ANNUAL REVIEW 2006

CDC Group plc









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.

Contents

2006 Highlights

£2bn
NET ASSETS

23%
INCREASE IN VALUE OF ASSETS

£375m
TOTAL RETURN AFTER TAX

19
NEW FUND MANAGERS

£413m
NEW COMMITMENTS IN 2006

- Outperformed MSCI Emerging Markets Index by 14%
- Profits recycled into new investments in poor countries
- £132m of third party capital mobilised alongside CDC in Actis and Aureos funds
- £914m outstanding commitments to 77 funds

The Development Process

1. CDC Capital

CDC has assets of £2.0bn (US$3.9bn). Our purpose is to stimulate economic growth by investing successfully in the private sector.

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.

4. Economic growth

Successful companies stimulate economic growth which reduces poverty.

The profits are recycled into new investments in poor countries.

2. Fund Managers

We invest 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.

www.cdcgroup.com/fund_managers.asp

3. Investee companies

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

We also require our fund managers to implement CDC's Business Principles and to report on progress in this important area.

Chairman's Statement

Malcolm Williamson
Chairman

2006 was a year of considerable growth for most economies in the developing world. Trends seen in 2005 continued to characterise investment in the emerging markets of Africa, Asia, South East Asia and Latin America. In only its second full year operating under the restructured form completed in 2004, CDC has again achieved strong results.

The company's net worth of £2bn represents an increase in asset value of 23%. Third party capital invested alongside CDC was £132m. These impressive figures are a vindication of the company's innovative business model. The successes of 2006 underscore the effectiveness of CDC's intermediated approach as a fund of funds and highlight the company's ability to leverage fresh capital from commercial and other institutional investors. This is good news for poor countries where the availability of capital to help companies grow and flourish is a vital precursor of economic growth.

CDC's reach was considerably expanded during the year with 19 new fund managers in 2006, bringing the total number of fund managers to 32. At the time of writing, seven further commitments have received Board approval.

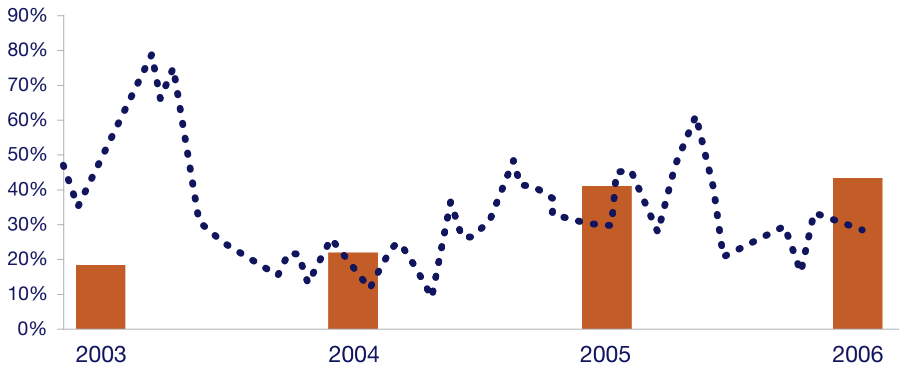
CDC's cash balance is strong. This is due to favourable markets and a strong environment for realisations. Board-approved commitments to funds at 31 December 2006 represented 119% of net cash which means that all our cash is spoken for. As the older funds are realised, the team at CDC will continue to find new opportunities for capital investment.

The continuing benign markets in developing economies are a mixed blessing. Although investors have seen strong returns, optimism about the future needs to be tempered with realism. Significant levels of private equity capital have been built up in recent years across the stronger emerging markets. Investors looking for opportunities in these geographies need to be wary of poor decision making against the backdrop of this cash-rich environment. Markets are notoriously mercurial and the inevitability of economic cycles should not be forgotten. Investors need to be prepared for change, positioning themselves to withstand the lower returns that follow global economic crises.

Nonetheless, emerging markets are currently highly competitive. CDC's strong underlying investments and long track record in its focus geographies have meant that the company has been ideally placed to make the most of the positive environment.

