (audited by Ernst & Young LLP)

Richard Laing	2004:	£19,504
	2005:	£326,726

A performance graph has not been provided as the shares of CDC are not traded.

Benefits in kind

Benefits in kind are offered to all staff, including executive Directors. These are

- Life assurance cover, which will pay a lump sum equivalent to four times salary in the event of death;
- Permanent health insurance, which provides cover in the event that they are unable, through ill-health, to continue to work for the Company; and
- Private medical insurance, which can include cover for family members.

Pension arrangements

Richard Laing is a member of CDC's non-contributory pension scheme (final salary section) and receives a contribution to a Funded Unapproved Retirement Benefit Scheme (FURBS). Details of pension contributions are shown in the table on page 33.

Service agreements

Richard Laing, the only current executive Director, has a service agreement which is terminable on both sides by twelve months' notice or on reaching age 60. It contains no specific termination provision. However, any compensation claim from a departing Director would be scrutinised by the Remuneration Committee.

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 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.

The remuneration of the non-executive Directors takes the form solely of fees. The level of fees was reviewed in November 2004 and agreed with DFID. The basic fee for all non-executive Directors (except for the Chairman) is £22,000 per annum. The basic fee for the Chairman is £35,000 per annum. Non-executive Directors receive an additional £1,000 per annum for each committee membership and £2,000 per annum for each committee that they chair. The fees paid to non-executive Directors in 2005 are set out in the table on page 33. The non-executive Directors do not participate in any of the incentive or benefit schemes of the Company.

The service agreements and letters of appointment of the Directors include the following terms:

	Date of contract	Notice period (months)
Executive Directors		
Richard Laing	24 January 2000	12
Non-executive Directors		
Malcolm Williamson	5 January 2004	n/a
Jonathan Kydd	8 December 1999	n/a
Andrew Williams	2 July 2003	n/a
Arnab Banerji	9 July 2004	n/a
Fields Wicker-Miurin	7 October 2004	n/a

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. Richard Laing is a Trustee of the Overseas Development Institute.

Directors' remuneration (audited by Ernst & Young LLP)

The remuneration of the Directors is shown in the table below:

	Base Salary/Fee £	Benefits £	Performance Related Bonus Award £	**Total 2005 £**	Total 2004 £
Non-executive Directors					
Malcolm Williamson	35,000	–	–	**35,000**	25,433
Jonathan Kydd	26,000	–	–	**26,000**	31,833
Andrew Williams	26,000	–	–	**26,000**	21,333
Arnab Banerji*	18,750	–	–	**18,750**	–
Fields Wicker-Miurin	25,000	–	–	**25,000**	3,814
Executive Directors					
Richard Laing**	176,000	2,409	200,000	**378,409**	382,833

*Dr Banerji waived his fees in respect of 2004 and the first quarter of 2005.
**Richard Laing relinquished £50,000 of the performance bonus award of £200,000 quoted above.

Pension entitlements (audited by Ernst & Young LLP)

The pension entitlements for the executive Director, Richard Laing, is as follows:

	2005 £	2004 £
Contribution to FURBS	**28,120**	26,980

	Accumulated total accrued pension at 31 December 2005 £	Accumulated total accrued pension at 31 December 2004 £	Increase in accrued pension during year £	**Transfer value at 31 December 2005 £**	Transfer value at 31 December 2004 £	Increase in transfer value during year £
Defined benefit scheme	**15,620**	12,538	3,082	**216,724**	158,546	58,178

The transfer value represents a liability of the pension fund, not a sum paid or due to the individual.

Auditor's Report

Independent Auditor's Report to the Shareholders of CDC Group plc

We have audited the Group and Company financial statements (the "financial statements") of CDC Group plc for the year ended 31 December 2005 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Cashflows, the Consolidated and Company Statements of Changes in Equity and the related notes 1 to 33. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, 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 information specified by law regarding directors' remuneration and other transactions are not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the 2005 Highlights, The Development Process, Chairman's Statement, Chief Executive's Report, Business Reviews for Africa, Asia, Latin America and Energy, Performance Review, Board of Directors, Directors' Report and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- The group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2005 and of its profit for the year then ended;
- The Company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 December 2005; and
- The financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered auditor
London
30 March 2006

Consolidated Income Statement

For the 12 months to 31 December

	Notes	**2005 £m**	2004 £m
Income	4a	**741.9**	459.7
Cost of sales		**(222.6)**	(151.8)
Gross profit		**519.3**	307.9
Other income	4b	**174.7**	111.9
Selling and distribution costs		**(18.5)**	(19.7)
Administrative expenses	4c	**(132.4)**	(103.5)
Other expenses	4d	**(78.9)**	(44.0)
		(55.1)	(55.3)
Profit from operations before tax and finance costs		**464.2**	252.6
Finance costs	5	**(59.5)**	(40.0)
Finance income	5	**36.9**	21.7
Net foreign exchange differences		**(10.1)**	6.7
Profit before tax		**431.5**	241.0
Tax credit	6	**4.2**	8.3
Profit for the year		**435.7**	249.3
Attributable to:			
Equity holders of the parent		**427.8**	239.8
Minority interests		**7.9**	9.5
Profit for the year		**435.7**	249.3

Consolidated Balance Sheet

At 31 December

	Notes	2005 £m	2004 £m
ASSETS			
Non-current assets			
Property, plant and equipment	7	**762.2**	646.6
Biological assets	8	**26.9**	80.4
Investment property	9	**44.5**	23.0
Intangible assets	10	**43.6**	46.4
Fair value financial assets	11	**534.4**	462.2
Other financial assets	15	**149.0**	171.5
Deferred tax assets	16	**0.6**	3.0
Retirement benefit assets	17	**7.8**	–
		1,569.0	1,433.1
Current assets			
Inventories	18	**50.9**	68.1
Trade and other receivables	19	**204.9**	165.7
Current tax assets		**0.9**	0.6
Prepayments		**15.7**	11.5
Derivative financial instruments	20	**18.7**	20.9
Treasury bills and bonds maturing after more than 90 days	21	**5.5**	4.0
Short term deposits receivable after more than 90 days	21	**217.0**	–
Cash and cash equivalents	21	**589.6**	429.9
		1,103.2	700.7
TOTAL ASSETS		**2,672.2**	2,133.8
EQUITY AND LIABILITIES			
Attributable to the equity holders of the parent			
Issued capital	22	**765.0**	765.0
Net unrealised gains and losses reserve	22	**(2.4)**	–
Currency translation reserve	22	**7.0**	(51.3)
Retained earnings	22	**927.3**	499.9
		1,696.9	1,213.6
Minority interests		**40.8**	67.4
Total equity		**1,737.7**	1,281.0
Non-current liabilities			
Trade and other payables	24	**39.6**	38.7
Interest bearing loans and borrowings	25	**582.6**	519.4
Provisions	26	**5.1**	7.9
Deferred tax liabilities	16	**8.4**	14.2
Retirement benefit obligations	17	**–**	8.8
		635.7	589.0
Current liabilities			
Trade and other payables	23	**156.4**	140.8
Current tax liabilities	23	**7.7**	26.9
Interest bearing loans and borrowings	25	**93.7**	75.0
Derivative financial instruments	20	**41.0**	21.1
		298.8	263.8
Total liabilities		**934.5**	852.8
TOTAL EQUITY AND LIABILITIES		**2,672.2**	2,133.8

The accounts were approved by the members of the Board on 30 March 2006 and were signed on their behalf by:

Malcolm Williamson
Chairman

Richard Laing
Chief Executive

Consolidated Statement of Cashflows

For the 12 months to 31 December

	Notes	2005 £m	2004 £m
CASHFLOWS FROM OPERATING ACTIVITIES			
Profit from operations before tax and finance costs		**464.2**	252.6
Depreciation and impairment of property, plant and equipment	7	**71.6**	38.8
Impairment of goodwill and amortisation/impairment of other intangible assets	10	**4.2**	2.1
Impairment of loans and receivables	15	**(26.3)**	(16.4)
Provision charges/(releases)	26	**0.6**	(1.0)
Change in value of fair value financial assets	11	**(128.3)**	(66.4)
Change in value of biological assets	8	**3.0**	(14.0)
Change in value of investment property	9	**(1.7)**	2.0
Profit on disposal of fair value financial assets	4a	**(137.0)**	(59.4)
Profit on disposal of subsidiaries	4a	**(50.6)**	–
Profit on disposal of property, plant and equipment	4b	**(0.1)**	(4.9)
Exchange gains/(losses)		**7.1**	(3.7)
Profit from operations before changes in working capital and provisions		**206.7**	129.7
Increase in trade and other receivables		**(64.2)**	(34.1)
Increase in other financial assets		**(12.3)**	(24.6)
Decrease/(increase) in derivative financial instruments		**20.9**	(8.8)
Decrease/(increase) in inventories		**18.0**	(28.6)
(Increase)/decrease in treasury bills and bonds maturing after more than 90 days		**(1.2)**	2.0
Increase in trade and other payables		**20.7**	45.9
Utilisation of provisions	26	**(3.6)**	2.3
Cashflow from operations		**185.0**	83.8
Defined benefit pension contributions paid	17	**(15.5)**	(4.5)
Bank interest received	5	**25.4**	14.6
Interest paid		**(55.0)**	(37.4)
Taxes (paid)/received		**(4.6)**	18.1
Cashflows from operating activities		**135.3**	74.6
CASHFLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fair value financial assets		**299.5**	138.5
Proceeds from sale of property, plant and equipment		**3.6**	39.0
Proceeds from sale of biological assets		**1.0**	3.8
Disposal of subsidiaries, net of cash disposed	13	**95.5**	11.5
Acquisition of subsidiaries, net of cash acquired	12	**(23.8)**	(50.1)
Acquisition of fair value financial assets	11	**(112.9)**	(72.5)
Acquisition of intangible assets		**(0.9)**	–
Acquisition of property, plant and equipment		**(67.3)**	(49.1)
Acquisition of biological assets	8	**(5.7)**	(11.1)
Acquisition of investment property	9	**(16.0)**	(11.2)
Increase in short term deposits receivable after more than 90 days		**(217.0)**	–
Loan advances	15	**(19.2)**	(20.3)
Loan repayments	15	**86.9**	64.0
Cashflows from investing activities		**23.7**	42.5
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**55.0**	119.5
Repayment of borrowings		**(65.8)**	(72.5)
Dividends paid to minority interests		**(2.2)**	(3.7)
Cashflows from financing activities		**(13.0)**	43.3
Net increase in cash and cash equivalents		**146.0**	160.4
Cash and cash equivalents at 1 January		**421.9**	266.3
Effect of exchange rate fluctuations on cash held		**10.6**	(4.8)
Cash and cash equivalents at 31 December	21	**578.5**	421.9

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent						
	Share capital £m	Net unrealised gains and losses reserve £m	Currency translation reserve £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At 1 January 2004	10.0	–	–	185.6	195.6	32.0	227.6
Changes in accounting policy	–	–	–	74.5	74.5	3.9	78.4
Restated balance at 1 January 2004	10.0	–	–	260.1	270.1	35.9	306.0
Changes in equity for 2004							
Exchange differences on translating foreign operations	–	–	(51.3)	–	(51.3)	3.5	(47.8)
Arising on acquisitions in the year	–	–	–	–	–	22.2	22.2
Net expense recognised directly in equity	–	–	(51.3)	–	(51.3)	25.7	(25.6)
Profit for the year	–	–	–	239.8	239.8	9.5	249.3
Total recognised income and expense for the year	–	–	(51.3)	239.8	188.5	35.2	223.7
Dividends paid to minority shareholders	–	–	–	–	–	(3.7)	(3.7)
Issue of share capital	755.0	–	–	–	755.0	–	755.0
At 31 December 2004	765.0	–	(51.3)	499.9	1,213.6	67.4	1,281.0
Changes in equity for 2005							
Exchange differences on translating foreign operations	–	–	58.3	–	**58.3**	2.5	**60.8**
Arising on acquisitions in the year	–	–	–	–	**–**	0.6	**0.6**
Arising on disposals in the year	–	–	–	–	**–**	(35.4)	**(35.4)**
Cash flow hedges:							
Losses taken to equity	–	(2.8)	–	–	**(2.8)**	–	**(2.8)**
Transferred to retained earnings for the year	–	0.4	–	(0.4)	**–**	–	**–**
Net income recognised directly in equity	**–**	**(2.4)**	**58.3**	**(0.4)**	**55.5**	**(32.3)**	**23.2**
Profit for the year	–	–	–	427.8	**427.8**	7.9	**435.7**
Total recognised income and expense for the year	**–**	**(2.4)**	**58.3**	**427.4**	**483.3**	**(24.4)**	**458.9**
Dividends paid to minority shareholders	–	–	–	–	–	(2.2)	(2.2)
At 31 December 2005	**765.0**	**(2.4)**	**7.0**	**927.3**	**1,696.9**	**40.8**	**1,737.7**

Company Statement of Changes in Equity

	Share capital £m	Net unrealised gains and losses reserve £m	Retained earnings £m	Total £m
At 1 January 2004	10.0	–	128.1	138.1
Changes in accounting policy	–	–	11.9	11.9
Restated balance at 1 January 2004	10.0	–	140.0	150.0
Profit for the year	–	–	120.3	120.3
Total recognised income and expense for the year	–	–	120.3	120.3
Issue of share capital	755.0	–	–	755.0
At 31 December 2004	765.0	–	260.3	1,025.3
Cash flow hedges:				
Losses taken to equity	–	(2.8)	–	**(2.8)**
Transferred to retained earnings for the year	–	0.4	(0.4)	**–**
Net income recognised directly in equity	**–**	**(2.4)**	**(0.4)**	**(2.8)**
Profit for the year	–	–	534.1	**534.1**
Total recognised income and expense for the year	**–**	**(2.4)**	**533.7**	**531.3**
At 31 December 2005	**765.0**	**(2.4)**	**794.0**	**1,556.6**

Company Balance Sheet

At 31 December

	Notes	2005 £m	2004 £m
ASSETS			
Non-current assets			
Property, plant and equipment	7	**0.5**	0.7
Fair value financial assets	11	**850.5**	601.8
Other financial assets	15	**403.5**	423.3
Retirement benefit assets	17	**7.8**	–
		1,262.3	1,025.8
Current assets			
Trade and other receivables	19	**68.9**	100.0
Prepayments		**1.4**	3.7
Derivative financial instruments	20	**15.8**	18.9
Short term deposits receivable after more than 90 days	21	**217.0**	–
Cash and cash equivalents	21	**449.8**	283.8
		752.9	406.4
TOTAL ASSETS		**2,015.2**	1,432.2
EQUITY AND LIABILITIES			
Issued capital	22	**765.0**	765.0
Net unrealised gains and losses reserve	22	**(2.4)**	–
Retained earnings	22	**794.0**	260.3
Total equity		**1,556.6**	1,025.3
Non-current liabilities			
Interest bearing loans and borrowings	25	**261.5**	247.3
Provisions	26	**1.3**	2.6
Retirement benefit obligations	17	**–**	8.8
		262.8	258.7
Current liabilities			
Trade and other payables	23	**109.0**	49.2
Current tax liabilities	23	**5.2**	24.3
Interest bearing loans and borrowings	25	**54.2**	74.7
Derivative financial instruments	20	**27.4**	–
		195.8	148.2
Total liabilities		**458.6**	406.9
TOTAL EQUITY AND LIABILITIES		**2,015.2**	1,432.2

The accounts were approved by the members of the Board on 30 March 2006 and were signed on their behalf by:

Malcolm Williamson
Chairman

Richard Laing
Chief Executive

Company Statement of Cashflows

For the 12 months to 31 December

	Notes	2005 £m	2004 £m
CASHFLOWS FROM OPERATING ACTIVITIES			
Profit from operations before tax and finance costs		**521.6**	89.1
Depreciation and impairment of property, plant and equipment	7	**0.1**	0.5
Impairment of loans and receivables	15	**(33.3)**	(3.7)
Provision releases	26	**(1.0)**	(3.8)
Change in value of fair value financial assets	11	**(247.5)**	(33.1)
Profit on disposal of fair value financial assets		**(110.3)**	(22.4)
Profit on disposal of property, plant and equipment		**(0.1)**	(4.2)
Exchange losses		**(28.8)**	(2.4)
Profit from operations before changes in working capital and provisions		**100.7**	20.0
Increase in trade and other receivables		**(5.8)**	(8.6)
Decrease/(increase) in other financial assets		**0.3**	(4.0)
Decrease in derivative financial instruments		**30.5**	0.5
Increase/(decrease) in trade and other payables		**61.3**	(43.4)
Utilisation of provisions	26	**(0.3)**	3.6
Cashflow from operations		**186.7**	(31.9)
Defined benefit pension contributions paid	17	**(15.5)**	(4.5)
Bank interest received		**21.0**	11.5
Interest paid		**(17.9)**	(5.2)
Taxes (paid)/received		**(0.3)**	21.7
Cashflows from operating activities		**174.0**	(8.4)
CASHFLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of fair value financial assets		**261.6**	69.0
Proceeds from sale of property, plant and equipment		**0.2**	29.4
Acquisition of fair value financial assets	11	**(110.6)**	(60.1)
Acquisition of property, plant and equipment	7	**–**	(0.6)
Increase in short term deposits receivable after more than 90 days		**(217.0)**	–
Loan advances		**(20.7)**	(44.6)
Loan repayments		**77.6**	136.8
Cashflows from investing activities		**(8.9)**	129.9
CASHFLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**–**	(0.3)
Cashflows from financing activities		**–**	(0.3)
Net increase in cash and cash equivalents		**165.1**	121.2
Cash and cash equivalents at 1 January		**283.8**	162.6
Cash and cash equivalents at 31 December	21	**448.9**	283.8

Notes to the Accounts

1. Corporate information

The consolidated financial statements of CDC Group plc ('CDC') for the year ended 31 December 2005 were authorised for issue in accordance with a resolution of the directors on 30 March 2006. CDC Group plc, the Company, is a limited company incorporated in the United Kingdom whose shares are not publicly traded.

The Group's primary activity is investing in funds in emerging markets. Both the parent and some of the Group's subsidiaries invest in such funds. As a result of its investment activities, CDC has taken majority stakes in a wide range of operating companies in emerging markets. The activities of these operating subsidiaries are diverse and all are managed separately according to the nature of their business.

Since CDC shares are not publicly traded, and the presentation of financial information by strategic business unit would be unhelpful in assisting the user of accounts to understand CDC's business, segmental information is not presented. However, fund information is presented in the performance review.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and Company financial statements are set out below.

(a) Statement of compliance

The consolidated financial statements of CDC Group plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) and as adopted by the EU. Previously, the financial statements were prepared under UK GAAP. These are the Group's and Company's first consolidated financial statements prepared under IFRS and IFRS 1 'First time adoption of International Financial Reporting Standards' has been applied. An explanation of how the transition to IFRS has affected the income statement, balance sheet and cashflows of the Group is provided in note 3.

The Company has taken advantage of the exemption provided under section 230 of the Companies Act 1985 not to publish its individual income statement and related notes.

The general principle that applies on the first time adoption of IFRS is that standards in force at the first reporting date (31 December 2005) should be applied retrospectively. However, IFRS 1 does contain a number of exemptions that companies are permitted to apply. CDC has therefore elected:

- To apply the exemption on business combinations allowing the Group not to restate financial information for acquisitions arising before 1 January 2004;
- To apply the exemption on property, plant and equipment allowing the Group not to restate these assets at fair value as at 1 January 2004, but to deem depreciated historic cost as the fair value at this date;
- To deem cumulative foreign exchange gains and losses to be zero as at 1 January 2004; and
- To recognise all cumulative actuarial gains and losses at 1 January 2004 for the defined benefit section of the CDC Group plc pension scheme.

(b) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for biological assets, investment properties, derivative financial instruments and other financial instruments that have been presented and measured at fair value in accordance with IAS 32 'Financial instruments: disclosure and presentation' and IAS 39 'Financial instruments: recognition and measurement'. The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand except where otherwise indicated.

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised.

Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of CDC Group plc and its subsidiaries as at 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the parent company. Consistent accounting policies are applied, with adjustments being made to bring into line any dissimilar accounting policies.

Subsidiaries are all entities over which the Group has control. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This generally results from a shareholding of more than one half of voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are also considered when assessing whether the Group controls another

Notes to the Accounts

continued

2. Summary of significant accounting policies (continued)

entity. Subsidiaries are fully consolidated from the date on which control passes to the Group and consolidation ceases from the date that control ends. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions are eliminated in full on consolidation.

Acquisitions are accounted for under the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, liabilities incurred and contingent liabilities at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets and liabilities acquired and contingent liabilities are measured at fair value.

Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented separately within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Associates and Joint Ventures
Under the provisions of IAS 28, the Group has adopted the exemption for investment and venture capital companies to account for all investments where the Group has significant influence (presumed in all 20-50% holdings) under the provisions of IAS 39 'Financial Instruments: recognition and measurement'. These are designated as fair value through profit and loss assets, with changes in fair value being recognised in the income statement for the period.

Foreign currency translation
Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in pounds sterling, which is the parent company's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency of the underlying reporting entity using the exchange rate prevailing at the date of the transactions. Monetary items are retranslated at spot rates at the date of the balance sheet. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rate are recognised in the income statement. Translation differences on non-monetary items that are measured at fair value, such as equities held at fair value through profit and loss, are reported as part of profit or loss and translated at the year end rate.