The private sector is beginning to take root in many developing economies. Businesses and communities, as well as national exchequers, are all experiencing the benefits brought by increased economic activity. Many of these countries have not had a tradition of encouraging the private sector and CDC can certainly

NET ASSETS



MSCI INDEX RETURN VERSUS CDC PORTFOLIO RETURN

claim to have made a substantial contribution here. However, the task now is scaling up. Sustainable growth must be accelerated to ensure that the benefits of a thriving and responsible private sector are spread widely.

The private equity industry is not developing at the pace we would like to see. Although there are signs of gathering momentum, there is still a long way to go. Capital markets remain immature in the majority of CDC's geographies. The banking industry in China is a good example. Banking lines there remain under-developed and businesses are severely constrained in terms of available growth and expansion capital.

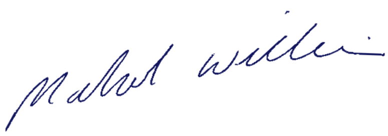
So CDC has a pioneering role across its markets. Patience and the long view are required. The private equity industry is itself a long term business with typically a ten year cycle. The business model initiated two years ago is showing encouraging signs of success. Yet, CDC remains at an early stage in its development and much has yet to be achieved.

China's interest in Africa received considerable international attention in 2006 and reactions are mixed. However, this has to be seen as a positive opportunity. Many commentators have stressed the need for governments to remain firm on corruption and governance issues, and CDC strongly supports that view. African businesses and governments now face the challenge of how best to harness the possibilities for sustainable economic growth.

The duty of the private sector to operate, and to be seen to operate, to standards of the highest ethical practice is paramount. Throughout 2006 CDC continued to put its business principles at the core of its investments and to demonstrate that good commercial returns and high standards of business ethics are complementary. The Board saw an example of this at first hand during a visit in November to the seed and produce packaging facility of Trinethra, a supermarket chain based in Hyderabad, India. The management's decision to pay salaries over the minimum wage to workers more accustomed to low wages has brought stability and commercial success for the business and a higher standard of living for employees.

Ultimate responsibility for ensuring that businesses behave ethically lies with national governments. However, international influence can be positive in this regard. Investors, whether they be commercial or with an explicitly developmental mandate, can make an effective contribution to improving standards.

CDC's strong returns for 2006 are a testament to the continued diligence and professionalism of the CEO and his team. I extend my continued thanks to all of them and look forward to seeing their unique expertise and experience put to work throughout 2007 as the company progresses in meeting CDC's challenging but satisfying mission.



Malcolm Williamson
Chairman

Chief Executive's Report

Richard Laing
Chief Executive

I am delighted to report a highly successful year for CDC. Net assets now stand at £2bn, an increase of 23% on 2005. Total returns after tax were £375m representing 21% on total average net assets. Return on the portfolio in US dollars was 43%.

These results are after bearing an exchange difference of £35m against the portfolio. Most of our portfolio is US dollar based and therefore suffers a reduction in pound sterling value, net of hedging, as the US dollar weakens. Profits generated in 2006 show clearly that thriving private sector businesses are operating successfully across the emerging markets of the developing world. The 2006 returns will now be reinvested to help even more companies grow.

Continued investment through Actis and Aureos

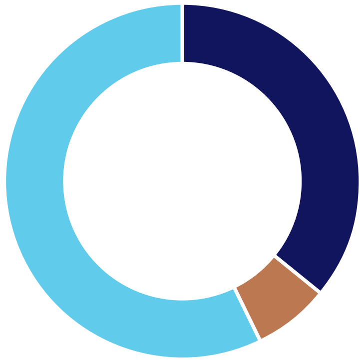
Strong commercial relationships with the best fund managers lie at the heart of our business and formed the core of our brief from government when CDC was restructured in 2004. We are extremely fortunate to have in our core manager, Actis, one of the strongest fund managers in our markets and the only one which operates across all of those markets. Similarly, Aureos is the market leader in small and medium enterprise (SME) fund management. Actis and Aureos represent 53% of outstanding commitments and in both cases CDC is their largest investor. Our success is dependent upon their strength. It was gratifying to see that over £132m was committed to their funds by other investors alongside CDC's capital in 2006, reaching a total of £433m over the last 3 years. We are grateful to Actis and Aureos for their investment skills and support.