Group companies
The results and financial position of all the subsidiaries that have a functional currency different from that of the parent company are translated into the presentation currency as follows:

Assets and liabilities:
Closing rate at the date of the balance sheet
Income and expenses:
Weighted average rate
Cashflows:
Weighted average rate

Resulting exchange differences on translation of subsidiary financial statements are taken to a currency translation reserve as a separate component of equity. Exchange differences arising prior to 1 January 2004 have been taken to retained earnings as permitted by IFRS 1 on transition to IFRS. Upon disposal of subsidiaries, the related exchange gains and losses are taken to the income statement.

Intangible assets
Intangible assets other than goodwill are comprised of separately identifiable intangible items arising from acquisitions, and certain purchased brands, licences and similar items. Except for those acquired in a business combination, intangible assets are recognised on the balance sheet at cost. Intangible assets are amortised over their estimated useful economic life, not exceeding 20 years. Intangible assets acquired as part of a business combination are separated from goodwill and measured on initial recognition at fair value. At each balance sheet date, intangible assets are reviewed for indications of impairment or changes in estimated future benefits. If such indications exist, an analysis is performed to assess whether the carrying amount is fully recoverable. An impairment provision is charged to the income statement if the carrying amount exceeds the recoverable amount.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is taken to the income statement as incurred.

Goodwill
Goodwill on acquisition is initially measured at cost, being the excess of cost against the acquirer's interest in the net fair value of the assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill on acquisitions is not amortised. In respect of acquisitions prior to 1 January 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded under UK GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 January 2004 has not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2004.

Goodwill is reviewed for impairment on an annual basis or more frequently if circumstances indicate possible impairment. Once impaired, the goodwill impairment is not subsequently reversed even if the circumstances indicating the original impairment are no longer present. Goodwill is calculated in the functional currency of the acquired entity. Any excess of acquirers' interest in the net fair value of assets acquired versus cost is recognised immediately as a gain in the income statement.

At the acquisition date, any goodwill acquired is allocated to each of the cash generating units expected to benefit from the acquisition. Impairment is determined by assessing the recoverable amount of the cash generating unit, defined as each individual subsidiary to which the goodwill relates. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in the income statement.

Biological assets
Biological assets comprise agricultural produce from arable farms and palm oil, orange juice, rubber and forestry plantations at the point of harvest. Biological assets are recognised when the entity controls the asset as a result of past events; when it is probable that future economic benefits associated with the asset will flow to the entity and when the fair value of the assets can be measured reliably. These are carried at fair value less estimated point of sale costs from initial measurement of biological assets up to the point of harvest, except where fair value cannot be measured reliably due to unavailability of active market information and no reliable alternative estimates exist to determine fair value. Where assets are held at fair value, changes in fair value are taken to the income statement in the period. Where fair value cannot be measured reliably the assets are held at cost less provisions for depreciation or impairment.

After harvesting, consumable biological assets, or in the case of bearer biological assets the crops that are harvested from them, are taken into inventories at their deemed cost which is fair value at harvest less the estimated point of sale costs.

Investment property
Investment properties are those held to earn rentals or for capital appreciation and exclude owner-occupied, leased and development properties. Investment properties are held at open market value. Changes in value are recognised in the income statement in the period in which they arise. Investment properties have been valued by professionally qualified third party surveyors or in some cases, professionally qualified directors of the Group's property subsidiaries.

Property, plant and equipment
Land and buildings comprise mainly factories, power stations, processing plants and offices. Other property, plant and equipment comprises other plant items, vehicles, fixtures and fittings. These are shown at historical cost less depreciation and any impairment in value. Historical cost includes expenditure directly attributable to the acquisition of these items. Subsequent costs are only included in property, plant and equipment where it is probable that future economic benefits will flow to the Group and the amounts can be reliably measured. Repairs and maintenance are charged to the income statement in the period in which they are incurred. The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Property, plant and equipment in use by the Group are depreciated on a straight-line basis over their estimated useful lives, with the exception of freehold land, which is not depreciated. Where a company has an asset with significant parts, i.e. whose parts are significant in relation to the total cost of the asset, the parts are recognised separately and may be depreciated over different useful lives to the other parts of the asset.
The following useful lives apply:

Buildings	10 – 40 years
Power plants:	
Natural gas or fuel oil fired	20 – 40 years
Coal fired	20 – 60 years
Hydro-electric	30 – 100 years
Major overhaul parts in power plants	2 – 12 years
Other fixed assets	2 – 20 years

Investments
The Group and Company classifies its investments as financial assets at fair value through profit and loss and loans and receivables. Management determines the classification of its investments at initial recognition. Apart from loans and receivables, financial instruments are designated as fair value through profit and loss because the fair value can be measured reliably and the fair value of the investment portfolio is a key performance indicator for the Group.

Financial assets at fair value through profit and loss
These financial assets are designated at fair value through profit and loss by management at the date of inception. Derivatives are also classified as held-for-trading in this category unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

CDC Group's fair value methodology has been derived using the International Private Equity and Venture Capital Valuation Guidelines. This methodology is applied to direct investments and investments held within funds. The fair value is derived as follows:

- For unquoted investments the enterprise value is determined of the investee company or fund using a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio using reasonable assumptions and estimates;
- The enterprise value is adjusted for surplus assets or liabilities or any other relevant factor;
- Higher ranking financial instruments are deducted taking into account any financial structuring that may dilute the investment holding;
- Apply a marketability discount for inactive markets (between 0% and 30%) from the perspective of market participants to derive the net attributable enterprise value;
- Apportion the net attributable enterprise value between the financial instruments held according to their ranking; and
- Allocate the amounts derived according to the holding in each financial instrument, representing their fair value.

Notes to the Accounts

continued

2. Summary of significant accounting policies (continued)

Valuation methodologies used are as follows:

- Quoted equity is valued at the bid price;
- Realisations in process are valued at the expected realisation proceeds;
- If there has been a recent investment in the company the price of the recent investment is used to determine fair value;
- Investments where value derives mainly from underlying assets are valued at net asset value using appropriate valuation measures for the underlying assets and liabilities;
- Early stage companies without positive cash flow or profit are valued using an appropriate industry benchmark if that gives a reliable estimate of fair value;
- Companies with maintainable profits or cash flows are valued on an earnings basis using an appropriate earnings multiple from companies in similar sectors and markets;
- Companies in industries with specific valuation metrics are valued using those specific valuation metrics where they provide the most reliable estimate of fair value;
- Companies with no maintainable profits or cash flows at present, but whose cash flows can be forecast with confidence, are valued using future cash flows discounted at the appropriate risk adjusted discount rate; and
- In situations where fair value cannot be reliably measured, the investment is valued at the previous carrying value, unless there is evidence of value impairment, in which case value is reduced to reflect the extent of estimated impairment.

Gains and losses realised on disposal or redemption, by reference to the valuation at the previous balance sheet date, and unrealised gains and losses from changes in the fair values of the equity portfolio are taken to the income statement.

The Group uses settlement date accounting when accounting for regular way purchases or sales. When the Group becomes party to a sales contract of an equity investment it derecognises the asset on the day ownership is transferred. Any gains or losses arising between trade and settlement date are accounted for in the income statement.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise either when the Group provides money to a company in the form of loans with no intention of trading it, or, in the case of trade receivables, in the normal course of business.

Loans are recognised at amortised cost; initially, this is measured as the fair value of the cash given to originate the loan, including any transaction costs. They are subsequently measured at amortised cost using the effective interest method. Maturities greater than 12 months are included in non-current assets with the remainder in current assets. Gains or losses are recognised in the income statement when the loan is derecognised or impaired, as well as through the amortisation process. Where there is objective evidence that a loan's carrying value exceeds the present value of the discounted future cashflows expected to be generated from the asset, the loan is deemed to be impaired and the carrying value reduced accordingly, with the loss recognised in the income statement.

Derivative instruments and hedging
The Group and Company use derivative instruments as part of its asset management activities to manage exposures to foreign currency and interest rate risk. CDC does not use derivative financial instruments for speculative purposes. The Group and Company applies cash flow hedge accounting when the specified criteria are met to obtain hedge accounting treatment.

At the time a financial instrument is designated as a hedge, the Group and Company formally documents the relationship between the hedging instrument(s) and the hedged item(s), including its risk management objectives and its strategy in undertaking the hedge transaction together with the methods that will be used to assess the effectiveness of the hedging relationship. Accordingly, the Group and Company formally assesses, both at inception of the hedge and on an on-going basis, whether the hedging derivatives have been 'highly effective' in offsetting changes in the fair value or cash flows of the hedged items. A hedge is normally regarded as highly effective if, at inception and in subsequent periods, the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated, and that actual results are within a range of 80% to 125%. In the case of hedging a forecast transaction, the transaction must be highly probable and must present an exposure to variations in cash flows that could ultimately affect reported net profit or loss. The Group and Company discontinues hedge accounting when it is determined that a derivative is not, or has ceased to be, highly effective as a hedge; when the derivative expires; when the hedged item matures or is sold or repaid; or when a forecast transaction is no longer deemed highly probable.

'Hedge ineffectiveness' represents the amount by which the changes in the fair value of the hedging derivative differ from the changes in the fair value of the hedged item, or the amount by which the changes in cash flow of the hedging derivative differ from changes (or expected changes) in the cash flow of the hedged item.

A valuation gain or loss associated with the effective portion of a derivative designated as a cash flow hedge is recognised initially in equity. When the cash flows that the derivative is hedging (including cash flows from transactions that were only forecast when the derivative hedge was effected) materialise, resulting in an income or expense, then the associated gain or loss on the hedging derivative is simultaneously transferred from equity to the income statement.

If a cash flow hedge for a forecast transaction is deemed to be no longer highly effective, or the hedge relationship is terminated, the cumulative gain or loss on the hedging derivative previously reported in equity remains there until the committed or forecast transaction occurs, at which point it is transferred from equity to the income statement.

Hedges of a net investment in a foreign operation, where a hedge is taken out against a monetary item forming part of the net investment in a subsidiary, are accounted for in the same way as cash flow hedges, with the effective portion of the hedge being recognised in equity and the ineffective portion being taken directly to the income statement.

Gains and losses on derivative instruments transacted as economic hedges but not qualifying for hedge accounting are taken to the income statement.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, overdrafts, deposits held at call with banks and other short-term highly liquid investments, such as short term deposits, with maturities of three months or less on initial recognition. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Inventories
Inventories are carried at the lower of cost and net realisable value. Cost is determined either using the first in, first out (FIFO) or the weighted average cost method depending on the nature and use of the inventory. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes any borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Impairment of assets
The carrying amounts of assets, other than inventories, deferred tax assets, financial instruments, investment properties, biological assets, property, plant and equipment and retirement benefit assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. For goodwill the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of the Group's assets is the greater of their fair value less costs to sell and value in use, calculated as the present value of expected future cash flows. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

An impairment loss in respect of all assets other than goodwill is reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised or if there has been a change in the estimates used to calculate the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial liabilities
Contractual obligations, excluding derivative financial instruments, to deliver cash or another financial asset to another entity are measured at amortised cost using the effective interest method.

Provisions, contingent liabilities and contingent assets
Provisions are recognised if there is a present obligation, whether legal or constructive, which has arisen as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability.

Contingent assets are not recognised, but are disclosed where an outflow of economic benefits is probable.

Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and Company and the revenue can be reliably measured. Revenue comprises the fair value for the sale of goods and services, net of value added tax, rebates and discounts and after sales eliminated within the Group. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer which is deemed to be the day of delivery.

Dividends
Dividend income is recognised when the right to receive payment is established. Where the right to receive a dividend is in doubt, or the time between date of entitlement and receipt is in excess of 90 days, dividends are recorded on the date of receipt.

Interest
The interest on a loan investment is recognised on a time apportioned basis so as to reflect the effective yield on the loan. Where there is objective evidence of impairment loss or uncollectibility of loan interest, for example where loan interest remains unpaid after 90 days, an impairment loss is recognised.

Fees and commission income that are an integral part of the effective interest rate of a financial instrument, such as a loan instrument, are recognised as an adjustment to the effective interest rate.

Employee benefits
The Company operates one funded pension scheme in the UK, called the CDC Pensions Scheme. Within this, there is a defined benefit section for staff who entered service prior to 1 April 2000 and a defined contribution section for subsequent entrants. There are several small defined contribution schemes in overseas subsidiaries and branches.

Notes to the Accounts

continued

2. Summary of significant accounting policies (continued)

Membership of the CDC Pensions Scheme is voluntary and the scheme is funded by the payment of contributions to a separately administered trust fund. The cost of providing benefits under the Company's funded defined benefit plan is determined using the projected unit credit actuarial valuation method, with actuarial valuations being carried out at each reporting date.

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses for the scheme exceed 10% of the higher of the defined benefit obligation and the fair value of the scheme assets. Once the 10% threshold has been exceeded, these gains or losses are amortised over the expected average remaining working lives of the employees participating in the scheme.

The costs of providing defined contribution pensions are charged to the income statement as they become payable in accordance with the rules of the scheme.

Income tax
The CDC Act 1999 provided CDC Group plc with exemption from UK Corporation Tax with effect from 1 May 2003. This does not affect overseas taxation of the company or of its overseas subsidiaries.

Current tax is recognised as income or expense and included in net profit for the year, unless it relates to a transaction or event which is recognised directly in equity, whereupon the current tax is charged or credited to equity accordingly.

Current and deferred tax assets and liabilities are offset only when they arise from the same tax reporting group and relate to the same tax authority and when the legal right to offset exists.

Current and deferred taxes are recognised as tax credit or expense in the year in which they arise except for deferred taxes recognised or disposed of upon the acquisition or disposal of a subsidiary.

Deferred tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements, except to the extent that the deferred tax liability arises on the initial recognition of goodwill. Upon the initial recognition of an asset or liability in a transaction that is not a business combination and which affects neither the accounting profit nor taxable profit or loss. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

Deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Leases
Finance leases, where substantially all the risks and rewards of ownership lie with the Group and Company, are capitalised at the present value of the minimum lease payments at the inception of the lease term. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Capitalised lease assets are depreciated on a straight line basis over the shorter term of either the useful life or the lease term.

Where the Group does not retain the risks and rewards of ownership on a leased asset, the lease is classified as an operating lease. Payments on operating leases are recognised as an expense in the income statement on a straight line basis over the lease term.

New standards and interpretations not applied
During the year the IASB issued a new accounting standard, IFRS 7: Financial instruments: disclosures. Upon the adoption of IFRS 7 on 1 January 2006, the Group will disclose additional information about its financial instruments, their significance and the nature and extent of risks to which they give rise. More specifically, the Group will be required to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.

During the year the International Financial Reporting Interpretations Committee (IFRIC) issued various interpretations with an effective date after the date of these financial statements. None of these interpretations are expected to have a material impact on the Group or Company financial statements in the period of initial application.

3. First time adoption
As stated in note 2(a), these are CDC Group plc's first set of consolidated and Company financial statements prepared under IFRS.

The accounting policies set out in note 2(b) have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004 and in the preparation of an opening IFRS balance sheet as at 1 January 2004, the Group's and Company's transition date.

In preparing the Group's and Company's opening balance sheet at 1 January 2004, the income statement for 2004 and the closing balance sheet at 31 December 2004, the Group and Company have adjusted amounts reported previously in financial statements prepared under its previous basis of accounting, UK GAAP.
An explanation of how the transition from UK GAAP to IFRS has affected the Group's and Company's financial position, financial performance and cashflows is set out in the following narrative and tables on pages 50 to 60:

Balance sheet

a) Biological assets and investment properties have been transferred from property, plant and equipment (previously known as 'tangible fixed assets') to new lines for these asset types. At 1 January 2004, this has resulted in a transfer of £65.0m into biological assets, £14.1m into investment properties, £1.6m into other financial assets (relating to leased assets) and £0.2m into inventories (in relation to harvested crops) from property, plant and equipment. At 31 December 2004, this has resulted in transfers of £82.4m, £19.3m, £1.3m and £0.1m into biological assets, investment properties, other financial assets and inventories respectively.

b) As at 1 January 2004 and 31 December 2004, £5.8m of deferred tax assets, previously classified within current assets under 'debtors', have now been moved to non-current assets. In addition, as at 1 January 2004, £15.2m of trade and other receivables over one year have been moved from current assets to non-current assets, with £46.1m being reclassified similarly at 31 December 2004.

c) Treasury bills and bonds over 90 days, previously classified within short term deposits, have been moved to a separate line. As at 1 January 2004, £8.3m were reclassified, with £7.9m being reclassified as at 31 December 2004.

d) Derivative financial instruments, in the form of forward foreign exchange contracts used to hedge exposure on loan instruments and interest rate swaps used to manage interest rate risk, have been reclassified from other financial assets/fair value financial instruments (previously included together under 'investments'); and interest bearing loans and borrowings to current assets and liabilities respectively under new lines for 'derivative financial instruments'.

This has resulted in the reclassification, as at 1 January 2004, of £24.5m from other financial assets and £0.9m from fair value financial assets, to derivative financial instruments (current assets) £22.1m and trade and other payables £3.3m. As at 31 December 2004, £26.4m has been reclassified from other financial assets to derivative financial instruments (current assets) £19.6m and trade and other payables £6.8m.

In addition, £15.3m of interest bearing loans and borrowings have been reclassified to derivative financial instruments at 1 January 2004 and £21.1m has been reclassified in such a way as at 31 December 2004.

Income statement

e) Profit on sale of investments is being reported as part of income under IFRS. For 2004, £75.3m of profit on sale of investments has been reclassified.

f) The implementation of IFRS has led to the reclassification of a number of cost items. £20.2m of costs, primarily selling and distribution costs (£19.7m), have been reclassified. Under UK GAAP, such items were netted. For 2004, this has resulted in the reclassification of £16.7m into other income, (£35.1m) into other expenses and a net fall in administrative expenses of £10.4m. £7.5m of restructuring costs have been moved from exceptional items into administrative expenses.

g) The implementation of IFRS has led to the reclassification of gains and losses on financial instruments. Of the £34.4m of investment provision releases included in one line in the UK GAAP accounts for 2004, £1.9m were included in other expenses. £31.1m related to net equity and loan provision releases which now appear in other income. £1.4m related to other provisions, which are now classified under administrative expenses and relate to non-current liabilities.

h) For 2004, £4.9m of profits on disposal of fixed assets have been moved from exceptional items under UK GAAP to 'other income' under IFRS.

Balance sheet and income statement

i) *IAS 39: Financial instruments*
Under IFRS, financial instruments in the form of equity investments have been designated as financial assets at fair value through profit and loss and are therefore stated at fair value. Under UK GAAP, these were previously stated at cost less provisions. Financial instruments in the form of loans and receivables are stated at amortised cost using the effective interest method.

As at 1 January 2004, fair value gains of £64.7m were recognised on fair value financial assets (previously 'equity investments' under UK GAAP) and gains of £1.0m were recognised on other financial assets (in the form of loans and receivables). £1.3m of fair value gains were recognised on derivative financial instruments (current assets). £4.8m of fair value losses were recognised on derivative financial instruments (current liabilities).

Notes to the Accounts

continued

3. First time adoption (continued)

As at 31 December 2004, cumulative fair value gains against fair value financial assets were £94.8m and gains against other financial assets were £3.4m, with a gain of £1.3m against derivative financial instruments (current assets). Of the movement in 2004, net gains of £38.5m were taken through the income statement, and an exchange loss of £1.2m was taken to the currency translation reserve.

For the Company, at 1 January 2004 and 31 December 2004, fair value gains of £25.2m and £39.6m respectively were recognised on fair value financial assets.

j) *IFRS 3: Business combinations*
The Group has applied IFRS 3 to all business combinations that have occurred after 1 January 2004. From 1 January 2004, goodwill is no longer amortised under IFRS but is reviewed annually for impairment. Furthermore, any excess of acquirers' interest in the net fair value of assets acquired versus cost is recognised in the income statement at the date of the business combination.

The effect of this is to increase intangible assets at 1 January 2004 by £17.1m and at 31 December 2004 by £19.1m; this primarily comprises the adjustment to recognise in the opening retained earnings, and in the income statement in 2004, the excess of acquirers' interest in the net fair value of assets acquired versus cost. In addition, £1.5m of profit has been recognised in 2004 in the income statement, being the excess of acquirers' interest in the net fair value of assets acquired versus cost on acquisitions in 2004.

k) *IAS 21: Foreign exchange*
In adopting IAS 21, a small number of the Group's subsidiaries have changed their functional currency. This is because the currencies used to report previously were the currencies of the local reporting environment rather than of the primary economic environment in which they operate. This has resulted in a reduction to total assets of £1.4m as at 1 January 2004 and a corresponding adjustment of £0.5m against liabilities and £0.9m against equity. As at 31 December 2004, the adjustment to total assets was a loss of £0.1m, with corresponding adjustments against liabilities of £1.0m and (£1.1m) against equity respectively.

l) *IAS 40: Investment property*
Under UK GAAP, a small number of the Group's operating subsidiaries held properties that were classified under land and buildings. Due to the slight change of definition of investment properties under IFRS, they are now classified under investment properties and are recognised at fair value, rather than at cost less depreciation and impairment as under UK GAAP. These assets, which are largely in recently acquired subsidiaries, have been recently constructed or developed to earn rentals and, since construction of these assets has now been completed, they meet the definition of an investment property under IFRS.

The effect of this is to increase investment property at 1 January 2004 by £4.2m and at 31 December 2004 by £4.9m. In addition, other expenses for 2004 have increased by £0.1m for this change.

m) *IAS 28: Associates*
Under the provisions of IAS 28, the Group has adopted the exemption for investment and venture capital companies to account for all investments where the Group has significant influence (presumed in all 20-50% holdings) under the provisions of IAS 39 'Financial Instruments: recognition and measurement'. These are designated as fair value through profit and loss assets, with changes in fair value being recognised in the income statement for the period.

As at 1 January 2004, this has led to an increase in fair value financial assets of £5.9m, due to the fair value being higher than the equity accounted value. In 2004, net profits from associates of £5.7m were reversed. As at 31 December 2004, the adjustment has led to an increase in fair value financial assets of £1.7m.

n) *IAS 19: Employee benefits*
Under IFRS, the net liability arising on the defined benefit section of the CDC Pensions Scheme has been recognised in full as at 1 January 2004. A liability of £13.3m has been recognised at this date for the Company and the Group.

As at 31 December 2004, the implementation of IAS 19 has resulted in removal of the pension scheme prepayment of £2.1m, along with recognition of a net retirement benefit obligation of £8.8m for both the Company and the Group. A net pension expense of £2.4m has been recognised in 2004.

o) *IAS 27: Consolidated financial statements*
Under UK GAAP, the Group previously consolidated funds where the holdings in those funds were over 50%. During 2004, as part of a reorganisation, the fund management activity was sold into private ownership so that CDC could focus solely on operating as a fund of funds. CDC has no ownership of the fund management business, Actis Partners LLP. During 2004, CDC invested in a number of Actis-managed funds, holding between 50-100% of certain funds. However, CDC has no controlling interest in these funds and under IAS 27, these have been deconsolidated because CDC does not have the power to control the financial and operating policies of the funds. Instead, the investments in the funds are recorded in accordance with IAS 39, leading to the derecognition of items such as cash, debtors and creditors within the funds, and the recognition of fair value gains on the funds. As at 31 December 2004, this has resulted in a net increase to equity of £5.8m, a decrease in liabilities of £32.2m and a net decrease in total assets of £26.4m.

p) *IAS 38: Intangible assets*
Under IFRS, a small number of the Group's subsidiaries are required to recognise certain intangibles which were classified as tangible assets under UK GAAP.

At 1 January 2004, this has led to an increase in intangible assets of £4.9m. In 2004, the amortisation charge is increased by £0.6m. At 31 December 2004, intangible assets were increased by £6.6m, £1.8m of which was due to a reclassification of assets which were recorded as tangible assets under UK GAAP.

q) *IAS 16: Property, plant and equipment/IAS 36: Impairment of assets*
Under IFRS, the Group's power operating subsidiaries are required to split their plant and equipment into its component parts and to depreciate each component with its own useful economic life. Under UK GAAP, a single standard depreciation policy was applied to all plant and machinery.

In addition, the Group revisited its impairment provisions in the light of IFRS fair value adjustments to biological assets and investment property.

At 1 January 2004, this has led to an increase in biological assets of £1.0m and a reduction in trade and other receivables and property, plant and equipment of £0.4m and £1.0m respectively. At 31 December 2004, this has led to a reduction in property, plant and equipment, biological assets and investment property and trade and other payables of £11.3m, £2.0m, £1.0m and £2.0m respectively and an increase in prepayments of £1.1m. In 2004, cost of sales, administrative expenses and other income decreased by £1.2m, £2.0m and £2.2m respectively and other expenses increased by £10.2m.

r) *IAS 12: Income taxes*
Under IFRS, the Group's biological assets and investment property are carried at fair value. Where these fair values used are different from the tax base it is necessary to provide for deferred tax at the appropriate rate of the local tax jurisdiction.

At 1 January 2004, deferred tax assets have reduced by £0.5m and deferred tax liabilities have increased by £1.5m. At 31 December 2004, deferred tax assets have reduced by £2.3m and deferred tax liabilities have increased by £8.2m. In 2004, the deferred tax charge increased by £8.7m.

Notes to the Accounts

continued

3. First time adoption of IFRS

Reconciliation of consolidated balance sheet at 1 January 2004

The effect of the changes to the Group's accounting policies on the balance sheet of the Group at the date of transition, 1 January 2004, was as follows:

	As reported under UK GAAP in IFRS format £m	**Accounting policy changes under IFRS £m**	IFRS £m	(a) Reclassify biological assets and investment property £m	(b) Reclassify trade and other receivables after one year and deferred tax assets £m	(c) Reclassify treasury bills and bonds after more than 90 days £m
ASSETS						
Non-current assets						
Property, plant and equipment	564.9	**(82.7)**	482.2	(80.9)	–	–
Biological assets	–	**66.0**	66.0	65.0	–	–
Investment property	–	**18.3**	18.3	14.1	–	–
Intangible assets	26.6	**22.0**	48.6	–	–	–
Fair value financial assets	351.8	**70.5**	422.3	–	–	–
Other financial assets	151.0	**(6.7)**	144.3	1.6	15.2	–
Deferred tax assets	–	**5.3**	5.3	–	5.8	–
	1,094.3	**92.7**	1,187.0	(0.2)	21.0	–
Current assets						
Inventories	37.0	**0.2**	37.2	0.2	–	–
Trade and other receivables	175.5	**(22.0)**	153.5	–	(21.0)	–
Prepayments	5.3	**–**	5.3	–	–	–
Derivative financial instruments	–	**23.4**	23.4	–	–	–
Treasury bills and bonds maturing after more than 90 days	–	**8.3**	8.3	–	–	8.3
Cash and cash equivalents	282.7	**(8.3)**	274.4	–	–	(8.3)
	500.5	**1.6**	502.1	0.2	(21.0)	–
TOTAL ASSETS	1,594.8	**94.3**	1,689.1	–	–	–
EQUITY AND LIABILITIES						
Attributable to the equity holders of the parent						
Issued capital	10.0	**–**	10.0	–	–	–
Retained earnings	185.6	**74.5**	260.1	–	–	–
	195.6	**74.5**	270.1	–	–	–
Minority interests	32.0	**3.9**	35.9	–	–	–
Total equity	227.6	**78.4**	306.0	–	–	–
Non-current liabilities						
Trade and other payables	26.2	**(0.5)**	25.7	–	–	–
Interest bearing loans and borrowings	1,117.0	**(12.7)**	1,104.3	–	–	–
Provisions	4.3	**0.1**	4.4	–	–	–
Deferred tax liabilities	8.1	**1.5**	9.6	–	–	–
Retirement benefit obligations	–	**13.3**	13.3	–	–	–
	1,155.6	**1.7**	1,157.3	–	–	–
Current liabilities						
Trade and other payables	108.2	**(3.8)**	104.4	–	–	–
Current tax liabilities	27.1	**0.5**	27.6	–	–	–
Interest bearing loans and borrowings	76.3	**(2.6)**	73.7	–	–	–
Derivative financial instruments	–	**20.1**	20.1	–	–	–
	211.6	**14.2**	225.8	–	–	–
Total liabilities	1,367.2	**15.9**	1,383.1	–	–	–
TOTAL EQUITY AND LIABILITIES	1,594.8	**94.3**	1,689.1	–	–	–

Analysis of accounting policy changes

(d) Reclassify derivative financial instruments £m	(i) IAS 39 Financial instruments £m	(j) IFRS 3 Business combinations £m	(k) IAS 21 Foreign exchange £m	(l) IAS 40 Investment property £m	(m) IAS 28 Associates £m	(n) IAS 19 Employee benefits £m	(o) IAS 27 Consolidated financial statements £m	(p) IAS 38 Intangible assets £m	(q) IAS 16 Property, plant and equipment/ IAS 36 Impairment of assets £m	(r) IAS 12 Income taxes £m	**Total £m**
–	–	–	(0.8)	–	–	–	–	–	(1.0)	–	**(82.7)**
–	–	–	–	–	–	–	–	–	1.0	–	**66.0**
–	–	–	–	4.2	–	–	–	–	–	–	**18.3**
–	–	17.1	–	–	–	–	–	4.9	–	–	**22.0**
(0.9)	64.7	–	–	–	5.9	–	–	–	–	0.8	**70.5**
(24.5)	1.0	–	–	–	–	–	–	–	–	–	**(6.7)**
–	–	–	–	–	–	–	–	–	–	(0.5)	**5.3**
(25.4)	65.7	17.1	(0.8)	4.2	5.9	–	–	4.9	–	0.3	**92.7**
–	–	–	–	–	–	–	–	–	–	–	**0.2**
–	–	–	(0.6)	–	–	–	–	–	(0.4)	–	**(22.0)**
–	–	–	–	–	–	–	–	–	–	–	**–**
22.1	1.3	–	–	–	–	–	–	–	–	–	**23.4**
–	–	–	–	–	–	–	–	–	–	–	**8.3**
–	–	–	–	–	–	–	–	–	–	–	**(8.3)**
22.1	1.3	–	(0.6)	–	–	–	–	–	(0.4)	–	**1.6**
(3.3)	67.0	17.1	(1.4)	4.2	5.9	–	–	4.9	(0.4)	0.3	**94.3**
–	–	–	–	–	–	–	–	–	–	–	**–**
–	62.2	17.1	(0.8)	3.0	5.9	(13.3)	(1.2)	2.8	(0.4)	(0.8)	**74.5**
–	62.2	17.1	(0.8)	3.0	5.9	(13.3)	(1.2)	2.8	(0.4)	(0.8)	**74.5**
–	–	–	(0.1)	1.2	–	–	1.2	2.1	–	(0.5)	**3.9**
–	62.2	17.1	(0.9)	4.2	5.9	(13.3)	–	4.9	(0.4)	(1.3)	**78.4**
–	–	–	(0.5)	–	–	–	–	–	–	–	**(0.5)**
(12.7)	–	–	–	–	–	–	–	–	–	–	**(12.7)**
–	–	–	–	–	–	–	–	–	–	0.1	**0.1**
–	–	–	–	–	–	–	–	–	–	1.5	**1.5**
–	–	–	–	–	–	13.3	–	–	–	–	**13.3**
(12.7)	–	–	(0.5)	–	–	13.3	–	–	–	1.6	**1.7**
(3.3)	–	–	–	–	–	–	–	–	–	(0.5)	**(3.8)**
–	–	–	–	–	–	–	–	–	–	0.5	**0.5**
(2.6)	–	–	–	–	–	–	–	–	–	–	**(2.6)**
15.3	4.8	–	–	–	–	–	–	–	–	–	**20.1**
9.4	4.8	–	–	–	–	–	–	–	–	–	**14.2**
(3.3)	4.8	–	(0.5)	–	–	13.3	–	–	–	1.6	**15.9**
(3.3)	67.0	17.1	(1.4)	4.2	5.9	–	–	4.9	(0.4)	0.3	**94.3**

Notes to the Accounts

continued

3. First time adoption of IFRS (continued)

Reconciliation of consolidated balance sheet at 31 December 2004

	As reported under UK GAAP in IFRS format £m	**Accounting policy changes under IFRS £m**	IFRS £m	(a) Reclassify biological assets and investment property £m	(b) Reclassify trade and other receivables after one year and deferred tax assets £m	(c) Reclassify treasury bills and bonds after more than 90 days £m
ASSETS						
Non-current assets						
Property, plant and equipment	764.0	**(117.4)**	646.6	(103.1)	–	–
Biological assets	–	**80.4**	80.4	82.4	–	–
Investment property	–	**23.0**	23.0	19.3	–	–
Intangible assets	20.7	**25.7**	46.4	–	–	–
Fair value financial assets	356.1	**106.1**	462.2	–	–	–
Other financial assets	145.1	**26.4**	171.5	1.3	46.1	–
Deferred tax assets	–	**3.0**	3.0	–	5.8	–
	1,285.9	**147.2**	1,433.1	(0.1)	51.9	–
Current assets						
Inventories	68.0	**0.1**	68.1	0.1	–	–
Trade and other receivables	211.3	**(45.0)**	166.3	–	(51.9)	–
Prepayments	12.6	**(1.1)**	11.5	–	–	–
Derivative financial instruments	–	**20.9**	20.9	–	–	–
Treasury bills and bonds maturing after more than 90 days	17.7	**(13.7)**	4.0	–	–	(7.9)
Cash and cash equivalents	459.1	**(29.2)**	429.9	–	–	7.9
	768.7	**(68.0)**	700.7	0.1	(51.9)	–
TOTAL ASSETS	2,054.6	**79.2**	2,133.8	–	–	–
EQUITY AND LIABILITIES						
Attributable to the equity holders of the parent						
Issued capital	765.0	**–**	765.0	–	–	–
Currency translation reserve	(44.8)	**(6.5)**	(51.3)	–	–	–
Retained earnings	399.0	**100.9**	499.9	–	–	–
	1,119.2	**94.4**	1,213.6	–	–	–
Minority interests	60.2	**7.2**	67.4	–	–	–
Total equity	1,179.4	**101.6**	1,281.0	–	–	–
Non-current liabilities						
Trade and other payables	39.3	**(0.6)**	38.7	–	–	–
Interest bearing loans and borrowings	540.6	**(21.2)**	519.4	–	–	–
Provisions	8.6	**(0.7)**	7.9	–	–	–
Deferred tax liabilities	6.0	**8.2**	14.2	–	–	–
Retirement benefit obligations	–	**8.8**	8.8	–	–	–
	594.5	**(5.5)**	589.0	–	–	–
Current liabilities						
Trade and other payables	177.4	**(36.6)**	140.8	–	–	–
Current tax liabilities	26.2	**0.7**	26.9	–	–	–
Interest bearing loans and borrowings	77.1	**(2.1)**	75.0	–	–	–
Derivative financial instruments	–	**21.1**	21.1	–	–	–
	280.7	**(16.9)**	263.8	–	–	–
Total liabilities	875.2	**(22.4)**	852.8	–	–	–
TOTAL EQUITY AND LIABILITIES	2,054.6	**79.2**	2,133.8	–	–	–

Analysis of accounting policy changes

(d) Reclassify derivative financial instruments £m	(i) IAS 39 Financial instruments £m	(j) IFRS 3 Business combinations £m	(k) IAS 21 Foreign exchange £m	(l) IAS 40 Investment property £m	(m) IAS 28 Associates £m	(n) IAS 19 Employee benefits £m	(o) IAS 27 Consolidated financial statements £m	(p) IAS 38 Intangible assets £m	(q) IAS 16 Property, plant and equipment/ IAS 36 Impairment of assets £m	(r) IAS 12 Income taxes £m	**Total £m**
–	–	–	(0.1)	–	–	–	(1.1)	(1.8)	(11.3)	–	**(117.4)**
–	–	–	–	–	–	–	–	–	(2.0)	–	**80.4**
–	–	–	–	4.9	–	–	(0.2)	–	(1.0)	–	**23.0**
–	–	19.1	–	–	–	–	–	6.6	–	–	**25.7**
–	94.8	–	–	–	1.7	–	9.4	–	–	0.2	**106.1**
(26.4)	3.4	–	–	–	–	–	2.0	–	–	–	**26.4**
–	–	–	–	–	–	–	(0.5)	–	–	(2.3)	**3.0**
(26.4)	98.2	19.1	(0.1)	4.9	1.7	–	9.6	4.8	(14.3)	(2.1)	**147.2**
–	–	–	–	–	–	–	–	–	–	–	**0.1**
(0.1)	–	–	–	–	–	–	7.0	–	–	–	**(45.0)**
–	–	–	–	–	–	(2.1)	(0.1)	–	1.1	–	**(1.1)**
19.6	1.3	–	–	–	–	–	–	–	–	–	**20.9**
–	–	–	–	–	–	–	(5.8)	–	–	–	**(13.7)**
–	–	–	–	–	–	–	(37.1)	–	–	–	**(29.2)**
19.5	1.3	–	–	–	–	(2.1)	(36.0)	–	1.1	–	**(68.0)**
(6.9)	99.5	19.1	(0.1)	4.9	1.7	(2.1)	(26.4)	4.8	(13.2)	(2.1)	**79.2**
–	–	–	–	–	–	–	–	–	–	–	**–**
–	(1.2)	0.5	(2.6)	0.8	1.5	–	(3.5)	0.6	(1.6)	(1.0)	**(6.5)**
–	96.7	18.6	1.6	2.8	0.2	(10.9)	8.5	2.4	(9.9)	(9.1)	**100.9**
–	95.5	19.1	(1.0)	3.6	1.7	(10.9)	5.0	3.0	(11.5)	(10.1)	**94.4**
–	4.0	–	(0.1)	1.3	–	–	0.8	1.8	0.3	(0.9)	**7.2**
–	99.5	19.1	(1.1)	4.9	1.7	(10.9)	5.8	4.8	(11.2)	(11.0)	**101.6**
–	–	–	–	–	–	–	(0.6)	–	–	–	**(0.6)**
(19.1)	–	–	–	–	–	–	(2.1)	–	–	–	**(21.2)**
–	–	–	–	–	–	–	(0.7)	–	–	–	**(0.7)**
–	–	–	–	–	–	–	–	–	–	8.2	**8.2**
–	–	–	–	–	–	8.8	–	–	–	–	**8.8**
(19.1)	–	–	–	–	–	8.8	(3.4)	–	–	8.2	**(5.5)**
(6.8)	–	–	1.0	–	–	–	(28.8)	–	(2.0)	–	**(36.6)**
–	–	–	–	–	–	–	–	–	–	0.7	**0.7**
(2.1)	–	–	–	–	–	–	–	–	–	–	**(2.1)**
21.1	–	–	–	–	–	–	–	–	–	–	**21.1**
12.2	–	–	1.0	–	–	–	(28.8)	–	(2.0)	0.7	**(16.9)**
(6.9)	–	–	1.0	–	–	8.8	(32.2)	–	(2.0)	8.9	**(22.4)**
(6.9)	99.5	19.1	(0.1)	4.9	1.7	(2.1)	(26.4)	4.8	(13.2)	(2.1)	**79.2**

Notes to the Accounts
continued

3. First time adoption of IFRS (continued)

Reconciliation of consolidated income statement for the 12 months to 31 December 2004

	As reported under UK GAAP in IFRS format £m	**Accounting policy changes under IFRS £m**	IFRS £m	(e) Reclassify profit on sale of investments to revenue £m	(f) Reclassify selling and distribution costs, and admin/ other expenses £m	(g) Reclassify investment and other provisions £m
Income	395.9	**63.8**	459.7	75.3	–	–
Cost of sales	(173.2)	**21.4**	(151.8)	–	20.2	–
Gross profit	222.7	**85.2**	307.9	75.3	20.2	–
Profit on sale of investments	75.3	**(75.3)**	–	(75.3)	–	–
Investment and other provisions	34.4	**(34.4)**	–	–	–	(34.4)
Share of operating profit in associates and joint ventures	6.4	**(6.4)**	–	–	–	–
Other income	9.4	**102.5**	111.9	–	16.7	31.1
Selling and distribution costs	–	**(19.7)**	(19.7)	–	(19.7)	–
Administrative expenses	(129.2)	**25.7**	(103.5)	–	10.4	1.4
Other expenses	–	**(44.0)**	(44.0)	–	(35.1)	1.9
Profit from operations before tax and finance costs	219.0	**33.6**	252.6	–	(7.5)	–
Exceptional items	(3.3)	**3.3**	–	–	7.5	–
Finance costs	(40.1)	**0.1**	(40.0)	–	–	–
Finance income	21.1	**0.6**	21.7	–	–	–
Net foreign exchange differences	5.5	**1.2**	6.7	–	–	–
Profit before tax	202.2	**38.8**	241.0	–	–	–
Tax credit	16.9	**(8.6)**	8.3	–	–	–
Profit for the year	219.1	**30.2**	249.3	–	–	–
Attributable to:						
Equity holders of the parent	213.4	**26.4**	239.8	–	–	–
Minority interests	5.7	**3.8**	9.5	–	–	–
Profit for the year	219.1	**30.2**	249.3	–	–	–

Analysis of accounting policy changes

(h) Reclassify profit on disposal of fixed assets £m	(i) IAS 39 Financial instruments £m	(j) IFRS 3 Business combinations £m	(k) IAS 21 Foreign exchange £m	(l) IAS 40 Investment property £m	(m) IAS 28 Associates £m	(n) IAS 19 Employee benefits £m	(o) IAS 27 Consolidated financial statements £m	(p) IAS 38 Intangible assets £m	(q) IAS 16 Property, plant and equipment/ IAS 36 Impairment of assets £m	(r) IAS 12 Income taxes £m	**Total £m**
–	(11.0)	–	–	–	–	–	(0.5)	–	–	–	**63.8**
–	–	–	–	–	–	–	–	–	1.2	–	**21.4**
–	(11.0)	–	–	–	–	–	(0.5)	–	1.2	–	**85.2**
–	–	–	–	–	–	–	–	–	–	–	**(75.3)**
–	–	–	–	–	–	–	–	–	–	–	**(34.4)**
–	–	–	–	–	(6.4)	–	–	–	–	–	**(6.4)**
4.9	49.1	1.5	1.6	–	–	–	(0.2)	–	(2.2)	–	**102.5**
–	–	–	–	–	–	–	–	–	–	–	**(19.7)**
–	–	–	–	–	–	1.7	10.2	–	2.0	–	**25.7**
–	–	–	–	(0.1)	–	–	0.1	(0.6)	(10.2)	–	**(44.0)**
4.9	38.1	1.5	1.6	(0.1)	(6.4)	1.7	9.6	(0.6)	(9.2)	–	**33.6**
(4.9)	–	–	–	–	0.7	–	–	–	–	–	**3.3**
–	–	–	(0.1)	–	–	0.1	0.1	–	–	–	**0.1**
–	–	–	–	–	–	0.6	–	–	–	–	**0.6**
–	0.4	–	0.9	–	–	–	(0.1)	–	–	–	**1.2**
–	38.5	1.5	2.4	(0.1)	(5.7)	2.4	9.6	(0.6)	(9.2)	–	**38.8**
–	–	–	–	–	–	–	0.1	–	–	(8.7)	**(8.6)**
–	38.5	1.5	2.4	(0.1)	(5.7)	2.4	9.7	(0.6)	(9.2)	(8.7)	**30.2**
–	34.5	1.5	2.4	(0.2)	(5.7)	2.4	9.7	(0.4)	(9.5)	(8.3)	**26.4**
–	4.0	–	–	0.1	–	–	–	(0.2)	0.3	(0.4)	**3.8**
–	38.5	1.5	2.4	(0.1)	(5.7)	2.4	9.7	(0.6)	(9.2)	(8.7)	**30.2**