£375m

TOTAL RETURNS

£132m

THIRD PARTY FUNDS MOBILISED



NEW COMMITMENTS BY FUND MANAGERS (%)

Actis (36%)
Aureos (7%)
Other (57%)

Actis and Aureos delivered good results for CDC in 2006 and we continued to invest in new funds with both managers during the year. Particular highlights during the year were as follows:

- The Actis Africa Real Estate fund was announced in August. CDC is the sole investor with a commitment of US$100m in cash. CDC also seeded the fund with assets of US$54m. The fund will meet the growing demand for quality retail, commercial, industrial and residential property in Africa driven by GDP growth and foreign direct investment.
- We increased our commitment during the year to Actis's US$355m Africa Fund 2 to bring our total commitment to this fund to US$330m.
- The Actis managed legacy portfolio continued to produce good exits, including US$15m from TPS East Africa, a tourism company, via a sale of our holding through the Nairobi Stock Exchange.
- In Asia, Actis delivered some extremely strong exits most notably through sales of holdings in Glenmark Pharmaceuticals and IDFC in India, and South Asia Gateway Terminals in Sri Lanka. The latter is an excellent example of an investment that provided good returns and significant development impact, in this case a new world class port in Sri Lanka.
- Aureos continued to make strong headway in the SME space throughout the year. The launch of the US$16m Pacific Ocean Kula Fund II, with a CDC commitment of US$5m, also involved commitments from local and international investors. Aureos South Asia Fund had a first closing with CDC committed at US$20m.

In 2006 there was an important change in the ownership structure of Aureos. CDC acquired a 50% shareholding in the firm and at the same time sold down 26.5% to the Aureos management. We also introduced FMO, the Dutch development finance institution, as a strategic partner and major investor in Aureos funds. FMO is now represented on the Aureos board. These changes position Aureos as the leading fund manager focusing on the SME space in emerging markets and the company is now pushing forward for further growth.

Commitment to energy in emerging markets

Energy remained an important part of the portfolio in 2006 and we are looking at ways of strengthening that going forward. Our energy assets are currently held in CDC's wholly owned subsidiary Globeleq. Towards the end of 2006, Actis, CDC's investment adviser for power assets, conducted a review of Globeleq and the possible options for the future to develop value in the company. This process is ongoing.

New fund managers across geographies

As responsible investors, we need to ensure a balance between commitment to Actis and Aureos with diversification across a range of other top quality managers. We are developing a strong track record in identifying new fund managers and added a further 19 in 2006, bringing the total number of CDC fund managers to 32 with US$1,790m of outstanding commitments at the end of 2006. Key new funds and fund managers in 2006 included Helios, a first time team in Africa; Cape II focusing on Nigeria; Business Partners International investing in the SME space in Kenya; Kendall Court in Asia; AIF Capital Asia Fund III and Capital Today in China.

2006 also saw two significant initiatives with new fund managers:

- Firstly, two years of sustained work culminated in the launch of the first private equity fund in Afghanistan. CDC, together with the Asian Development Bank (ADB), worked with investment professionals to create a first time team at Acap Partners to manage the Afghanistan Renewal Fund. We committed US$5.8m and the ADB also committed US$5.3m.
- Secondly, towards the end of the year we confirmed our US$100m commitment to Citigroup's first ever dedicated African private equity fund. CDC is the sole investor in the fund which will be managed by Citigroup Venture Capital Investors (CVCI), a division of Citigroup Alternative Investments. The CVCI Africa Fund will provide growth capital for larger companies across Africa, investing alongside CVCI's managed emerging markets private equity funds. CDC's Director of Strategy and Risk, Samir Abhyankar, has been seconded to the CVCI team for 12 to 18 months to add his own experience of emerging markets to the team. This is a strong example of the way in which CDC acts as a pioneer investor. Backing the CVCI team will benefit the private equity industry in Africa as a whole and sends a positive signal to other fund investors.

Addressing capital shortages

CDC's core objective is to provide capital for the private sector in some of the poorest countries of the developing world. Our chief instrument for delivering that is investment in private equity funds. In many markets we are taking significant strides to extend the role of private equity. In some markets, however, private equity is not the complete answer to capital shortages. In 2006 we began to look at additional ways of putting our capital to work, building on the activity already started in new areas such as microfinance. We intend to continue our intermediated approach, working through managers on the ground, and are exploring other instruments such as co-investing with fund managers, investing in secondary fund positions, debt funds and the like. We were delighted to welcome Hywel Rees-Jones to CDC during 2006, who joined us from Actis where he was Head of West Africa, to lead this initiative.