Notes to the Accounts

continued

3. First time adoption of IFRS (continued)

Reconciliation of consolidated cashflow statement for the 12 months to 31 December 2004

	As reported under UK GAAP in IFRS format £m	**Accounting policy changes under IFRS £m**	IFRS £m	Reclassification and exchange difference £m	Reclassify between other financial assets and trade and other receivables, interest paid and trade and other payables £m	(a) Reclassify biological assets and investment property £m	(e) Reclassify profit on sale of investments to revenue £m
CASHFLOWS FROM OPERATING ACTIVITIES							
Profit from operations before tax and finance costs	102.9	**149.7**	252.6	–	–	–	75.3
Exceptional items	(6.7)	**6.7**	–	–	–	–	–
Adjustments for:							
Depreciation and impairment of property, plant and equipment (net of impairment reversals)	13.3	**25.5**	38.8	–	–	–	–
Impairment of goodwill and other intangible assets	1.8	**0.3**	2.1	–	–	–	–
Impairment of loans and receivables	–	**(16.4)**	(16.4)	–	–	–	–
Provision releases	–	**(1.0)**	(1.0)	(0.2)	–	–	–
Change in value of fair value financial assets	–	**(66.4)**	(66.4)	–	–	–	(15.9)
Change in value of biological assets	–	**(14.0)**	(14.0)	–	–	–	–
Change in value of investment property	–	**2.0**	2.0	–	–		–
Profit on disposal of fair value financial assets	–	**(59.4)**	(59.4)	–	–	–	(59.4)
Profit on disposal of property, plant and equipment	–	**(4.9)**	(4.9)	–	–	–	–
Exchange gains/(losses)	(5.2)	**1.5**	(3.7)	0.7	–	–	–
Profit from operations before changes in working capital and provisions	106.1	**23.6**	129.7	0.5	–	–	–
Increase in trade and other receivables	(41.5)	**7.4**	(34.1)	(5.1)	30.3	–	–
Increase in other financial assets	–	**(24.6)**	(24.6)	–	(30.3)	–	–
Increase in derivative financial instruments	–	**(8.8)**	(8.8)	–	–	–	–
Increase in inventories	(28.6)	**–**	(28.6)	–	–	–	–
Decrease in treasury bills and bonds maturing after more than 90 days	–	**2.0**	2.0	1.5	–	–	–
Increase in trade and other payables	44.1	**1.8**	45.9	3.6	6.2	–	–
Utilisation of provisions	–	**2.3**	2.3	(1.9)	–	–	–
Cash generated from operations	80.1	**3.7**	83.8	(1.4)	6.2	–	–
Defined benefit pension contributions paid	–	**(4.5)**	(4.5)	–	–	–	–
Bank interest received	14.6	**–**	14.6	–	–	–	–
Interest paid	(31.2)	**(6.2)**	(37.4)	–	(6.2)	–	–
Taxes received	18.1	**–**	18.1	–	–	–	–
Cashflows from operating activities	81.6	**(7.0)**	74.6	(1.4)	–	–	–

Analysis of accounting policy changes

(f) Reclassify selling and distribution costs, and admin/ other expenses £m	(g) Reclassify investment and other provisions £m	(h) Reclassify profit on disposal of fixed assets £m	(i) IAS 39 Financial instruments £m	(j) IFRS 3 Business combinations £m	(k) IAS 21 Foreign exchange £m	(l) IAS 40 Investment property £m	(n) IAS 19 Employee benefits £m	(o) IAS 27 Consolidated financial statements £m	(p) IAS 38 Intangible assets £m	(q) IAS 16 Property, plant and equipment/ IAS 36 Impairment of assets £m	**Total £m**
(7.5)	34.4	4.9	38.1	1.5	1.6	(0.1)	1.7	9.6	(0.6)	(9.2)	**149.7**
6.7	–	–	–	–	–	–	–	–	–	–	**6.7**
–	–	–	–	–	–	–	–	–	–	25.5	**25.5**
–	–	–	–	(0.2)	–	–	–	–	0.5	–	**0.3**
–	(16.4)	–	–	–	–	–	–	–	–	–	**(16.4)**
–	(1.4)	–	–	–	–	–	0.7	(0.1)	–	–	**(1.0)**
–	(16.6)	–	(33.9)	–	–	–	–	–	–	–	**(66.4)**
–	–	–	–	–	–	–	–	–	–	(14.0)	**(14.0)**
–	–	–	–	–	–	0.1	–	–	–	1.9	**2.0**
–	–	–	–	–	–	–	–	–	–	–	**(59.4)**
–	–	(4.9)	–	–	–	–	–	–	–	–	**(4.9)**
–	–	–	–	–	–	–	–	0.7	0.1	–	**1.5**
(0.8)	–	–	4.2	1.3	1.6	–	2.4	10.2	–	4.2	**23.6**
–	–	–	–	–	(0.8)	–	2.1	(18.0)	–	(1.1)	**7.4**
–	–	–	–	–	–	–	–	5.7	–	–	**(24.6)**
–	–	–	(8.8)	–	–	–	–	–	–	–	**(8.8)**
–	–	–	–	–	–	–	–	–	–	–	**–**
–	–	–	–	–	–	–	–	0.5	–	–	**2.0**
0.8	–	–	(6.1)	–	(0.3)	–	–	(0.4)	–	(2.0)	**1.8**
–	–	–	–	–	–	–	4.1	0.1	–	–	**2.3**
–	–	–	(10.7)	1.3	0.5	–	8.6	(1.9)	–	1.1	**3.7**
–	–	–	–	–	–	–	(4.5)	–	–	–	**(4.5)**
–	–	–	–	–	–	–	–	–	–	–	**–**
–	–	–	–	–	–	–	–	–	–	–	**(6.2)**
–	–	–	–	–	–	–	–	–	–	–	**–**
–	–	–	(10.7)	1.3	0.5	–	4.1	(1.9)	–	1.1	**(7.0)**

Notes to the Accounts
continued

3. First time adoption of IFRS (continued)

Reconciliation of consolidated cashflow statement for the 12 months to 31 December 2004 (continued)

	As reported under UK GAAP in IFRS format £m	**Accounting policy changes under IFRS £m**	IFRS £m	Reclassification and exchange difference £m	Reclassify between other financial assets and trade and other receivables, interest paid and trade and other payables £m	(a) Reclassify biological assets and investment property £m	(e) Reclassify profit on sale of investments to revenue £m
CASHFLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale of fair value financial assets	138.5	**–**	138.5	–	–	–	–
Proceeds from sale of property, plant and equipment	42.8	**(3.8)**	39.0	–	–	(3.8)	–
Proceeds from sale of biological assets	–	**3.8**	3.8	–	–	3.8	–
Disposal of subsidiaries, net of cash disposed	11.5	**–**	11.5	–	–	–	–
Acquisition of subsidiaries, net of cash acquired	(32.6)	**(17.5)**	(50.1)	–	–	–	–
Acquisition of fair value financial assets	(76.8)	**4.3**	(72.5)	–	–	20.4	–
Acquisition of property, plant and equipment	(71.3)	**22.2**	(49.1)	–	–	22.2	–
Acquisition of biological assets	–	**(11.1)**	(11.1)	–	–	(11.1)	–
Acquisition of investment property	–	**(11.2)**	(11.2)	–	–	(11.2)	–
Loan advances	–	**(20.3)**	(20.3)	–	–	(20.3)	–
Loan repayments	64.0	**–**	64.0	–	–	–	–
Cashflows from investing activities	76.1	**(33.6)**	42.5	–	–	–	–
CASHFLOWS FROM FINANCING ACTIVITIES							
Proceeds from borrowings	121.7	**(2.2)**	119.5	–	–	–	–
Repayment of borrowings	(75.3)	**2.8**	(72.5)	–	–	–	–
Dividends paid to minority interests	(3.7)	**–**	(3.7)	–	–	–	–
Cashflows from financing activities	42.7	**0.6**	43.3	–	–	–	–
Net increase in cash and cash equivalents	200.4	**(40.0)**	160.4	(1.4)	–	–	–

Analysis of accounting policy changes

(f) Reclassify selling and distribution costs, and admin/ other expenses £m	(g) Reclassify investment and other provisions £m	(h) Reclassify profit on disposal of fixed assets £m	(i) IAS 39 Financial instruments £m	(j) IFRS 3 Business combinations £m	(k) IAS 21 Foreign exchange £m	(l) IAS 40 Investment property £m	(n) IAS 19 Employee benefits £m	(o) IAS 27 consolidated financial statements £m	(p) IAS 38 intangible assets £m	(q) IAS 16 Property, plant and equipment/ IAS 36 Impairment of assets £m	**Total £m**
–	–	–	–	–	–	–	–	–	–	–	**–**
–	–	–	–	–	–	–	–	–	–	–	**(3.8)**
–	–	–	–	–	–	–	–	–	–	–	**3.8**
–	–	–	–	–	–	–	–	–	–	–	**–**
–	–	–	–	–	–	–	–	(17.5)	–	–	**(17.5)**
–	–	–	–	–	–	–	–	(16.1)	–	–	**4.3**
–	–	–	–	–	–	–	–	–	–	–	**22.2**
–	–	–	–	–	–	–	–	–	–	–	**(11.1)**
–	–	–	–	–	–	–	–	–	–	–	**(11.2)**
–	–	–	–	–	–	–	–	–	–	–	**(20.3)**
–	–	–	–	–	–	–	–	–	–	–	**–**
–	–	–	–	–	–	–	–	(33.6)	–	–	**(33.6)**
–	–	–	–	–	–	–	–	(2.2)	–	–	**(2.2)**
–	–	–	2.8	–	–	–	–	–	–	–	**2.8**
–	–	–	–	–	–	–	–	–	–	–	**–**
–	–	–	2.8	–	–	–	–	(2.2)	–	–	**0.6**
–	–	–	(7.9)	1.3	0.5	–	4.1	(37.7)	–	1.1	**(40.0)**

Notes to the Accounts
continued

3. First time adoption of IFRS (continued)

Reconciliation of consolidated cashflow statement for the 12 months to 31 December 2004 (continued)

	As reported under UK GAAP in IFRS format £m	**Accounting policy changes under IFRS £m**	IFRS £m
Cash and cash equivalents at 1 January 2004	272.1	**(5.8)**	266.3
Net increase in cash and cash equivalents	200.4	**(40.0)**	160.4
Effect of exchange rate fluctuations on cash held	(21.4)	**16.6**	(4.8)
Cash and cash equivalents at 31 December 2004	451.1	**(29.2)**	421.9
Analysis of cash and cash equivalents at 1 January 2004:			
Cash (including overdrafts)	77.2	**–**	77.2
Liquid resources	194.9	**(8.3)**	186.6
Treasury bills and bonds maturing within 90 days*	–	**2.5**	2.5
	272.1	**(5.8)**	266.3
Analysis of net increase in cash and cash equivalents:			
Cash (including overdrafts)	19.7	**(8.8)**	10.9
Liquid resources	169.5	**(33.7)**	135.8
Treasury bills and bonds	–	**2.5**	2.5
Liquid resources acquired	11.5	**–**	11.5
Liquid resources disposed	(0.3)	**–**	(0.3)
	200.4	**(40.0)**	160.4
Analysis of effect of exchange rate fluctuations on cash held:			
Reclassification of current asset investments to treasury bills and bonds	(17.7)	**17.7**	–
Effect of exchange rate fluctuations on cash held under IFRS	(3.7)	**(1.1)**	(4.8)
	(21.4)	**16.6**	(4.8)
Analysis of cash and cash equivalents at 31 December 2004:			
Cash (including overdrafts)	95.8	**(13.7)**	82.1
Liquid resources	355.3	**(20.5)**	334.8
Treasury bills and bonds maturing within 90 days*	–	**5.0**	5.0
	451.1	**(29.2)**	421.9

*Included in current asset investments under UK GAAP

Reconciliation of Company equity at 1 January 2004

	Share capital £m	Retained earnings £m	**Total £m**
At 1 January 2004 as reported under UK GAAP	**10.0**	**128.1**	**138.1**
IAS 39 Financial instruments	–	25.2	25.2
IAS 19 Employee benefits	–	(13.3)	(13.3)
At 1 January 2004 under IFRS	**10.0**	**140.0**	**150.0**

Reconciliation of Company equity at 31 December 2004

	Share capital £m	Retained earnings £m	**Total £m**
At 31 December 2004 as reported under UK GAAP	**765.0**	**231.6**	**996.6**
IAS 39 Financial instruments	–	39.6	39.6
IAS 19 Employee benefits	–	(10.9)	(10.9)
At 31 December 2004 under IFRS	**765.0**	**260.3**	**1,025.3**

4. Income and expenses

	2005 £m	2004 £m
4a. Income		
Sale of goods	**465.5**	330.4
Investment income:		
Interest income	**41.4**	41.3
Dividend income	**44.9**	26.7
Rental income	**2.5**	1.9
Profit on disposal of fair value financial assets	**137.0**	59.4
Profit on disposal of subsidiaries	**50.6**	–
Total income	**741.9**	459.7

4b. Other income		
Increase in value of fair value financial assets	**128.3**	66.4
Increase in value of biological assets	**–**	14.0
Increase in value of investment property	**1.7**	–
Excess of acquirers’ interest in the net fair value of assets acquired versus cost	**4.3**	0.6
Profit on disposal of property, plant and equipment	**0.1**	4.9
Impairment reversals on property, plant and equipment	**–**	1.7
Impairment reversals on loans and receivables	**26.3**	16.4
Loan and guarantee fee income	**7.9**	1.9
Government grants released	**0.2**	0.1
Other operating income	**5.9**	5.9
Total other income	**174.7**	111.9

Notes to the Accounts

continued

4. Income and expenses (continued)

	2005 £m	2004 £m
4c. Administrative expenses		
Wages and salaries	**(34.6)**	(31.5)
Social security costs	**(2.2)**	(2.1)
Pension costs – defined benefit	**(0.6)**	(0.6)
Pension costs – defined contribution	**(0.6)**	(0.5)
Total employee benefits expense	**(38.0)**	(34.7)
Fund management expenses	**(23.9)**	(17.3)
Power maintenance costs	**(16.9)**	(9.0)
Restructuring costs	**–**	(7.5)
Insurance costs	**(5.4)**	(5.0)
Staff related other expenses	**(6.6)**	(4.6)
Consultants expenses	**(9.6)**	(4.5)
Office premises expenses	**(4.8)**	(4.5)
Travel expenses	**(4.1)**	(4.2)
Deal transaction costs	**(1.0)**	(3.1)
Operating lease rentals on property	**(3.5)**	(3.4)
Operating lease rentals on plant and equipment	**(2.5)**	(2.8)
Communications costs	**(2.1)**	(2.1)
Auditors' remuneration – auditors of the Company and the Group	**(0.7)**	(0.3)
Auditors' remuneration – other auditors	**(0.4)**	(0.3)
Payments to auditors for non-audit services – auditors of the Company and the Group	**(0.3)**	(0.1)
Payments to auditors for non-audit services – other auditors	**(0.1)**	(0.1)
Other administrative expenses	**(12.5)**	–
Total administrative expenses	**(132.4)**	(103.5)

Auditors' remuneration for the auditors of the Company and the Group includes fees payable for the audit of the financial statements of £0.2m (2004: £0.2m) and local statutory audits for subsidiaries of £0.5m (2004: £0.1m).

Payments to the Company and the Group's auditors for non-audit services includes fees payable in relation to audit of the first time adoption of IFRS, provision of tax services and other miscellaneous services.

	2005 £m	2004 £m
4d. Other expenses		
Amortisation and impairment of other intangible assets	**(2.1)**	(2.0)
Impairment of goodwill	**(2.1)**	(0.1)
Depreciation and impairment of property, plant and equipment	**(71.6)**	(40.6)
Other retirement benefit (costs)/provision releases	**(0.1)**	1.1
Fall in value of biological assets	**(3.0)**	–
Fall in value of investment property	**–**	(2.0)
Other operating expenses	**–**	(0.4)
Total other expenses	**(78.9)**	(44.0)

5. Finance costs and income

	2005 £m	2004 £m
Interest payable on bank loans and overdrafts	**(16.0)**	(10.7)
Interest payable on other loans	**(39.1)**	(29.3)
Finance charges payable under finance leases and hire purchase contracts	**(4.4)**	–
Total finance costs	**(59.5)**	(40.0)
Pension credit	**1.7**	0.6
Increase in value of interest rate swaps	**9.8**	6.5
Bank interest receivable	**25.4**	14.6
Total finance income	**36.9**	21.7
Net finance costs	**(22.6)**	(18.3)

6. Tax

	2005 £m	2004 £m
The major components of the tax credit are as follows:		
Current tax		
Current UK tax	**0.1**	–
Current overseas tax (credit)/charge	**(0.7)**	4.2
Tax credit in respect of current tax of previous years	**(11.8)**	(23.8)
Deferred tax		
Tax charge relating to origination and reversal of temporary differences	**8.2**	11.3
Tax credit reported in consolidated income statement	**(4.2)**	(8.3)

The tax credit, as above, is reconciled to the tax charge on the accounting profit at the full UK tax rate as follows:

Accounting profit before tax	**431.5**	241.0
Tax charge on the accounting profit at the UK tax rate of 30% (2004: 30%)	**129.5**	72.3
Increase/(decrease) in charge due to:		
Effect of UK tax exemption	**(57.0)**	(36.8)
Effect of overseas taxation	**(54.0)**	(51.0)
Tax overprovided in earlier years	**(11.8)**	(23.8)
Deferred tax	**–**	11.3
Deferred tax assets not recognised	**0.9**	–
Expenses not deductible for tax purposes	**(4.1)**	–
Utilisation of losses brought forward	**(7.7)**	–
Consolidation adjustments with no tax effect	**–**	19.7
Tax credit at an effective tax rate of 1.0% (2004: 3.4%)	**(4.2)**	(8.3)

UK tax exemption

By virtue of the CDC Act 1999, CDC Group plc was granted exemption from UK corporation tax with effect from 1 May 2003. The exemption does not apply to the Company's subsidiaries.

Notes to the Accounts

continued

7. Property, plant and equipment

	Group					
	2005 Land and buildings £m	**2005 Plant and equipment £m**	**2005 Total £m**	2004 Land and buildings £m	2004 Plant and equipment £m	2004 Total £m
At 1 January	**38.5**	**608.1**	**646.6**	59.9	422.3	482.2
Additions	**6.1**	**121.2**	**127.3**	8.2	41.3	49.5
Disposals	**(0.1)**	**(3.3)**	**(3.4)**	(28.3)	(5.5)	(33.8)
Acquired with subsidiaries	**–**	**–**	**–**	2.9	226.4	229.3
Disposed with subsidiaries	**(2.3)**	**(5.2)**	**(7.5)**	–	(16.6)	(16.6)
Impairment	**–**	**(15.6)**	**(15.6)**	–	(0.2)	(0.2)
Impairment reversals	**–**	**–**	**–**	–	1.8	1.8
Depreciation charge for the year	**(3.3)**	**(52.7)**	**(56.0)**	(2.6)	(37.8)	(40.4)
Transfers	**(11.5)**	**11.5**	**–**	–	–	–
Exchange adjustment	**3.8**	**67.0**	**70.8**	(1.6)	(23.6)	(25.2)
At 31 December	**31.2**	**731.0**	**762.2**	38.5	608.1	646.6
At 1 January						
Cost	**62.6**	**727.2**	**789.8**	85.9	512.9	598.8
Accumulated depreciation and impairment	**(24.1)**	**(119.1)**	**(143.2)**	(26.0)	(90.6)	(116.6)
Net carrying amount at 1 January	**38.5**	**608.1**	**646.6**	59.9	422.3	482.2
At 31 December						
Cost	**41.6**	**871.4**	**913.0**	62.6	727.2	789.8
Accumulated depreciation and impairment	**(10.4)**	**(140.4)**	**(150.8)**	(24.1)	(119.1)	(143.2)
Net carrying amount at 31 December	**31.2**	**731.0**	**762.2**	38.5	608.1	646.6

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2005 is £57.0m (2004: £0.2m). Additions of plant and equipment held under finance leases were £60.1m (2004: £nil).

Land and buildings with a carrying amount of £19.7m (2004: £23.9m) are subject to a first charge to secure loans due to the Group's lenders.

The £15.6m impairment loss in 2005 relates to Kelvin Power (Pty) Limited (2004: related to Nanga Farms Limited).

7. Property, plant and equipment (continued)

	Company					
	2005 Land and buildings £m	**2005 Plant and equipment £m**	**2005 Total £m**	2004 Land and buildings £m	2004 Plant and equipment £m	2004 Total £m
At 1 January	**0.2**	**0.5**	**0.7**	24.7	1.1	25.8
Additions	**–**	**–**	**–**	–	0.6	0.6
Disposals	**(0.1)**	**–**	**(0.1)**	(24.4)	(0.8)	(25.2)
Depreciation charge for the year	**–**	**(0.1)**	**(0.1)**	(0.1)	(0.4)	(0.5)
At 31 December	**0.1**	**0.4**	**0.5**	0.2	0.5	0.7
At 1 January						
Cost	**0.4**	**8.6**	**9.0**	27.4	11.1	38.5
Accumulated depreciation and impairment	**(0.2)**	**(8.1)**	**(8.3)**	(2.7)	(10.0)	(12.7)
Net carrying amount at 1 January	**0.2**	**0.5**	**0.7**	24.7	1.1	25.8
At 31 December						
Cost	**0.4**	**8.5**	**8.9**	0.4	8.6	9.0
Accumulated depreciation and impairment	**(0.3)**	**(8.1)**	**(8.4)**	(0.2)	(8.1)	(8.3)
Net carrying amount at 31 December	**0.1**	**0.4**	**0.5**	0.2	0.5	0.7

8. Biological assets

	Group	
	2005 £m	2004 £m
At 1 January, at fair value	**80.4**	65.9
Additions	**5.7**	11.1
Harvested	**–**	(3.8)
Disposals	**(1.0)**	–
Acquired with subsidiaries	**–**	1.1
Disposed with subsidiaries	**(70.5)**	–
(Decrease)/increase in fair value for the period	**(3.0)**	14.0
Exchange adjustment	**15.3**	(7.9)
At 31 December, at fair value	**26.9**	80.4

Biological assets consist of oil palm plantations, forests, orange juice groves and an arable farm. The fair values of these assets have been found using the following methods and using the following significant assumptions:

	Valuation methodology	**Significant assumptions**
Oil palm plantations	Net present value of future cash flows	Forecast sales volume, price and discount rate
Forests	Net present value of future cash flows	Forecast sales volume, price and discount rate
Orange juice groves	Net present value of future cash flows	Forecast sales volume, price and discount rate
Arable farm	Cost as approximation to fair value	Little biological change since planting

Notes to the Accounts
continued

8. Biological assets (continued)
The split of these assets between mature and immature assets is disclosed below:

	2005 Mature £m	**2005 Immature £m**	**2005 Total £m**	2004 Mature £m	2004 Immature £m	2004 Total £m
Oil palm plantations	**–**	**–**	**–**	46.3	8.3	54.6
Forests	**1.7**	**11.4**	**13.1**	8.6	2.4	11.0
Orange juice groves	**6.2**	**0.3**	**6.5**	5.8	–	5.8
Arable farm	**6.5**	**–**	**6.5**	8.5	–	8.5
Other	**0.7**	**0.1**	**0.8**	0.5	–	0.5
	15.1	**11.8**	**26.9**	69.7	10.7	80.4

There were no biological assets whose title was restricted. Biological assets with a carrying value of £26.9m (2004: £37.0m) were pledged as security for liabilities.

The palm oil group and arable farm operations use forward sales contracts to manage financial risks regarding the sales price of their agricultural produce. These are held at fair value as derivative financial instruments, with fair value gains and losses being recognised in the income statement. At 31 December 2005, the fair value of such derivative financial assets was £2.7m (2004: £0.5m).

Output of agricultural produce in the period was as follows:

	2005 Tonnes	2004 Tonnes
Palm oil	**371,797**	371,799
Timber	**147**	60
Oranges	**57**	9
Latex	**11**	11
Cereals	**88,518**	93,565
Other	**860**	541
	461,390	465,985

The Group held commitments for the development or acquisition of biological assets as at 31 December 2005 of £1.3m (2004: £nil).

9. Investment property

	Group	
	2005 £m	2004 £m
At 1 January, at fair value	**23.0**	18.3
Additions	**16.0**	11.2
Acquired with subsidiaries	**–**	1.5
Disposed with subsidiaries	**–**	(4.2)
Increase/(decrease) in fair value for the period	**1.7**	(2.0)
Exchange adjustment	**3.8**	(1.8)
At 31 December, at fair value	**44.5**	23.0

Included within additions are £12.7m (2004: £3.1m) resulting from subsequent expenditure on investment properties initially recognised in previous years.

Investment properties are stated at fair value, which has been determined based on valuations performed by Directors of the Group's property subsidiaries as at 31 December 2005 and 31 December 2004, with the exception of property in Indonesia which was valued by PT Artanila Permai. All officials involved in the valuation process are industry specialists in valuing these types of investment properties. The valuations undertaken were based on open market value, supported by market evidence in which assets could be exchanged by willing buyers and sellers on an arm's length basis.

10. Intangible assets

	Group					
	2005 Brands, patents and copyrights £m	**2005 Goodwill £m**	**2005 Total £m**	2004 Brands, patents and copyrights £m	2004 Goodwill £m	2004 Total £m
At 1 January	**29.4**	**17.0**	**46.4**	31.1	17.5	48.6
Additions	**0.9**	**–**	**0.9**	1.8	–	1.8
Acquired with subsidiaries	**–**	**1.9**	**1.9**	3.5	2.6	6.1
Disposed with subsidiaries	**(2.9)**	**(1.3)**	**(4.2)**	(3.6)	(3.8)	(7.4)
Impairment	**–**	**(2.1)**	**(2.1)**	(0.4)	(0.1)	(0.5)
Amortisation charge for the year	**(2.1)**	**–**	**(2.1)**	(1.6)	–	(1.6)
Exchange adjustment	**2.9**	**(0.1)**	**2.8**	(1.4)	0.8	(0.6)
At 31 December	**28.2**	**15.4**	**43.6**	29.4	17.0	46.4
At 1 January						
Cost	**32.5**	**17.7**	**50.2**	32.3	18.0	50.3
Accumulated amortisation and impairment	**(3.1)**	**(0.7)**	**(3.8)**	(1.2)	(0.5)	(1.7)
Net carrying amount at 1 January	**29.4**	**17.0**	**46.4**	31.1	17.5	48.6
At 31 December						
Cost	**33.8**	**16.1**	**49.9**	32.5	17.7	50.2
Accumulated amortisation and impairment	**(5.6)**	**(0.7)**	**(6.3)**	(3.1)	(0.7)	(3.8)
Net carrying amount at 31 December	**28.2**	**15.4**	**43.6**	29.4	17.0	46.4

11. Fair value financial assets

	Group					
	2005 Shares – listed £m	**2005 Shares – unlisted £m**	**2005 Total £m**	2004 Shares – listed £m	2004 Shares – unlisted £m	2004 Total £m
At 1 January, at fair value	**118.1**	**344.1**	**462.2**	133.8	288.4	422.2
Additions	**1.6**	**111.3**	**112.9**	2.4	70.1	72.5
Disposals	**(50.6)**	**(138.8)**	**(189.4)**	(19.6)	(50.6)	(70.2)
Disposed with subsidiaries	**–**	**(13.8)**	**(13.8)**	–	(2.9)	(2.9)
Increase/(decrease) in fair value for the period	**31.8**	**96.5**	**128.3**	(7.7)	74.1	66.4
Transfers	**21.8**	**(2.8)**	**19.0**	14.4	(30.0)	(15.6)
Exchange adjustment	**7.6**	**7.6**	**15.2**	(5.2)	(5.0)	(10.2)
At 31 December, at fair value	**130.3**	**404.1**	**534.4**	118.1	344.1	462.2

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11. Fair value financial assets (continued)

	Company							
	2005	**2005**	**2005**	**2005**	2004	2004	2004	2004
	Shares – listed £m	**Shares – unlisted £m**	**Shares held in group companies £m**	**Total £m**	Shares – listed £m	Shares – unlisted £m	Shares held in group companies £m	Total £m
At 1 January, at fair value	**14.8**	**116.2**	**470.8**	**601.8**	7.4	96.4	339.5	443.3
Additions	**–**	**106.9**	**3.7**	**110.6**	–	54.9	5.2	60.1
Disposals	**(16.0)**	**(85.2)**	**(50.1)**	**(151.3)**	(3.0)	(37.2)	(6.4)	(46.6)
Increase/(decrease) in fair value for the period	**0.8**	**37.2**	**209.5**	**247.5**	9.5	27.1	(3.5)	33.1
Transfers	**22.2**	**20.3**	**(0.6)**	**41.9**	0.9	(23.5)	136.0	113.4
Exchange adjustment	**–**	**–**	**–**	**–**	–	(1.5)	–	(1.5)
At 31 December, at fair value	**21.8**	**195.4**	**633.3**	**850.5**	14.8	116.2	470.8	601.8

12. Acquisitions

During 2005, the Group acquired the following company which was accounted for as an acquisition and made three stepped acquisitions:

	Operations	**Country**	**Date**	**Consideration £m**	**Percentage acquired**
Acquisition:					
Umeme	Power	Uganda	March 2005	0.8	56%
Stepped acquisitions:					
Sidi Krir	Power	Egypt	April 2005	23.9	100%*
Inter City Hotels	Property development	Ghana	September 2005	1.3	68%**
Mpongwe Development Company	Agribusiness	Zambia	October 2005	2.3	100%***

The net assets acquired were as follows:

	Umeme £m	**Sidi Krir £m**	**Inter City Hotels £m**	**Mpongwe £m**	**Total acquisitions and stepped acquisitions £m**
Property, plant and equipment	–	175.6	1.0	9.7	**186.3**
Biological assets	–	–	–	13.1	**13.1**
Other non-current assets	–	2.1	–	–	**2.1**
Inventories	–	4.0	–	6.7	**10.7**
Trade and other receivables	1.4	15.7	–	2.2	**19.3**
Cash and cash equivalents	–	3.1	1.2	0.2	**4.5**
Trade and other payables	–	(21.2)	–	(5.3)	**(26.5)**
Interest bearing loans and borrowings	–	(106.9)	–	(13.7)	**(120.6)**
Total net assets†	1.4	72.4	2.2	12.9	**88.9**
Net assets already owned by CDC	–	(44.2)	(1.1)	(11.6)	**(56.9)**
Net assets retained by minority interests	(0.6)	–	(0.7)	–	**(1.3)**
Net assets acquired†	0.8	28.2	0.4	1.3	**30.7**
Cash consideration	0.8	23.9	1.3	2.3	**28.3**
Goodwill	**–**	**(4.3)**	**0.9**	**1.0**	**(2.4)**

*61% acquired in 2004 for £40.1m

**51% acquired in 2004 for £0.5m

***90% acquired in stages during the period from 1987 to 1998 for a total of £14.8m

†At fair value for Umeme; at book value for stepped acquisitions

12. Acquisitions (continued)

	Umeme £m	Sidi Krir £m	Inter City Hotels £m	Mpongwe £m	Total acquisitions and stepped acquisitions £m
Total acquisition cost	0.8	23.9	1.3	2.3	28.3
Cash and cash equivalents acquired	–	(3.1)	(1.2)	(0.2)	(4.5)
Cash outflow on acquisitions	**0.8**	**20.8**	**0.1**	**2.1**	**23.8**

The discount on acquisition of the remaining 39% of Sidi Krir of £4.3m is included within other income in the income statement.

Goodwill of £0.9m arose on the acquisition of a further 17% of Inter City Hotels. This goodwill reflects the value CDC places on being the majority owner of the first shopping mall in Accra, Ghana, and the value it has placed on the property given the future rental yields expected from the asset once the construction phase of the project has been completed.

The equity injection into Mpongwe Development Company will enable the company to irrigate a large area of its arable land and enable the company to produce a more sustainable level of output. Goodwill of £1.0m arose on this acquisition. It is expected to take a number of years for the benefits of this investment to translate into improved trading and cashflows from the business. As part of CDC's impairment review of goodwill at the year end, the directors believed that an impairment against the investment was required. Accordingly an impairment for the full £1.0m has been made during the year and the amount written off to the income statement.

There were no differences between fair values and book values for any of the acquisitions during the year, and no separately identifiable intangible assets were acquired.

Umeme did not trade prior to acquisition and recorded a profit after tax and minority interests for the period post acquisition of £1.9m.

During 2004, the Group acquired the following companies which were accounted for as acquisitions:

	Operations	Country	Date	Consideration £m	Percentage acquired
Nanga Farms	Agribusiness	Zambia	January 2004	0.5	76%
Nitrex Chemicals	Manufacturing	India	March 2004	1.0	85%
COBEE	Power	Bolivia	April 2004	27.5	100%
Persianas Properties	Property development	Nigeria	June 2004	0.1	100%
Sidi Krir	Power	Egypt	September 2004	40.1	61%
Inter City Hotels	Property development	Ghana	November 2004	0.5	51%

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12. Acquisitions (continued)

The net assets acquired were as follows:

	Nanga Farms £m	Nitrex Chemicals £m	COBEE £m	Persianas Properties £m	Sidi Krir £m	Inter City Hotels £m	Total £m
Intangible assets	–	3.5	–	–	–	–	**3.5**
Property, plant and equipment	1.5	4.6	38.4	1.5	182.8	0.5	**229.3**
Other non-current assets	–	–	–	–	0.8	–	**0.8**
Inventories	0.2	1.0	0.5	–	4.2	–	**5.9**
Trade and other receivables	0.4	1.8	4.1	–	6.8	0.4	**13.5**
Cash and cash equivalents	0.3	0.4	3.5	–	15.4	–	**19.6**
Trade and other payables	(0.9)	(1.4)	(4.7)	(0.5)	(27.6)	(0.1)	**(35.2)**
Interest bearing loans and borrowings	–	(8.8)	(14.3)	(0.9)	(123.1)	–	**(147.1)**
Total net assets at fair value	1.5	1.1	27.5	0.1	59.3	0.8	**90.3**
Net assets retained by minority interests	(0.4)	(0.2)	–	–	(21.2)	(0.4)	**(22.2)**
Net assets acquired at fair value	1.1	0.9	27.5	0.1	38.1	0.4	**68.1**
Cash consideration	0.5	1.0	27.5	0.1	40.1	0.5	**69.7**
Goodwill	**(0.6)**	**0.1**	**–**	**–**	**2.0**	**0.1**	**1.6**

The discount on acquisition of £0.6m recognised on the acquisition of Nanga Farms is included in the other income line in the income statement. In December 2003 Haripur/Meghnaghat power stations were acquired and in the 2003 financial statements it was noted that the fair values in the acquisition accounting were provisional. The fair values were finalised during 2004 and a working capital adjustment reduced the net assets at acquisition by £4.8m. This adjustment increased the discount on acquisition and has also been included in the other income line in the income statement.

Goodwill arose on the acquisition of Sidi Krir. The goodwill reflects the premium that the seller of the business placed on their significant investment in a newly built and fully functioning power station that is operationally profitable and has long term Power Purchase and Fuel Supply Agreements in place. The Group has also placed an emphasis on the value of Sidi Krir's assembled workforce in making the decision to acquire, however this is not a recognisable intangible asset.

Small amounts of goodwill arose on the acquisitions of Nitrex Chemicals and Inter City Hotels since no recognisable intangible assets could be identified.

The following table sets out the book values of the identifiable assets and liabilities acquired in substantial acquisitions and their fair value to the Group:

	Sidi Krir		COBEE		
	Book value £m	**Fair value to group £m**	Book value £m	Plant impairment £m	**Fair value to group £m**
Property, plant and equipment	182.8	182.8	70.8	(32.4)	38.4
Other non-current assets	0.8	0.8	–	–	–
Inventories	4.2	4.2	0.5	–	0.5
Trade and other receivables	6.8	6.8	4.1	–	4.1
Cash and cash equivalents	15.4	15.4	3.5	–	3.5
Trade and other payables	(27.6)	(27.6)	(4.7)	–	(4.7)
Interest bearing loans and borrowings	(123.1)	(123.1)	(14.3)	–	(14.3)
Total net assets	**59.3**	**59.3**	**59.9**	**(32.4)**	**27.5**
Net assets retained by minority interests		(21.2)			–
Net assets acquired at fair value		**38.1**			**27.5**

12. Acquisitions (continued)

There were no differences between fair values and book values for any of the other acquisitions during the year.

The fair value adjustment for COBEE relates to a plant impairment charge to bring the asset carrying value in line with future cashflows that the plant is expected to generate.

13. Disposals

During 2005, the Group disposed of the following subsidiaries:

	Operations	Country	Consideration date	£m	Percentage disposed
Betterware	Manufacturing	Mexico	March 2005	6.2	70%
Nitrex Chemicals	Manufacturing	India	August 2005	2.0	85%
Globeleq Chile	Power	Chile	August 2005	11.5	68%
Pacific Rim Palm Oil (PRPOL)	Agribusiness	Indonesia, PNG	October 2005	80.2	100%

The net assets disposed of were as follows:

	Betterware £m	Nitrex Chemicals £m	Globeleq Chile £m	PRPOL £m	Total £m
Intangible assets	1.2	3.0	–	–	**4.2**
Property, plant and equipment	0.5	5.2	–	1.8	**7.5**
Biological assets	–	–	–	70.5	**70.5**
Other non-current assets	–	0.1	13.8	0.5	**14.4**
Inventories	0.7	0.8	–	5.6	**7.1**
Trade and other receivables	1.5	2.4	3.4	8.8	**16.1**
Cash and cash equivalents	1.3	1.7	–	1.4	**4.4**
Trade and other payables	(1.2)	(3.5)	–	(15.9)	**(20.6)**
Deferred tax liabilities	–	(0.6)	–	(13.5)	**(14.1)**
Interest bearing loans and borrowings	(1.3)	(6.5)	–	(26.9)	**(34.7)**
Total net assets at book value	2.7	2.6	17.2	32.3	**54.8**
Minority interests	(0.8)	(0.5)	(5.5)	1.3	**(5.5)**
Net assets disposed	1.9	2.1	11.7	33.6	**49.3**
Cash proceeds	6.2	2.0	11.5	80.2	**99.9**
Profit/(loss) on disposal	**4.3**	**(0.1)**	**(0.2)**	**46.6**	**50.6**
Total disposal consideration	6.2	2.0	11.5	80.2	**99.9**
Cash and cash equivalents disposed of	(1.3)	(1.7)	–	(1.4)	**(4.4)**
Cash inflow on disposals	**4.9**	**0.3**	**11.5**	**78.8**	**95.5**

PRPOL consisted of a wholly-owned holding company, two group service companies, two oil palm plantations in Indonesia, one in which the Group only had a 51% interest, and an oil palm plantation in Papua New Guinea in which the Group held a 75% interest. The non-wholly owned portion of PRPOL consisted of operations with cumulative losses and so at the date of disposal minority interests were negative.

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13. Disposals (continued)
The summarised income statement of the disposed subsidiaries for the period from 1 January 2005 to the date of the disposal is shown below:

	Betterware £m	Nitrex Chemicals £m	Globeleq Chile £m	PRPOL £m	Total £m
Income	2.6	10.1	1.7	47.0	**61.4**
Cost of sales	(0.9)	(7.3)	–	(24.0)	**(32.2)**
Gross profit	**1.7**	**2.8**	**1.7**	**23.0**	**29.2**
Administrative and other expenses	(1.1)	–	(0.5)	(11.4)	**(13.0)**
Net interest payable	(0.1)	(0.3)	–	(4.6)	**(5.0)**
Profit before tax	**0.5**	**2.5**	**1.2**	**7.0**	**11.2**
Tax	(0.3)	(0.8)	–	(1.5)	**(2.6)**
Profit after tax	**0.2**	**1.7**	**1.2**	**5.5**	**8.6**
Minority interests	(0.1)	(0.3)	(0.4)	0.1	**(0.7)**
Profit for the period to the date of disposal	**0.1**	**1.4**	**0.8**	**5.6**	**7.9**
Profit for the prior year (to 31 December 2004)	**1.0**	**0.5**	**3.1**	**11.8**	**16.4**

14. Impairment testing of goodwill
Goodwill acquired through business combinations is allocated to the individual companies acquired by the Group because the subsidiaries operate independently and therefore each is viewed as a cash generating unit for impairment testing.

The following table shows a split of the carrying amount of goodwill for each cash generating unit:

Cash generating unit	**2005 £m**	2004 £m
Betterware	**–**	1.0
Capital Properties	**0.7**	0.7
Development Finance Company of Uganda (DFCU)	**0.3**	0.2
El Rashidi El Mizan	**1.5**	1.5
Inter City Hotels	**1.2**	0.1
Kelvin Power	**–**	1.1
Lenco	**0.9**	0.9
Nitrex Chemicals	**–**	0.4
Sidi Krir	**1.7**	2.0
Southern Cone Power	**9.1**	9.1
At 31 December	**15.4**	17.0

The fair value of each of these entities is derived from the fair value methodology used for financial instruments and stated in the accounting policies in note 2. These fair values are then compared to the net asset values consolidated in the Group accounts. Where the fair value falls below the Group's share of the net asset value of the subsidiary, the goodwill arising on the investment in that particular subsidiary is deemed to be impaired. The amount of the impairment is taken to the income statement.

At the year end, an impairment review of goodwill was conducted. Goodwill in connection with Kelvin Power of £1.1m and Mpongwe Development Company of £1.0m were deemed to be impaired and an impairment charge of £2.1m was taken to the income statement and is shown within other expenses.