Business principles and development impact

CDC's business principles are a cornerstone of our investment strategy. Adherence to high standards of business ethics across environmental, health and safety at work, social and governance issues is not only intrinsically desirable but also builds value and competitive advantage within portfolio companies. In 2006 we strengthened our commitment to our business principles by developing a Business Principles Tool Kit for all our fund managers. It was developed in partnership with Forum for the Future, who specialise in advising businesses on sustainable development, and is a practical guide for fund managers in emerging markets. The Tool Kit is supported by tailored training programmes for managers. We also developed a new methodology and process for measuring the development impact of CDC's investments in funds. Further details on both these topics are in the section on business principles on pages 11 and 12.

Good business and good development go hand-in-hand and throughout the year we made significant effort to communicate that message in our target markets. A programme of conference attendance, speaker opportunities, meetings with a wide range of stakeholders and press coverage combined to ensure that CDC and our mission are better understood by financial and development communities alike. We also remain an active and enthusiastic member of the various regional private equity industry associations and other trade bodies such as the Emerging Markets Private Equity Association (EMPEA), the African Venture Capital Association (AVCA) and the association of European Development Finance Institutions (EDFI). During 2006 I was delighted to be appointed as Chairman of EDFI and look forward to a fruitful term of office. CDC has also played its part in sharing best practice as well as learning from others. CDC case studies of portfolio companies were included in the documentation to support the World Bank Institute's conference 'Business and the Millennium Goals'.

The CDC Pensions Scheme

One of the major financial events for CDC in 2006 concerned the CDC Pensions Scheme. In common with most companies, the 2006 Pensions Scheme valuation identified a potential shortfall. We therefore made a single payment of £10m but also created a trust to provide security to the Pensions Scheme Trustees. We paid £74m into this new trust which will become available to be drawn down into the Scheme if it is required. These arrangements together cover the closed fund shortfall.

Growing the CDC team

We expanded the CDC team this year to include not only Hywel Rees-Jones mentioned previously but also Mark Kenderdine-Davies, CDC's new General Counsel and Company Secretary who joined us from Gartmore, and Anubha Shrivastava from Performance Equity Management. Veronica John, who headed up the private equity funds team at the Asian Development Bank, joins us in April 2007. Our business is growing fast and, in the context of an ever competitive market for good investment professionals, we will need to attract and retain the best people to help us achieve our mission.

2006 was a busy, demanding and exciting year. My thanks are due to the Board for their continued guidance and support and to all the hard working and dedicated staff at CDC.

Richard Laing
Chief Executive

ACTIS CAPITAL

Paul Fletcher
Senior Managing Partner

$878m
CDC FUNDS UNDER MANAGEMENT

23
TOTAL NUMBER OF CDC FUNDS

A specialist emerging markets private equity firm, Actis has US$3.3bn in funds under management, with a growing portfolio of private equity, infrastructure and real estate investments.

- Since demerging from CDC in 2004, Actis has raised $1.6bn in emerging markets funds from institutional investors around the world, and closed five funds in the course of last year.
- On the ground investment professionals in Africa, India, China, Asia and Latin America provide access to proprietary deals and generate solid deal flow in all our markets, particularly South Asia.
- We have been increasing our exposure to real estate and infrastructure given their significant role in the development of emerging markets.
- Extensive international network adds value at every stage of the investment cycle, from initial due diligence to helping portfolio companies grow into world class operations and provide attractive returns to investors.
- In 2006 realised in excess of US$250m from seven full and partial exits via listings and trade sales.
- Substantial growth continues in many emerging markets and provides an unprecedented opportunity for private equity to help develop the infrastructure and business base.

www.cdcgroup.com/fund_managers.asp
www.act.is

AUREOS CAPITAL

Sev Vettivetpillai
Managing Director

$79m
CDC FUNDS UNDER MANAGEMENT

22
TOTAL NUMBER OF CDC FUNDS

Aureos is a global private equity firm focusing on niche, successful medium-sized businesses needing expansion or buy-out capital. Deal sizes are up to US$10m.