15. Other financial assets (non-current)

	Group		Company	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Loans and receivables due from third parties	**91.8**	129.8	**77.2**	104.5
Loans and receivables due from Group undertakings	**–**	–	**322.6**	314.8
Advances to customers	**48.0**	35.5	**–**	–
Prepayments	**1.7**	1.6	**–**	–
Other receivables	**7.5**	4.6	**3.7**	4.0
At 31 December	**149.0**	171.5	**403.5**	423.3

The movement in loans and receivables was as follows:

	Group		Company			
	2005 £m	2004 £m	**2005 Due from third parties £m**	**2005 Due from Group undertakings £m**	2004 Due from third parties £m	2004 Due from Group undertakings £m
At 1 January	**178.8**	201.6	**147.9**	**343.4**	160.8	205.5
New loans advanced	**19.2**	20.3	**12.6**	**26.5**	3.6	281.6
Loan repayments	**(86.9)**	(64.0)	**(77.3)**	**(49.4)**	(54.2)	(137.5)
Provision (charge)/release for the year	**26.3**	16.4	**26.4**	**6.9**	14.8	(11.1)
Transfers	**(19.0)**	15.6	**(11.9)**	**(6.8)**	28.1	8.3
Exchange adjustment	**9.2**	(11.1)	**9.4**	**2.9**	(5.2)	(3.4)
At 31 December	**127.6**	178.8	**107.1**	**323.5**	147.9	343.4
Less: Loans and receivables due within one year (note 19)	**(35.8)**	(49.0)	**(29.9)**	**(0.9)**	(43.4)	(28.6)
At 31 December	**91.8**	129.8	**77.2**	**322.6**	104.5	314.8

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16. Deferred tax assets and liabilities

	Group	
	2005 £m	2004 £m
Deferred tax assets		
Property, plant and equipment	**(0.9)**	(12.7)
Biological assets	**(9.5)**	–
Intangible assets	**–**	(1.0)
Other financial assets	**–**	0.3
Losses	**7.5**	12.5
Other assets/liabilities	**3.5**	3.9
Total deferred tax assets	**0.6**	3.0
Total deferred tax liabilities		
Property, plant and equipment	**(7.1)**	(2.9)
Biological assets	**(0.2)**	(13.8)
Investment property	**(0.9)**	(0.6)
Intangible assets	**(1.6)**	(0.4)
Fair value financial assets	**0.1**	(0.4)
Other financial assets	**0.3**	–
Inventories	**–**	(0.5)
Interest bearing loans and borrowings	**–**	(0.4)
Losses	**2.9**	5.0
Other assets/liabilities	**(1.9)**	(0.2)
Total deferred tax liabilities	**(8.4)**	(14.2)
Net deferred tax liabilities	**(7.8)**	(11.2)

Included within deferred tax assets is £nil (2004: £2.0m) relating to tax losses, recoverability of which is dependent on future taxable profits in excess of those arising from the reversal of deferred tax liabilities. It is anticipated that sufficient profits will be generated such that this loss can be relieved.

16. Deferred tax assets and liabilities (continued)

Deferred income tax liabilities have not been established for taxes that would be payable on the unremitted earnings of certain subsidiaries, as such earnings are reinvested.

At 31 December 2005, the Group had carried forward losses of £10.7m (2004: £14.1m) for which no deferred tax asset was recognised due to the uncertainty of future profits. These unrecognised deferred tax assets amount to £3.2m (2004: £4.2m).

Movement in temporary differences during the year

	At 1 January 2005 £m	Disposed with subsidiaries £m	Utilised during the year £m	(Charge)/ credit for the year £m	Exchange during the year £m	At 31 December 2005 £m
Property, plant and equipment	(15.5)	11.7	0.2	(4.0)	(0.4)	(8.0)
Biological assets	(13.8)	5.7	–	(0.1)	(1.5)	(9.7)
Investment property	(0.6)	–	–	(0.2)	(0.1)	(0.9)
Intangible assets	(1.4)	–	–	–	(0.2)	(1.6)
Retirement benefit assets/liabilities	–	(0.1)	–	0.1	–	–
Fair value financial assets	(0.4)	–	–	0.5	–	0.1
Other financial assets	0.3	–	–	–	–	0.3
Inventories	(0.5)	0.9	–	(0.4)	–	–
Interest bearing loans and borrowings	(0.4)	0.4	–	–	–	–
Losses	17.5	(4.4)	(0.9)	(2.1)	0.3	10.4
Other assets/liabilities	3.6	(0.1)	0.7	(2.0)	(0.6)	1.6
Total	**(11.2)**	**14.1**	**–**	**(8.2)**	**(2.5)**	**(7.8)**

	At 1 January 2004 £m	Acquired with subsidiaries £m	Disposed with subsidiaries £m	Utilised during the year £m	(Charge)/ credit for the year £m	Exchange during the year £m	At 31 December 2004 £m
Property, plant and equipment	(7.7)	(0.2)	–	(0.2)	(6.5)	(0.9)	(15.5)
Biological assets	(5.5)	–	–	–	(9.1)	0.8	(13.8)
Investment properties	(0.7)	–	–	–	0.1	–	(0.6)
Intangible assets	(4.6)	–	3.0	–	0.1	0.1	(1.4)
Fair value financial assets	(0.4)	–	–	–	–	–	(0.4)
Other financial assets	0.4	–	–	–	(0.1)	–	0.3
Inventories	(0.8)	–	–	–	0.3	–	(0.5)
Interest bearing loans and borrowings	0.5	–	–	–	(0.9)	–	(0.4)
Losses	13.8	–	–	(0.4)	3.4	0.7	17.5
Other assets/liabilities	0.8	0.8	0.1	0.1	1.4	0.4	3.6
Total	(4.2)	0.6	3.1	(0.5)	(11.3)	1.1	(11.2)

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17. Pension commitments

The Company operates one funded pension scheme in the UK, called the CDC Pensions Scheme. This provides benefits on a defined benefit basis for staff who entered service prior to 1 April 2000. Subsequent entrants are eligible for membership of a separate, defined contribution section of the 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.

The assets and liabilities of the scheme at 31 December are:

	2005 £m	2004 £m
Scheme assets at fair value		
Equities	**71.5**	61.9
Bonds	**149.3**	126.2
Property	**14.2**	12.0
Cash/net current assets	**2.7**	0.9
Fair value of scheme assets	**237.7**	201.0
Present value of scheme liabilities	**(253.8)**	(208.3)
	(16.1)	(7.3)
Unrecognised net gain/(loss)	**23.9**	(1.5)
Net pension asset/(liability)	**7.8**	(8.8)
Reconciliation of net pension asset/(liability):		
As at 1 January	**(8.8)**	(13.4)
Pension income	**1.1**	0.1
Employer contributions	**15.5**	4.5
As at 31 December	**7.8**	(8.8)

The amounts recognised in the Group's income statement for the year are analysed below:

	2005 £m	2004 £m
Current service cost	**0.6**	1.5
Past service cost	**–**	1.4
Curtailment	**–**	(2.3)
Recognised in arriving at operating profit	**0.6**	0.6
Expected return on scheme assets	**(12.5)**	(11.3)
Interest cost on scheme liabilities	**10.8**	10.6
Other finance income	**(1.7)**	(0.7)

Pension contributions are determined with the advice of independent qualified actuaries, Watson Wyatt Limited, on the basis of annual valuations using the projected unit credit method. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying brokers' forecasts to each category of scheme assets.

17. Pension commitments (continued)

	2005 %	2004 %
Main assumptions:		
Rate of salary increases*	**4.3**	4.3
Rate of increase in pension payment		
Pre 1 May 1996 joiners (for pensions accrued before 1 April 2000)	**5.0**	5.0
Pre 1 May 1996 joiners (for pensions accrued after 31 March 2000) and post 30 April 1996 joiners	**2.8**	2.8
Rate of increase for deferred pensions	**2.8**	2.8
Discount rate	**4.7**	5.3
Expected rates of return on scheme assets		
Equities	**8.2**	8.4
Bonds	**4.3**	4.9
Property	**6.3**	6.8
Cash/net current assets	**3.8**	3.8
Inflation assumption	**2.8**	2.8

* In addition, allowance is made for a scale of age-related promotional/merit increases.

An actuarial valuation of the scheme was carried out on 31 March 2003 by independent consulting actuaries. A funding review was subsequently carried out as at 31 August 2005 by independent consulting actuaries following the completion of CDC's restructuring. This was carried out using the attained age method, whereby the current service cost will increase as the members of the scheme approach retirement. The next periodic valuation of the scheme is planned for 31 March 2006.

The 2003 scheme valuation used the standard mortality table PA92 (as published by the Institute and Faculty of Actuaries) projected to the calendar year 2003. The liabilities calculated at 31 December 2005 have been increased by 8% as an allowance towards a strengthening of mortality assumptions. The table below summarises the life expectancies for pensioners reaching age 60, both for a single member and also a member and a surviving spouse. The corresponding figures from the 2003 scheme valuation are shown in brackets.

Life expectancy of a pensioner reaching age 60	Male	Female	Male joint	Female joint
In 2005	23.7	27.2	29.9	28.8
	(22.5)	(25.7)	(28.1)	(27.1)
In 2015	25.3	29.0	31.9	30.7
	(23.1)	(26.3)	(28.8)	(27.8)

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	2005 £m	2004 £m
At 1 January	**208.3**	199.4
Current service cost	**0.6**	1.5
Past service cost	**–**	1.4
Curtailment	**–**	(2.3)
Interest cost	**10.8**	10.6
Benefits paid	**(7.9)**	(8.4)
Actuarial losses	**42.0**	6.1
At 31 December	**253.8**	208.3

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17. Pension commitments (continued)

	2005 £m	2004 £m
Changes in the fair value of plan assets are analysed as follows:		
At 1 January	**201.0**	186.0
Expected return on fund assets (net of expenses)	**12.5**	11.3
Actuarial gain on fund assets	**16.6**	7.7
Employer contributions	**15.5**	4.5
Benefits paid	**(7.9)**	(8.5)
At 31 December	**237.7**	201.0

	2005 £m	2004 £m
History of experience gains and losses:		
Fair value of scheme assets	**237.7**	201.0
Present value of defined benefit obligation	**(253.8)**	(208.3)
Deficit in the scheme	**(16.1)**	(7.3)
Actuarial gain on plan assets	**16.6**	7.7
Gain on assets as a % of assets at end of year	**7.0%**	3.8%
(Loss)/gain on defined benefit obligation due to experience	**(0.1)**	2.4
(Loss)/gain on defined benefit obligation due to experience as a % of defined benefit obligation at end of year	**0.0%**	1.2%

CDC has completed its contributions following the March 2003 CDC Pension Scheme valuation. The next formal valuation of the Scheme is due as at March 2006. Once that valuation result is known, CDC will implement an appropriate schedule of contributions.

18. Inventories

	Group	
	2005 £m	2004 £m
Raw materials	**21.7**	16.0
Work in progress	**6.8**	26.7
Finished goods	**22.4**	25.4
Total inventories	**50.9**	68.1

19. Trade and other receivables

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Trade receivables	**85.7**	69.6	**–**	–
Loans and receivables due from third parties	**35.8**	49.0	**29.9**	43.4
Loans and receivables due from Group undertakings	**–**	–	**0.9**	28.6
Advances to customers	**30.0**	17.3	**–**	–
Amounts owed by Group undertakings	**–**	–	**31.7**	15.0
Deferred consideration on sale of fair value financial assets	**26.9**	–	**5.2**	–
Other receivables	**26.5**	29.8	**1.2**	13.0
Total trade and other receivables	**204.9**	165.7	**68.9**	100.0

20. Financial instruments

Derivative financial instruments comprise:

	Group		Company	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Futures contracts in profit	**2.7**	0.5	**–**	–
Foreign exchange contracts in profit	**16.0**	20.4	**15.8**	18.9
Foreign exchange contracts in loss	**(27.9)**	–	**(27.4)**	–
Interest rate swaps	**(13.1)**	(21.1)	**–**	–
	(22.3)	(0.2)	**(11.6)**	18.9

Cash flow hedges

At 31 December 2005, the Company and Group held 12 forward foreign exchange contracts (FFECs) designated as cash flow hedges of future interest to protect against adverse fluctuations between Sterling and US Dollars in connection with the scheduled receipts of interest in relation to loans advanced by the Company and the Group. These FFECs amounted to US$25.2m at an average spot price of 1.621 to buy US Dollars for £15.5m on a range of 6-monthly dates from November 2006 to May 2010.

At 31 December 2005, these FFECs had a fair value of £0.2m and are included within derivative financial instruments in current assets.

These cash flow hedges were assessed to be highly effective throughout the year and unrealised losses of £2.8m were included in equity in respect of these contracts. These contracts have no deferred tax consequences as the Company is exempt from UK corporation tax.

During the year, 16 FFECs which had been designated as cash flow hedges were settled and £0.4m of losses which had been transferred into equity prior to the settlement dates were transferred into the income statement.

At 31 December 2004, the Company and Group held 28 FFECs designated as cash flow hedges of future interest to protect against adverse fluctuations between Sterling and US Dollars in connection with the scheduled receipts of interest in relation to loans advanced by the Company and the Group. These FFECs amounted to US$42.4m at an average spot price of 1.632 to buy US Dollars for £26.0m on a range of 6-monthly dates from May 2005 to May 2010.

At 31 December 2004, these FFECs had a fair value of £3.0m and are included within derivative financial instruments in current assets.

Net investment in foreign operations

At 31 December 2005, the Group held 13 FFECs designated as a hedge of the net investments in its Power subsidiaries which all have US Dollar functional currencies. These FFECs amounted to US$318.4m at an average spot price of 1.811 to buy US Dollars for £175.8m on a range of dates from December 2006 to May 2009.

At 31 December 2005, these FFECs had a fair value of £5.6m of which £0.8m are in profit and are included within derivative financial instruments in current assets and £6.4m are in loss and are included within derivative financial instruments in current liabilities.

Gains or losses arising from the movement in fair values of these FFECs are transferred to equity to offset any gains or losses on translation of the net investment in the subsidiaries.

These net investment in foreign operations hedges were assessed to be highly effective throughout the year and unrealised losses of £7.5m were included in equity in respect of these contracts. These contracts have no deferred tax consequences as the Company is exempt from UK corporation tax.

Notes to the Accounts

continued

20. Financial instruments (continued)

Net investment in foreign operations (continued)

At 31 December 2004, the Group held 6 FFECs designated as a hedge of the net investments in its Power subsidiaries which all have US Dollar functional currencies. These FFECs amounted to US$132.8m at an average spot price of 1.891 to buy US Dollars for £70.2m on a range of dates from June 2005 to March 2007.

At 31 December 2004, these FFECs had a fair value of £1.9m and are included within derivative financial instruments in current assets.

Derivatives not designated for hedge accounting

At 31 December 2005, the Group held 155 FFECs which were not designated for the purposes of hedge accounting, but were used to mitigate the currency effects on the Group's US Dollar, South African Rand and Euro denominated loan and equity investments. These FFECs amounted to US$457.2m at an average spot price of 1.754 to buy US Dollars for £260.7m on a range of dates from May 2006 to May 2012, R407.2m at an average spot price of 9.980 to buy South African Rand for £40.8m on a range of dates from January 2006 to January 2009 and €29.7m at an average spot price of 1.451 to buy Euros for £20.5m on a range of dates from January 2006 to January 2011.

At 31 December 2005, these FFECs had a fair value of £6.5m of which £15.0m are in profit and are included within derivative financial instruments in current assets and £21.5m are in loss and are included within derivative financial instruments in current liabilities.

Gains or losses arising from the movement in fair values of these FFECs are taken to the income statement.

At 31 December 2004, the Group held 149 FFECs which were not designated for the purposes of hedge accounting, but are used to mitigate the currency effects on the US Dollar, South African Rand and Euro denominated loan and equity investments. These FFECs amounted to US$308.2m at an average spot price of 1.663 to buy US Dollars for £185.3m on a range of dates from January 2005 to May 2012, R342.6m at an average spot price of 9.623 to buy South African Rand for £35.6m on a range of dates from June 2005 to January 2009 and €33.3m at an average spot price of 1.448 to buy Euros for £23.0m on a range of dates from January 2005 to January 2011.

At 31 December 2004, these FFECs had a fair value of £15.5m and are included within derivative financial instruments in current assets.

A number of the Group's subsidiaries which operate in the power sector have sought to mitigate their interest rate risk by entering into interest rate swap arrangements on their US Dollar denominated borrowings. These interest rate swap arrangements have been in force for the whole of the current and preceding years.

Gains or losses arising from the movement in fair values of these interest rate swaps are taken to the finance income/costs line in the income statement.

At 31 December 2005, these interest rate swaps had a fair value of £13.1m and are included within derivative financial instruments in current liabilities.

At 31 December 2004, these interest rate swaps had a fair value of £21.1m and are included within derivative financial instruments in current liabilities.

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 Performance Review on page 25.

20. Financial instruments (continued)

CDC's principal financial assets (as defined in IAS 32) comprise cash, short term deposits, treasury bills and bonds, advances to customers, foreign exchange contracts, trade receivables, loans receivable and equity investments. For the purposes of this note, the disclosure on financial assets has been split between these asset classes in order to give more meaningful information. Financial liabilities comprise overdrafts, trade and other payables, deposits due to customers, interest bearing loans and borrowings, interest rate swaps and foreign exchange contracts. The benchmark rate for floating rate assets and liabilities is based on one week to six month LIBOR rates. None of the Group's trade receivables or payables bear interest.

Interest rate exposures – Group

	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
2005 Financial assets: Cash							
Sterling	**–**	**1.5**	**0.1**	**1.6**	**–**	**–**	*****
US Dollars	**–**	**68.0**	**13.2**	**81.2**	**–**	**–**	*****
Other currencies	**–**	**19.6**	**7.7**	**27.3**	**–**	**–**	*****
Total	**–**	**89.1**	**21.0**	**110.1**	**–**	**–**	*****
2004 Financial assets: Cash							
Sterling	–	2.4	–	2.4	–	–	*
US Dollars	–	60.6	3.9	64.5	–	–	*
Other currencies	–	15.4	7.8	23.2	–	–	*
Total	–	78.4	11.7	90.1	–	–	*
2005 Financial assets: Short term deposits receivable within 90 days							
Sterling	**–**	**426.6**	**0.7**	**427.3**	**–**	**–**	*****
US Dollars	**4.9**	**34.7**	**4.0**	**43.6**	**3.9%**	**0.2**	*****
Other currencies	**2.2**	**3.6**	**0.3**	**6.1**	**6.5%**	**0.1**	*****
Total	**7.1**	**464.9**	**5.0**	**477.0**	**4.7%**	**0.2**	*****
2004 Financial assets: Short term deposits receivable within 90 days							
Sterling	–	297.7	0.5	298.2	–	–	*
US Dollars	–	27.6	3.8	31.4	–	–	*
Other currencies	–	3.7	1.5	5.2	–	–	*
Total	–	329.0	5.8	334.8	–	–	*
2005 Financial assets: Short term deposits receivable after more than 90 days							
Sterling	**–**	**217.0**	**–**	**217.0**	**–**	**–**	**–**
2004 Financial assets: Short term deposits receivable after more than 90 days							
Sterling	–	–	–	–	–	–	–
2005 Financial assets: Treasury bills and bonds							
Other currencies	**8.0**	**–**	**–**	**8.0**	**20.9%**	**0.8**	**–**
2004 Financial assets: Treasury bills and bonds							
Other currencies	9.0	–	–	9.0	12.3%	1.0	–

* The Group's no interest cash and short term deposits are repayable on demand.

20. Financial instruments (continued)

Interest rate exposures – Group (continued)

	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
2005 Financial assets: Advances to customers							
Sterling	**–**	**0.1**	**–**	**0.1**	**–**	**–**	**–**
US Dollars	**–**	**22.2**	**–**	**22.2**	**–**	**–**	**–**
Other currencies	**–**	**55.7**	**–**	**55.7**	**–**	**–**	**–**
Total	**–**	**78.0**	**–**	**78.0**	**–**	**–**	**–**
2004 Financial assets: Advances to customers							
Sterling	–	–	–	–	–	–	–
US Dollars	6.1	3.4	–	9.5	0.1%	6.0	–
Other currencies	25.1	18.2	–	43.3	0.2%	6.0	–
Total	31.2	21.6	–	52.8	0.1%	6.0	–
2005 Financial assets: Loans and receivables							
Sterling	**5.3**	**3.1**	**–**	**8.4**	**8.7%**	**1.9**	**–**
US Dollars	**64.4**	**24.6**	**0.3**	**89.3**	**8.3%**	**3.1**	**6.0**
Other currencies	**7.0**	**21.4**	**1.5**	**29.9**	**13.5%**	**1.0**	**5.9**
Total	**76.7**	**49.1**	**1.8**	**127.6**	**8.8%**	**2.8**	**5.9**
2004 Financial assets: Loans and receivables							
Sterling	19.9	1.3	–	21.2	9.9%	1.9	–
US Dollars	85.9	14.1	26.1	126.1	9.2%	3.1	3.4
Other currencies	21.6	8.2	1.7	31.5	10.5%	4.4	2.7
Total	127.4	23.6	27.8	178.8	9.5%	3.1	3.3
2005 Financial liabilities: Overdrafts							
Sterling	**–**	**(0.8)**	**–**	**(0.8)**	**–**	**–**	**–**
US Dollars	**–**	**(4.8)**	**–**	**(4.8)**	**–**	**–**	**–**
Other currencies	**(1.0)**	**(4.5)**	**–**	**(5.5)**	**11.6%**	**1.0**	**–**
Total	**(1.0)**	**(10.1)**	**–**	**(11.1)**	**11.6%**	**1.0**	**–**
2004 Financial liabilities: Overdrafts							
Sterling	–	–	–	–	–	–	–
US Dollars	(0.1)	(4.9)	–	(5.0)	–	–	–
Other currencies	(0.5)	(2.5)	–	(3.0)	11.4%	1.0	–
Total	(0.6)	(7.4)	–	(8.0)	10.1%	0.9	–

20. Financial instruments (continued)

Interest rate exposures – Group (continued)

	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
2005 Financial liabilities: Deposits due to customers							
Sterling	**–**	**–**	**(0.3)**	**(0.3)**	**–**	**–**	*****
US Dollars	**(0.9)**	**–**	**(9.8)**	**(10.7)**	**2.5%**	**2.5**	*****
Other currencies	**(13.7)**	**–**	**(19.7)**	**(33.4)**	**8.7%**	**0.3**	*****
Total	**(14.6)**	**–**	**(29.8)**	**(44.4)**	**8.3%**	**0.5**	*****
2004 Financial liabilities: Deposits due to customers							
Sterling	–	–	(0.3)	(0.3)	–	–	*
US Dollars	–	(14.6)	(3.7)	(18.3)	–	–	*
Other currencies	–	(18.5)	(12.0)	(30.5)	–	–	*
Total	–	(33.1)	(16.0)	(49.1)	–	–	*
2005 Financial liabilities: Interest bearing loans and borrowings (excluding overdrafts)							
Sterling	**(11.0)**	**–**	**(0.1)**	**(11.1)**	**6.2%**	**4.0**	**7.0**
US Dollars	**(431.4)**	**(60.0)**	**(0.9)**	**(492.3)**	**9.2%**	**12.3**	**0.1**
Other currencies	**(116.4)**	**(43.3)**	**(2.1)**	**(161.8)**	**11.2%**	**15.8**	**2.0**
Total	**(558.8)**	**(103.3)**	**(3.1)**	**(665.2)**	**9.5%**	**12.8**	**1.0**
2004 Financial liabilities: Interest bearing loans and borrowings (excluding overdrafts)							
Sterling	(13.4)	–	(0.3)	(13.7)	3.4%	5.0	7.0
US Dollars	(407.5)	(70.4)	(1.0)	(478.9)	7.6%	12.2	–
Other currencies	(59.6)	(28.8)	(5.4)	(93.8)	11.4%	10.8	10.3
Total	(480.5)	(99.2)	(6.7)	(586.4)	7.9%	11.8	7.2
Interest rate exposures – Company							
2005 Financial assets: Cash							
Sterling	**–**	**0.3**	**–**	**0.3**	**–**	**–**	**–**
US Dollars	**–**	**0.5**	**–**	**0.5**	**–**	**–**	**–**
Other currencies	**–**	**0.4**	**–**	**0.4**	**–**	**–**	**–**
Total	**–**	**1.2**	**–**	**1.2**	**–**	**–**	**–**
2004 Financial assets: Cash							
Sterling	–	1.6	–	1.6	–	–	–
US Dollars	–	4.2	–	4.2	–	–	–
Other currencies	–	0.7	–	0.7	–	–	–
Total	–	6.5	–	6.5	–	–	–
2005 Financial assets: Short term deposits receivable within 90 days							
Sterling	**–**	**424.1**	**–**	**424.1**	**–**	**–**	**–**
US Dollars	**–**	**24.5**	**–**	**24.5**	**–**	**–**	**–**
Total	**–**	**448.6**	**–**	**448.6**	**–**	**–**	**–**
2004 Financial assets: Short term deposits receivable within 90 days							
Sterling	–	275.8	–	275.8	–	–	–
US Dollars	–	1.5	–	1.5	–	–	–
Total	–	277.3	–	277.3	–	–	–

* The Group's no interest deposits due from customers are all payable on demand.

Notes to the Accounts

continued

20. Financial instruments (continued)

Interest rate exposures – Company (continued)

	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
2005 Financial assets: Short term deposits receivable after more than 90 days							
Sterling	**–**	**217.0**	**–**	**217.0**	**–**	**–**	**–**
Total	**–**	**217.0**	**–**	**217.0**	**–**	**–**	**–**
2004 Financial assets: Short term deposits receivable after more than 90 days							
Sterling	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–
2005 Financial assets: Loans and receivables							
Sterling	**5.3**	**5.0**	**63.6**	**73.9**	**8.7%**	**1.9**	**5.3**
US Dollars	**69.3**	**40.1**	**228.7**	**338.1**	**9.1%**	**3.1**	**5.9**
Other currencies	**7.0**	**10.8**	**0.8**	**18.6**	**13.5%**	**1.0**	**6.2**
Total	**81.6**	**55.9**	**293.1**	**430.6**	**9.5%**	**2.9**	**5.8**
2004 Financial assets: Loans and receivables							
Sterling	20.4	1.9	90.4	112.7	9.9%	1.9	5.7
US Dollars	84.3	22.9	252.5	359.7	9.3%	3.1	5.2
Other currencies	7.0	10.9	1.0	18.9	13.5%	2.0	1.0
Total	111.7	35.7	343.9	491.3	9.7%	2.8	5.2
2005 Financial liabilities: Overdrafts							
Sterling	**–**	**(0.8)**	**–**	**(0.8)**	**–**	**–**	**–**
Other currencies	**–**	**(0.1)**	**–**	**(0.1)**	**–**	**–**	**–**
Total	**–**	**(0.9)**	**–**	**(0.9)**	**–**	**–**	**–**
2004 Financial liabilities: Overdrafts							
Sterling	–	–	–	–	–	–	–
Other currencies	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–
2005 Financial liabilities: Interest bearing loans and borrowings							
Sterling	**261.6**	**–**	**11.7**	**273.3**	**5.8%**	**2.9**	**–**
US Dollars	**–**	**–**	**41.5**	**41.5**	**–**	**–**	**–**
Total	**261.6**	**–**	**53.2**	**314.8**	**5.8%**	**2.9**	**–**
2004 Financial liabilities: Interest bearing loans and borrowings							
Sterling	247.0	–	12.0	259.0	5.9%	3.9	–
US Dollars	–	21.5	41.5	63.0	–	–	–
Total	247.0	21.5	53.5	322.0	5.9%	3.9	–

20. Financial instruments (continued)

Currency exposures – Group

The table below shows the Group's currency exposures that give rise to exchange rate gains and losses that are recognised in the income statement. Such exposures comprise those monetary assets and liabilities of Group companies that are not denominated in their functional currency.

Functional currency	2005 Sterling £m	2005 Dollar £m	2005 Other £m	2005 Total £m	2004 Sterling £m	2004 Dollar £m	2004 Other £m	2004 Total £m
Sterling	–	12.3	2.1	14.4	–	8.5	(0.7)	7.8
US Dollars	–	–	9.0	9.0	0.2	–	(9.4)	(9.2)
Other currencies	1.2	3.3	(1.6)	2.9	21.2	0.6	29.6	51.4
Total	1.2	15.6	9.5	26.3	21.4	9.1	19.5	50.0

The following table shows the functional currency of the Group's equity investments:

	2005 Listed equity at valuation £m	2005 Unlisted equity at valuation £m	2005 Total £m	2004 Listed equity at valuation £m	2004 Unlisted equity at valuation £m	2004 Total £m
US Dollars	–	200.1	200.1	–	188.9	188.9
Indian Rupees	25.7	60.5	86.2	22.7	29.5	52.2
South African Rand	10.8	63.1	73.9	5.5	47.5	53.0
Peruvian New Soles	72.1	–	72.1	58.9	–	58.9
Chinese Yuan	–	30.0	30.0	–	6.5	6.5
Pakistan Rupees	14.8	0.4	15.2	16.6	1.1	17.7
Nigerian Naira	–	5.8	5.8	–	13.0	13.0
Thai Baht	2.5	–	2.5	1.4	–	1.4
Swaziland Emalangeni	–	2.1	2.1	5.0	0.5	5.5
Other currencies	4.4	42.1	46.5	8.0	57.1	65.1
Total	130.3	404.1	534.4	118.1	344.1	462.2

Currency exposures – Company

The table below shows the Company's currency exposures that give rise to exchange rate gains and losses that are recognised in the income statement. Such exposures comprise those monetary assets and liabilities that are not denominated in the Company's functional currency.

Functional currency	2005 Dollar £m	2005 Other £m	2005 Total £m	2004 Dollar £m	2004 Other £m	2004 Total £m
Sterling	1.5	–	1.5	3.5	0.1	3.6

Notes to the Accounts
continued

20. Financial instruments (continued)

Currency exposures – Company (continued)

The following table shows the functional currency of the Company's equity investments:

	2005 Listed equity at valuation £m	**2005 Unlisted equity at valuation £m**	**2005 Total £m**	2004 Listed equity at valuation £m	2004 Unlisted equity at valuation £m	2004 Total £m
Sterling	**–**	**450.6**	**450.6**	–	283.8	283.8
US Dollars	**–**	**222.2**	**222.2**	–	170.2	170.2
South African Rand	**–**	**55.4**	**55.4**	–	41.7	41.7
Chinese Yuan	**–**	**30.0**	**30.0**	–	6.5	6.5
Pakistan Rupees	**14.8**	**0.4**	**15.2**	–	1.1	1.1
Nigerian Naira	**–**	**5.8**	**5.8**	–	13.0	13.0
Indian Rupees	**–**	**5.4**	**5.4**	–	0.3	0.3
Thai Baht	**2.5**	**–**	**2.5**	1.4	–	1.4
Swaziland Emalangeni	**–**	**2.1**	**2.1**	–	0.5	0.5
Other currencies	**4.5**	**56.8**	**61.3**	13.4	69.9	83.3
Total	**21.8**	**828.7**	**850.5**	14.8	587.0	601.8

Liquidity risk – Group

The following tables show the maturity profile of the Group's financial assets and liabilities other than cash and equity investments:

2005 Financial assets: Maturity profile	**Short term deposits £m**	**Treasury bills and bonds £m**	**Advances to customers £m**	**Loans receivable £m**	**Derivatives £m**
Due on demand	**–**	**–**	**7.9**	**–**	**–**
Due within one year, but not on demand	**694.0**	**8.0**	**22.1**	**35.8**	**9.3**
Due within one to two years	**–**	**–**	**48.0**	**14.4**	**1.8**
Due within two to three years	**–**	**–**	**–**	**18.7**	**2.9**
Due within three to four years	**–**	**–**	**–**	**11.5**	**3.9**
Due within four to five years	**–**	**–**	**–**	**21.5**	**0.1**
Due after five years	**–**	**–**	**–**	**25.7**	**0.7**
Total	**694.0**	**8.0**	**78.0**	**127.6**	**18.7**

2004 Financial assets: Maturity profile	Short term deposits £m	Treasury bills and bonds £m	Advances to customers £m	Loans receivable £m	Derivatives £m
Due on demand	–	–	5.1	–	–
Due within one year, but not on demand	334.8	9.0	12.2	49.0	6.7
Due within one to two years	–	–	35.5	39.5	5.8
Due within two to three years	–	–	–	19.0	2.9
Due within three to four years	–	–	–	17.8	3.3
Due within four to five years	–	–	–	10.1	0.9
Due after five years	–	–	–	43.4	1.3
Total	334.8	9.0	52.8	178.8	20.9

20. Financial instruments (continued)

Liquidity risk – Group (continued)

2005 Financial liabilities: Maturity profile	**Overdrafts £m**	**Deposits due to customers £m**	**Interest bearing loans and borrowings £m**	**Interest rate swaps £m**	**Forward foreign exchange contracts £m**
Due on demand	**11.1**	**26.0**	**–**	**–**	**–**
Due within one year, but not on demand	**–**	**18.2**	**82.6**	**1.1**	**9.1**
Due within one to two years	**–**	**0.2**	**63.6**	**1.1**	**7.3**
Due within two to three years	**–**	**–**	**77.5**	**1.2**	**2.9**
Due within three to four years	**–**	**–**	**57.3**	**1.4**	**8.2**
Due within four to five years	**–**	**–**	**49.4**	**1.0**	**0.1**
Due after five years	**–**	**–**	**334.8**	**7.3**	**0.3**
Total	**11.1**	**44.4**	**665.2**	**13.1**	**27.9**

2004 Financial liabilities: Maturity profile	Overdrafts £m	Deposits due to customers £m	Interest bearing loans and borrowings £m	Interest rate swaps £m	Forward foreign exchange contracts £m
Due on demand	8.0	37.9	–	–	–
Due within one year, but not on demand	–	10.9	67.0	1.4	–
Due within one to two years	–	0.3	61.8	1.5	–
Due within two to three years	–	–	77.7	1.7	–
Due within three to four years	–	–	44.0	1.9	–
Due within four to five years	–	–	44.9	2.0	–
Due after five years	–	–	291.0	12.6	–
Total	8.0	49.1	586.4	21.1	–

Liquidity risk – Company

The following tables show the maturity profile of the Company's financial assets and liabilities other than cash and equity investments:

2005 Financial assets: Maturity profile	**Short term deposits £m**	**Loans receivable £m**	**Derivatives £m**
Due on demand	**–**	**–**	**–**
Due within one year, but not on demand	**665.6**	**30.8**	**6.6**
Due within one to two years	**–**	**13.9**	**1.6**
Due within two to three years	**–**	**40.4**	**2.9**
Due within three to four years	**–**	**13.5**	**3.9**
Due within four to five years	**–**	**9.5**	**0.1**
Due after five years	**–**	**322.5**	**0.7**
Total	**665.6**	**430.6**	**15.8**

Notes to the Accounts

continued

20. Financial instruments (continued)

Liquidity risk – Company (continued)

2004 Financial assets: Maturity profile	Short term deposits £m	Loans receivable £m	Derivatives £m
Due on demand	–	–	–
Due within one year, but not on demand	277.3	72.0	6.1
Due within one to two years	–	36.8	5.2
Due within two to three years	–	17.8	2.6
Due within three to four years	–	32.2	3.0
Due within four to five years	–	13.6	0.8
Due after five years	–	318.9	1.2
Total	277.3	491.3	18.9

2005 Financial liabilities: Maturity profile	**Overdrafts £m**	**Interest bearing loans and borrowings £m**	**Interest rate swaps £m**	**Forward foreign exchange contracts £m**
Due on demand	**0.9**	**53.3**	**–**	**–**
Due within one year, but not on demand	**–**	**–**	**8.6**	**–**
Due within one to two years	**–**	**97.1**	**7.3**	**–**
Due within two to three years	**–**	**84.3**	**2.9**	**–**
Due within three to four years	**–**	**80.1**	**8.2**	**–**
Due within four to five years	**–**	**–**	**0.1**	**–**
Due after five years	**–**	**–**	**0.3**	**–**
Total	**0.9**	**314.8**	**27.4**	**–**

2004 Financial liabilities: Maturity profile	Overdrafts £m	Interest bearing loans and borrowings £m	Interest rate swaps £m	Forward foreign exchange contracts £m
Due on demand	–	74.7	–	–
Due within one year, but not on demand	–	–	–	–
Due within one to two years	–	–	–	–
Due within two to three years	–	92.0	–	–
Due within three to four years	–	79.7	–	–
Due within four to five years	–	75.6	–	–
Due after five years	–	–	–	–
Total	–	322.0	–	–

20. Financial instruments (continued)

Fair value of financial assets and liabilities – Group

Financial assets

Quoted and unquoted equity investments are included in the balance sheet at fair value. There is no material difference between the fair value and the book value of the Group's cash, short term deposits, loans and receivables, treasury bills and bonds, advances to customers or trade and other receivables. The Group's foreign exchange contracts are held in the balance sheet at fair value.

Financial liabilities

There is no material difference between the fair value and the book value of the Group's overdrafts, trade and other payables or deposits due to customers. The Group's foreign exchange contracts and interest rate swaps are held in the balance sheet at fair value.

A comparison of the fair values and book values of the Group's interest bearing loans and borrowings was as follows:

	2005 Book value £m	**2005 Fair value £m**	2004 Book value £m	2004 Fair value £m
Sterling	**(11.1)**	**(11.3)**	(13.7)	(13.2)
US Dollars	**(492.3)**	**(536.6)**	(478.9)	(518.5)
Other currencies	**(161.8)**	**(158.3)**	(93.8)	(85.7)
Total	**(665.2)**	**(706.2)**	(586.4)	(617.4)

The fair value of the fixed rate borrowings has been calculated by discounting cash flows at prevailing market rates of interest.

Fair value of financial assets and liabilities – Company

Financial assets

Quoted and unquoted equity investments are included in the balance sheet at fair value. There is no material difference between the fair value and the book value of the Company's cash, short term deposits, loans and receivables or trade and other receivables. The Company's foreign exchange contracts are held in the balance sheet at fair value.

Financial liabilities

There is no material difference between the fair value and the book value of the Company's overdrafts or trade and other payables. The Company's foreign exchange contracts and interest rate swaps are held in the balance sheet at fair value.

A comparison of the fair values and book values of the Company's interest bearing loans and borrowings was as follows:

	2005 Book value £m	**2005 Fair value £m**	2004 Book value £m	2004 Fair value £m
Sterling	**(273.3)**	**(276.1)**	(259.0)	(260.3)
US Dollars	**(41.5)**	**(41.5)**	(63.0)	(63.0)
Total	**(314.8)**	**(317.6)**	(322.0)	(323.3)

The fair value of the fixed rate borrowings has been calculated by discounting cash flows at prevailing market rates of interest.

Notes to the Accounts

continued

21. Cash and cash equivalents

	Group		Company	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Cash at bank and in hand	**110.1**	90.1	**1.2**	6.5
Short term deposits receivable within 90 days	**477.0**	334.8	**448.6**	277.3
Treasury bills and bonds maturing within 90 days	**2.5**	5.0	**–**	–
Total cash and cash equivalents	**589.6**	429.9	**449.8**	283.8

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods between one day and 90 days depending on the immediate requirements of the Group, and earn interest at the respective short term deposit rates. The fair value of cash and cash equivalents is £589.6m (2004: £429.9m).

Treasury bills and bonds are debt securities held by a subsidiary which have been issued by the Government of Uganda and administered by the Bank of Uganda, for a term of three months, six months, nine months or a year. All treasury bills and bonds are carried at amortised cost. All amounts maturing after more than 90 days from the date of initiation are classified separately from cash and cash equivalents and comprise the following:

	Group		Company	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Short term deposits receivable after more than 90 days	**217.0**	–	**217.0**	–
Treasury bills and bonds maturing after 90 days	**5.5**	4.0	**–**	–
Total cash and short term deposits receivable after more than 90 days	**222.5**	4.0	**217.0**	–

For the purposes of the consolidated and Company cashflow statements, cash and cash equivalents comprise the following at 31 December:

	Group		Company	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Cash at bank and in hand	**110.1**	90.1	**1.2**	6.5
Short term deposits receivable within 90 days	**477.0**	334.8	**448.6**	277.3
Treasury bills and bonds maturing within 90 days	**2.5**	5.0	**–**	–
Bank overdrafts	**(11.1)**	(8.0)	**(0.9)**	–
Total cash and cash equivalents per statement of cashflows	**578.5**	421.9	**448.9**	283.8

22. Issued capital and reserves

Authorised	2005 £m	2004 £m
765,036,043 Ordinary shares of £1 each	**765.0**	765.0

Allotted, called up and fully paid		
765,036,043 Ordinary shares of £1 each	**765.0**	765.0

Special rights redeemable preference share

One special rights redeemable preference share of £1 is authorised, issued and fully paid. The ownership of the special rights redeemable 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 the Company.

Other reserves

	Group			Company	
	Net unrealised gains and losses reserve £m	Currency translation reserve £m	Retained earnings £m	Net unrealised gains and losses reserve £m	Retained earnings £m
At 1 January 2004	**–**	**–**	**260.1**	**–**	**140.0**
Currency translation differences on retranslation of net assets of subsidiaries	–	(51.3)	–	–	–
Profit for the year	–	–	239.8	–	120.3
At 31 December 2004	**–**	**(51.3)**	**499.9**	**–**	**260.3**
Losses on cashflow hedges taken to equity	(2.8)	–	–	(2.8)	–
Currency translation differences on retranslation of net assets of subsidiaries	–	58.3	–	–	–
Cashflow hedges taken to income statement	0.4	–	(0.4)	0.4	(0.4)
Profit for the year	–	–	427.8	–	534.1
At 31 December 2005	**(2.4)**	**7.0**	**927.3**	**(2.4)**	**794.0**

Nature and purpose of other reserves

Net unrealised gains and losses reserve

This reserve records the deferral of gains or losses on forward exchange contracts which are effective cash flow hedging instruments and their subsequent release to the income statement to match the hedged item or if the hedge ceases to be effective.