- Aureos aims to double funds under management from around US$500m to US$1.2bn over the next three years.
- We have invested US$28m out of US$36.3m in committed capital in Central America so far and plan to raise another US$300m in a much bigger Latin America fund in 2007. Mexico will account for nearly two-thirds of invested capital in that fund.
- Central and Latin American markets have been boosted by free trade agreements with the US, leading to an increase in cross-border expansion and consolidation opportunities in sectors such as advertising, IT and education.
- One Aureos investment in Difoto Group, a photographic supplies and imaging company, yielded a 40% internal rate of return after just 14 months.
- In Africa investment opportunities have picked up thanks to improvements in telecommunications, transport infrastructure, economic growth, and corporate governance.
- Successful markets of South Africa and Nigeria now being matched by Zambia, Kenya and Uganda, with the first profitable exit opportunities likely to arise in 2007.
- In SE Asia, where the development of private equity markets differs widely from country to country, Aureos' strategy is to encourage more economic interaction between countries.
- India is one of Aureos's most attractive private equity markets, particularly in the IT, high-tech and pharmaceutical-related sectors. Our India fund is increasing in size from US$80m to US$120m in 2007.

www.cdcgroup.com/fund_managers.asp
www.aureos.com

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.

Business Principles and Development Impact

CDC places great emphasis on our business principles and development impact.

70%

OF INVESTMENTS IN POORER COUNTRIES

30%

OF INVESTMENTS IN COUNTRIES CLASSIFIED AS POOR

We are committed to high standards in environmental management, health and safety at work, social conditions and corporate governance. This is the right and ethical approach to business, but is also a commercial imperative. Companies must be able to demonstrate high standards in business practice if they are to become sustainable and compete internationally. Commercial discipline towards business principles is helped by the fact that many governments in developing countries are tending to improve enforcement of regulations around social and environmental issues. Companies need to be able to respond to and implement those regulations. Of equal importance is the fact that investors understand that releasing value from an investment in the growth of a company increasingly depends on the new owners being comfortable with its business principles. This may be because they have a brand at risk and/or operate in a more demanding regulatory framework.

A prerequisite of CDC investment

CDC requires all its fund managers to sign up to its Business Principles. This is a prerequisite of any CDC investment. If we believe that our Business Principles will not be taken seriously, we will not invest in a fund. Managers are obliged to monitor, evaluate and report to CDC on implementation at portfolio company level of all aspects of the Business Principles. Where challenges are identified, fund managers put action plans in place to improve the situation. CDC provides guidance and support in this process. This approach helps CDC's capital to play a catalysing role in raising standards of business practice across emerging markets.

Practical assistance for fund managers

In 2006 we developed and launched a new resource for our fund managers to assist them in this important aspect of managing CDC's capital. The Business Principles Tool Kit, launched in December 2006 was devised and written in partnership with Forum for the Future, a leading sustainable development charity. The Tool Kit sets out the latest research and thinking on the business case for high standards in social and environmental practice. It also helps fund managers assess risks and opportunities and provides tools for integrating this analysis into investment decisions. The Tool Kit helps managers recognise when special expertise is required and also provides support in reporting to CDC, and other investors who require such reporting, on progress throughout the life of a fund.

The Tool Kit is being rolled out to all fund managers throughout 2007. CDC is providing tailored training for fund managers on how to implement the Business Principles in practice. Support is also available on monitoring, reporting and action-plan development and implementation in cases where improvements are required.

> "CDC is providing tailored training for fund managers on how to implement the Business Principles in practice."

Assessing development impact

The development impact of CDC's investments is considerable and it is important that we keep track of the added value that CDC, through its fund managers, makes within our chosen markets. To this end, during 2006 CDC focused on ways of measuring and understanding the development impact of our investments. For every investment into a fund, the key development indicators are identified. A full appraisal is then carried out typically halfway through the fund life and at the end, to assess actual performance and development impact against the original indicators. At both stages a report is produced, usually involving an external consultant with specialist knowledge in this area, and submitted to the Business Principles and Development sub-committee of the Board for review. Lessons are learnt and then applied to future investments.

Raising standards and building value

As a fund of funds, CDC's fund managers are responsible for business principles at investee company level. Fund managers are raising standards, improving performance and building value in portfolio companies. Applying CDC's Business Principles, our managers assess needs, agree milestones and goals for improvement, monitor progress and evaluate impact. There are many examples where our fund managers add real value and a few are set out below.