Currency translation reserve

The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Notes to the Accounts

continued

23. Trade and other payables (current)

	Group		Company	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Trade payables	**44.1**	34.8	**–**	–
Deposits due to customers	**44.2**	48.8	**–**	–
Amounts owed to Group companies	**–**	–	**100.8**	37.8
Other taxes and social security	**3.2**	1.4	**0.1**	0.1
Other payables	**26.9**	26.7	**2.6**	1.7
Accruals and deferred income	**38.0**	29.1	**5.5**	9.6
Total trade and other payables excluding tax	**156.4**	140.8	**109.0**	49.2
Current tax liabilities	**7.7**	26.9	**5.2**	24.3
Total trade and other payables (current)	**164.1**	167.7	**114.2**	73.5

24. Trade and other payables (non-current)

	Group	
	2005 £m	2004 £m
Trade payables	**20.3**	17.7
Deposits due to customers	**0.2**	0.3
Other payables	**12.8**	13.8
Accruals and deferred income	**6.3**	6.9
Total trade and other payables (non-current)	**39.6**	38.7

25. Interest bearing loans and borrowings

Details of interest bearing loans and borrowings are as follows:

					Group			
					Current		Non-current	
	Fixed/floating rate	Effective interest rate %	Repayment frequency	Maturity	2005 £m	2004 £m	2005 £m	2004 £m
Bank overdrafts	Floating	Various	On demand	On demand	**11.1**	8.0	**–**	–
Obligations under finance leases	Fixed	10.8	Annual	2024	**2.5**	–	**59.7**	0.1
					13.6	8.0	**59.7**	0.1
Interest bearing loans (US Dollar)								
Loan due to a series of Egyptian banks*	Floating	8.6	Bi-annual	2014	**6.4**	5.5	**69.2**	69.2
Government of Tanzania (on-lending arrangement from the World Bank – International Development Association)*	Fixed	7.1	Monthly	2021	**2.2**	–	**61.7**	58.6
Infrastructure Development Company Limited loan*	Fixed	9.1	Bi-annual	2024	**–**	–	**34.8**	31.3
Government of Tanzania (on-lending arrangement from the European Investment Bank)*	Fixed	6.0	Monthly	2021	**1.3**	–	**31.6**	27.9
Asian Development Bank loan*	Fixed by swap	8.6	Bi-annual	2015	**–**	–	**29.0**	26.1
Asian Development Bank loan*	Fixed by swap	9.8	Bi-annual	2016	**1.4**	1.1	**24.7**	23.4
Loan due to a series of international banks*	Floating	8.0	Bi-annual	2009	**6.8**	5.5	**23.3**	35.1
International Development Association guaranteed facility loan*	Fixed by swap	7.7	Bi-annual	2015	**2.7**	2.4	**23.1**	23.2
8.8% Bonds*	Fixed	8.8	Bi-annual	2012	**3.2**	2.7	**20.3**	20.4
Government of Tanzania*	Fixed	7.4	Monthly	2016	**0.7**	–	**11.5**	11.5
FMO and Tanzania Development Finance Company Limited preference shares (unsecured)	Fixed	18.0	Bi-annual	2014	**1.2**	–	**10.0**	11.2
Infrastructure Development Company Limited loan*	Fixed	8.8	Bi-annual	2016	**0.6**	0.4	**9.9**	9.4
Westpac Banking Corporation (PNG) Ltd*	Floating	5.3	Bi-annual	2009	**–**	–	**–**	9.4
Asian Development Bank loan*	Fixed by swap	8.1	Bi-annual	2015	**0.7**	0.6	**9.5**	9.1
European Investment Bank*	Fixed	3.0	Bi-annual	2009	**2.6**	2.5	**8.4**	11.0
Government of Tanzania*	Fixed	7.7	Monthly	2016	**0.5**	–	**7.9**	8.0
Asian Development Bank loan*	Fixed by swap	8.9	Bi-annual	2010	**1.5**	1.4	**6.2**	7.0
Government of Tanzania*	Fixed	7.4	Monthly	2016	**0.4**	–	**6.1**	6.2
7.0% Bonds	Fixed	7.0	On maturity	2008	**–**	–	**5.8**	–

Notes to the Accounts
continued

25. Interest bearing loans and borrowings (continued)

	Fixed/floating rate	Effective interest rate %	Repayment frequency	Maturity	Group Current 2005 £m	Group Current 2004 £m	Group Non-current 2005 £m	Group Non-current 2004 £m
8.3% Bonds	Fixed	8.3	On maturity	2010	**–**	–	**5.8**	–
9.5% Bonds	Fixed	9.5	On maturity	2012	**–**	–	**5.8**	–
Standard Chartered Bank*	Floating	4.2	Monthly	2007	**–**	3.4	**–**	5.9
International Development Association PRI Facility Loan*	Fixed by swap	7.5	Bi-annual	2013	**0.7**	0.6	**4.9**	5.0
FMO Subordinated debt loan*	Floating	8.0	Bi-annual	2018	**0.2**	0.2	**5.3**	4.9
Banco de Credito*	Floating	7.9	Bi-annual	2009	**1.3**	1.1	**3.8**	4.6
Agfri Corporation*	Fixed	6.0	Quarterly	2008	**1.7**	1.6	**2.6**	3.9
Banco Nacional de Bolivia*	Floating	11.7	Bi-annual	2009	**–**	0.6	**–**	2.5
FMO A Loan*	Fixed by swap	8.2	Bi-annual	2015	**0.3**	0.3	**2.5**	2.5
Basic Energy BVI*	Fixed	9.0	Bi-annual	2010	**0.4**	0.3	**2.3**	2.4
OPEC Fund for International Development*	Floating	6.2	Bi-annual	2010	**0.5**	0.4	**1.8**	2.2
Citibank*	Floating	4.8	Bi-annual	2010	**0.9**	0.8	**3.1**	3.6
Cuscathan & Interfin banks	Floating	11.0	Monthly	2011	**0.4**	0.3	**2.0**	2.4
					38.6	31.7	**432.9**	437.9
Interest bearing loans (other currencies)								
Investec*	Fixed	14.4	Bi-annual	2015	**1.2**	1.7	**20.5**	30.3
Investec	Fixed	12.7	Quarterly	2008	**5.5**	4.5	**10.5**	15.1
European Investment Bank*	Fixed	6.1	Annual	2015	**1.8**	–	**7.2**	–
Investec*	Fixed	13.8	Bi-annual	2013	**0.7**	–	**8.0**	–
European Investment Bank/KFW*	Fixed	9.5	Bi-annual	2011	**3.4**	–	**3.6**	–
PROPARCO (part of Agence Française de Developpement)*	Floating/ Fixed	9.8	Quarterly	2012	**1.7**	–	**5.1**	–
Brimstore Investment Corporation	Floating	12.5	Bi-annual	2010	**0.8**	0.9	**3.6**	3.8
National Social Security Fund*	Floating	12.5	Bi-annual	2014	**1.0**	0.5	**2.9**	3.5
ABN AMRO Bank N.V.*	Fixed	6.6	On maturity	2007	**–**	–	**–**	3.2
FMO*	Floating	11.2	Quarterly	2012	**0.5**	0.6	**3.3**	2.4
Investec*	Floating	10.1	Quarterly	2010	**0.6**	–	**2.9**	–
Investec*	Floating	12.7	Bi-annual	2009	**–**	–	**3.3**	–
Investec*	Floating	12.5	Bi-annual	2009	**–**	–	**3.2**	–
BIAO (part of Fortis Bank)*	Fixed	8.5	Bi-annual	2010	**0.5**	–	**2.3**	–
National Societe General Bank*	Floating	12.5	Quarterly	2009	**0.6**	0.4	**1.9**	2.1
European Investment Bank Apex III*	Fixed	4.8	Bi-annual	2006	**–**	2.9	**–**	1.2
					18.3	11.5	**78.3**	61.6
Other loans (all of which are under £2.5m individually)					**23.2**	23.8	**11.7**	19.8
					93.7	75.0	**582.6**	519.4

* The loans are secured by subsidiary's tangible and intangible assets, including leasehold and freehold lands, plant and machinery, bank accounts and any benefit arising out of existing and future projects.

25. Interest bearing loans and borrowings (continued)

CDC's objective is the promotion of sustainable private sector development in its chosen geographic locations as described elsewhere in this report. Formerly it fulfilled this objective by investing equity directly in a variety of operating companies, but since the 2004 restructuring of CDC's business model, the objective has been achieved by investing in private equity funds managed by independent managers focused on our target locations.

As a result of direct investments, CDC still owns a large number of operating subsidiaries, primarily but not exclusively in the power sector. It is these subsidiaries which generate the loans detailed in the previous table. With one exception (£4.0m due to Citibank by 2010) none of these loans have any recourse to CDC Group plc. The loan from Citibank benefits from a full CDC guarantee.

The objective of supporting sustainable businesses requires CDC to encourage its subsidiaries to take on prudent levels of debt. CDC views this as assisting in the fulfilment of our development mandate. The covenants entered into by CDC's subsidiaries will be appropriate to the power sector, for example, but not particularly relevant to an investment holding company. Such non recourse debt is viewed as a normal part of liquidity management for an investment company. If such debt were to be accelerated as a result of a covenant breach then it may put the value of CDC's equity stake at risk, but this is only one of many factors which could have such an effect. Taking equity risk is fundamental to CDC's business.

The covenants within loans held across the Group do not create potentially significant exposure to liquidity risk for CDC Group plc and therefore it is considered that terms and conditions of the covenants should not warrant further disclosure.

				Company			
				Current		Non-current	
	Fixed/floating rate	Effective interest rate %	Maturity	2005 £m	2004 £m	2005 £m	2004 £m
Interest bearing loans:							
CDC Financial Services (Mauritius) Limited	Fixed	5.7	2007	–	–	44.5	42.1
CDC Holdings (Barbados) Limited	Fixed	Interest free	On demand	41.5	41.5	–	–
CDC Financial Services (Mauritius) Limited	Fixed	5.8	2007	–	–	43.4	41.0
CDC Financial Services (Mauritius) Limited	Fixed	5.9	2008	–	–	42.7	40.4
CDC Financial Services (Mauritius) Limited	Fixed	5.9	2008	–	–	41.6	39.3
CDC Financial Services (Mauritius) Limited	Fixed	6.0	2009	–	–	40.5	38.3
CDC Financial Services (Mauritius) Limited	Fixed	6.1	2009	–	–	39.6	37.3
Pacific Rim Palm Oil Limited	Floating	3.1	On demand	–	21.5	–	–
CDC Holdings (Barbados) Limited	Fixed	Interest free	On demand	8.8	8.8	–	–
CDC Financial Services (Mauritius) Limited	Fixed	5.7	2007	–	–	9.1	8.6
CDC Holdings (Barbados) Limited	Fixed	Interest free	On demand	2.9	2.9	–	–
Other loans				1.0	–	0.1	0.3
				54.2	74.7	261.5	247.3

Notes to the Accounts

continued

26. Provisions (non-current)

	Group					
	2005 Post-retirement benefits £m	**2005 Other £m**	**2005 Total £m**	2004 Post-retirement benefits £m	2004 Other £m	2004 Total £m
At 1 January	**0.8**	**7.1**	**7.9**	0.6	3.8	4.4
Charge/(release) in the year	**0.7**	**(0.1)**	**0.6**	0.6	(1.6)	(1.0)
Utilised	**(0.7)**	**(2.9)**	**(3.6)**	(0.5)	(1.0)	(1.5)
Transfer of provision against loans and receivables	**–**	**–**	**–**	–	3.8	3.8
Acquired with subsidiaries	**–**	**–**	**–**	0.1	2.0	2.1
Disposed with subsidiaries	**(0.1)**	**–**	**(0.1)**	–	–	–
Exchange adjustment	**0.2**	**0.1**	**0.3**	–	0.1	0.1
At 31 December	**0.9**	**4.2**	**5.1**	0.8	7.1	7.9

	Company					
	2005 Post-retirement benefits £m	**2005 Other £m**	**2005 Total £m**	2004 Post-retirement benefits £m	2004 Other £m	2004 Total £m
At 1 January	**0.3**	**2.3**	**2.6**	0.3	2.5	2.8
Charge/(release) in the year	**–**	**(1.0)**	**(1.0)**	0.3	(4.1)	(3.8)
Utilised	**–**	**(0.3)**	**(0.3)**	(0.3)	0.1	(0.2)
Transfer of provision against loans and receivables	**–**	**–**	**–**	–	3.8	3.8
At 31 December	**0.3**	**1.0**	**1.3**	0.3	2.3	2.6

27. Capital commitments

Amounts contracted for but not provided in the accounts amounted to £537.7m (2004: £414.3m) for subscriptions to debentures, loans and shares. Subsidiaries had capital commitments of £1.6m (2004: £2.5m).

28. Obligations under leases and hire purchase contracts

Future minimum rentals payable under finance leases and hire purchase are as follows:

	Group		Company	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Future minimum payments due:				
Not later than one year	**8.8**	–	**–**	–
Within one to five years	**38.1**	0.1	**–**	–
After five years	**76.7**	–	**–**	–
	123.6	0.1	**–**	–
Finance charges allocated to future periods	**(61.4)**	–	**–**	–
Present value of minimum lease payments	**62.2**	0.1	**–**	–
The present value of minimum lease payments is analysed as follows:				
Not later than one year	**2.5**	–	**–**	–
Within one to five years	**15.0**	0.1	**–**	–
After five years	**44.7**	–	**–**	–
Total	**62.2**	0.1	**–**	–

28. Obligations under leases and hire purchase contracts (continued)

	Group		Company	
	2005 £m	2004 £m	**2005 £m**	2004 £m
Future minimum rentals payable under non-cancellable operating leases are as follows:				
Not later than one year	**0.3**	0.9	**–**	–
Within one to five years	**10.5**	2.3	**0.6**	0.7
After five years	**54.5**	58.0	**–**	–
Total	**65.3**	61.2	**0.6**	0.7

29. Contingent liabilities

The Group and the Company had contingent liabilities

- in support of the borrowings of third parties which had a principal value of £5.2m (2004: £8.4m) net of a provision of £nil (2004: £0.7m).
- in support of the operations of companies pro-rata to other shareholders with a maximum legal liability of £8.2m (2004: £23.4m).
- in respect of undertakings to power distributors and governments in connection with the operation of power generating subsidiaries with a maximum legal liability of £13.9m (2004: £40.2m).

This support may, but probably will not, require an outflow of resources.

The Company, in addition to the above, had contingent liabilities in support of the facilities of subsidiaries which had a limit value of £16.6m (2004: £12.7m). This support may, but probably will not, require an outflow of resources.

Group companies without recourse to the Company had the following obligations:

(a) Haripur and Meghnaghat power plants, located in Bangladesh, purchase natural gas from Titas, a Government owned company, at a price specified in the Gas Sales Agreement (GSA) – the Published Gas Price (PGP). Power is then sold to the Bangladesh Power Development Board (BPDB), also a Government owned company, under a Power Purchase Agreement (PPA) on a cost reimbursement basis.

Since the completion of the commissioning period of the plants, Titas has invoiced a gas price higher than the PGP. Titas has taken the position that the gas price for the Independent Power Producers (IPPs) is different from the PGP for the power sector and as such has not yet been determined by the Government. The Globeleq Board believes that the higher gas price invoiced is without grounds. It is the opinion of the Globeleq Board that the PGP should be used for IPPs and has communicated this position to Titas. Accordingly, payments have been made to Titas on this basis, and Titas has accepted these payments without exception.

The difference between the total gas price invoiced by Titas and the related payments made by Globeleq total £75.4m (US$130.0m).

Written confirmation has been received from Titas that they will accept the lower payment until such time as they believe the gas price for IPPs has been set, with retrospective adjustments made if it is determined that the IPP gas price has not been established in the manner contemplated by Globeleq. The Globeleq Board does not believe that any retrospective charge will be necessary under the PPA as the whole of the £75.4m (US$130.0m) price increase would be recharged to BPDB in accordance with the provisions of the PPA. Consequently, the Globeleq Board considers the ultimate economic effect upon Globeleq would be nil.

(b) The Group owns 56% of Umeme Limited, an electricity distribution business in Uganda. Umeme Limited took over the power distribution network once operated by the Uganda Electricity Distribution Company Limited (UEDCL), whose fixed asset base was estimated to be £63.3m (US$109.0m) on 1 March 2005, with a useful life of 20 years.

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29. Contingent liabilities (continued)

Ongoing discussions continue between Umeme Limited and UEDCL with respect to the accounting and tax treatment of the assets leased under the terms of the Concession Agreement. It is UEDCL's contention that the entire fixed asset base at 1 March 2005 should remain on its balance sheet in order to strengthen its position with the Ugandan tax authorities and receive tax benefits from their associated capital allowances. It is the Globeleq Board's current understanding, from the interpretation under the Ugandan tax law, that UEDCL should benefit from the capital allowances associated with approximately half of the fixed asset base (the assets purchased or invested in between 2002 and 2004), with Umeme Limited benefiting from capital allowances associated with the remaining property, plant and equipment. The difference between the two possible tax treatments is £3.5m (US$6.0m) in deferred tax.

(c) Kelvin Power and the City of Johannesburg Metropolitan Municipality (CJMM) entered into a Sales and Purchase Agreement (SPA) on 24 August 2001. The SPA provided a foundation for an indemnity which CJMM was to provide to Kelvin Power in respect of all liabilities and costs associated with the environmental remediation of the site. Kelvin Power is currently in discussions with CJMM in respect of the environmental obligations. It is the Globeleq Board's view that, according to the SPA, the City should ultimately bear the costs of environmental remediation and rehabilitation as foreseen at the date of the SPA. The cost of these obligations is estimated to be approximately £3.8m (ZAR 41.0m). Should this issue go to arbitration it is the opinion of the Globeleq Board, based on advocate's advice that its interpretation of the SPA will be deemed to be accurate. Accordingly, Kelvin Power has not created an accrual for these costs in its financial statements.

30. Post balance sheet events

Globeleq and Noble Oak Trading signed a Share Sale Agreement (SSA) on 9 December 2005 stating that Globeleq has agreed that its 95% shareholding in Globeleq Global African Power Ltd (GGAP, Kelvin Power's immediate shareholder) be sold to a special purpose vehicle (Noble Oak Trading) for a nominal sum. This agreement had been negotiated as a result of Kelvin Power's inability to meet operational availability targets and impending insolvency. Following approval by the South African Competition Commission, the shares were duly transferred on 2 March 2006. Globeleq has no voting rights after this date. The risk, benefit and ownership passed to Noble Oak Trading on this date. Kelvin Power and GGAP will therefore be deconsolidated from the Group's accounts from that date. Upon deconsolidation the group will recognise the operating losses for the period to disposal and the corresponding gain on disposal only. In December 2005, the book value of the net assets of Kelvin Power and GGAP have been written down to a fair value of nil.

31. Related party transactions

During the year the Company entered into transactions with its subsidiary companies. The transactions entered into, and trading balances outstanding, at 31 December are as follows:

	2005 £m	2004 £m
Income statement		
Interest income	**2.2**	3.2
Dividend income	**107.8**	3.2
Profit on disposal of fair value financial assets	**72.4**	4.0
Loan and guarantee fee income	**1.5**	–
Management fee income	**7.7**	7.2
Interest payable	**(17.4)**	(6.0)
Balance sheet		
Fair value financial assets	**633.3**	470.8
Loans and receivables	**323.5**	343.4
Trade and other receivables	**31.7**	15.0
Trade and other payables	**(100.8)**	(37.8)
Loans and borrowings	**(314.6)**	(321.7)

32. Principal subsidiaries

The principal subsidiaries of CDC Group plc at 31 December 2005 and the percentage of equity capital are set out below. The company has taken advantage of section 231(5) of the Companies Act 1985 in not detailing all subsidiaries due to the length of the disclosure. A complete list of investments in subsidiaries will be attached to the parent company's annual return made to the Registrar of Companies.

CDC Group plc no longer makes direct investments and instead invests in funds.

Region/Country of incorporation	Company	Class of share	Percentage held by CDC	Principal activities
Africa				
Egypt	Sidi Krir group	Ordinary	100	Power generation, transmission and distribution
Mauritius	CDC Financial Services (Mauritius) Ltd*	Ordinary	100	Investment holding
		Preference	100	
Mauritius	CDC Investment Holdings Ltd*	Ordinary	100	Investment holding
Mauritius	Pan African Holdings Ltd*	Ordinary	100	Investment holding
Mauritius	Nandi Investments Ltd	Ordinary	100	Private equity fund
South Africa	Lenco Investment Holdings Ltd*	Ordinary	56	Plastics manufacturing
Tanzania	Songas Ltd	Common shares	54	Power generation, transmission and distribution
		A shares	100	
		B shares	83	
Uganda	DFCU Ltd*	Ordinary	60	Financial institution
Zambia	Mpongwe Development Company Ltd*	Ordinary	100	Milling and farming
Americas				
Barbados	CDC (Euro) Ltd*	Ordinary	100	Investment holding
Barbados	CDC Holdings (Barbados) Ltd*	Ordinary	100	Investment holding
		Preference	100	
Bolivia	Compania Boliviana de Energia Electricia (COBEE)	Ordinary	100	Power generation, transmission and distribution
Cuba	Caribbean Finance Investment Company Ltd*	Ordinary	60	Financial institution
South America	Southern Cone Power Ltd	Ordinary	68	Power generation, transmission and distribution
Asia Pacific				
Malaysia	CDC Holdings Sdn Bhd*	Ordinary	100	Investment holding
Solomon Islands	Kolombangara Forest Products Ltd	Ordinary	82	Timber production/processing
South Asia				
Bangladesh	Haripur (Pvt) Ltd	Ordinary	100	Power generation, transmission and distribution
Bangladesh	Meghnaghat (Pvt) Ltd	Ordinary	100	Power generation, transmission and distribution

* Subsidiaries held directly by the Company.

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33. Ten largest investments

Investment	Country	Business description
Globeleq Ltd	Various	Globeleq is a global power company, owning and operating 1,800MW of electric power generation in emerging markets of Africa, Asia and the Americas. Globeleq also has investments in other electricity projects totalling 2,500MW of generation capacity in 13 countries.
Mozal SARL	Mozambique	500,000 tpa aluminium smelter in Maputo, Mozambique.
Infrastructure Development Finance Co	India	Funding for infrastructure projects in India, particularly telecoms, IT, power, roads, ports and urban infrastructure.
Trans African Concessions (Pty) Ltd	South Africa/ Mozambique	The N4 toll road linking Pretoria, South Africa with Maputo, Mozambique.
Moga Holdings Ltd	Algeria	Orascom Telecom Algeria is the leading mobile operator in Algeria with over 6 million subscribers.
Platmin Ltd	South Africa	Early stage platinum mining in the Bushvelt Complex of South Africa.
Suntech Solar Panels	China	Research, development, manufacture and sales of crystalline silicon solar cells, modules and photovoltaic powered products.
Glenmark Pharmaceuticals Ltd	India	Domestic branded generic pharmaceutical formulations and exports to unregulated markets. Also analogue research for new drug discovery.
Savcio Holdings Ltd (Okavango)	South Africa	Repairs, services and replacement parts for electric motors, transformers and traction drive. Manufacture of enamelled copper wire for the electric motor and transformer industries.
Fauji Fertilizer Bin Qasim Ltd	Pakistan	Integrated fertiliser manufacturing, producing 550 ktpa granulated urea and 440 ktpa di-ammonium Phosphate.

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