CDC's Business Principles mean that we are able to provide capital to growing and successful businesses without compromising on environmental management or social and governance issues. Investors in emerging markets often face complex challenges and we believe the pioneering work we are doing in this field provides encouragement to others who are beginning to recognise the potential for making a difference in some of the poorest countries of the world.

Aureos's investment in Mount Elgon Orchards near the Kenyan/Ugandan border has delivered tangible benefits to employees and the local community. The company, which grows and distributes fruit, vegetables and flowers, employs 1,200 people in an area of 55% unemployment. Aureos has worked with the company to increase expenditure on health and safety compliance and staff training. A range of loan and credit facilities to staff has been introduced. A medical centre has been established to support staff, their families and the wider community. The centre, which includes a small in-patient facility, offers maternity services as well as HIV/AIDS testing and counselling to staff, their families and the local community. Education programmes and housing services are also available. Approximately 40,000 people in the environs now benefit from the social services provided by the company

Trinethra, an India Value Fund II investment, is a chain of retail stores located around Andhra Pradesh, India. Small and medium enterprises (SMEs) traditionally suffer from an inability to attract top talent. However, Trinethra has benefited by the additional recruitment of senior members of the management team who have strong experience of food and beverage retail. A management information system has now been rolled out across the chain of shops which, along with a review of staff remuneration policies to introduce higher wages, has allowed Trinethra management to bring about a drop in 'shrinkage' through losses and theft to well below industry standards, delivering commercial advantage to the business.

Actis's investment in Sandhar, an auto-component manufacturer in India illustrates the benefit of providing high quality training for staff. Following an extensive training programme, the majority of senior managers have been promoted from within the company. This kind of capacity building is highly developmental and flows directly from good business practice. Sandhar has trained all its staff in HIV/AIDS awareness through the use of skits in a street play format.

Aureos's investment in Brookside Dairy in Kenya has established new environmental standards, working with the National Environmental Management Authority. Improved waste management processes and a company-wide recycling programme have also been introduced. The dairy now employs a full time environmental officer and an improved health and safety at work programme has also been introduced. The company also provides education campaigns on nutrition, school and church building programmes and has constructed an access road and bridge in nearby Kinangop.

Through our fund manager Actis, CDC remained invested in forestry company Kolombangara in the Solomon Islands during the civil war. We continued to invest in the company at a time when other investors were cautious of involvement in the islands' economy. Actis's attention to business principles, which included achieving Forestry Stewardship Council certification, helped find a good exit. This ensured the future of the company with a responsible owner who will continue to build value in the business, with continued attention to environmental management, training and corporate governance.

In Rwanda, Actis's investment in Banque Commerciale de Rwanda (BCR) was the first privatised bank in the country. The privatisation was a key part of the national Poverty Reduction Strategy Programme. Actis has helped the business bring in world class best practice by implementing money laundering, credit and compliance policies and by improving systems and operational controls. It has also introduced new management and board of directors with extensive international and African banking and investment experience. In making credit decisions the developmental benefits have to be considered and a new product aimed at SMEs has been launched. New branches have opened in rural areas previously without a bank and each month staff take part in environmental projects. BCR has gone from strength to strength, and is now the country's leading commercial bank.

Business Review Africa

World Bank figures for sub-Saharan Africa show that GDP is estimated to have increased an impressive 5.3% in 2006. Growth is projected to remain at a minimum of 5% over the next two years, making Africa an attractive destination for international investors looking for interesting opportunities.

£392m

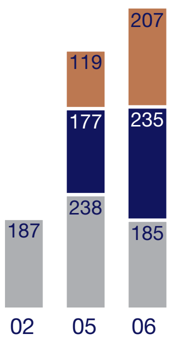
PORTFOLIO VALUE

12

FUND MANAGERS

PORTFOLIO BY SECTOR

- Minerals, oil and gas (40%)
- Telecommunications (12%)
- Manufacturing (11%)
- Infrastructure (10%)
- Agribusiness (9%)
- FMCG (8%)
- Other (10%)



FUND VALUE GROWTH (£m)

- Unrealised profit
- Realised profit
- Investment

17%

FUND GROWTH 2005-06

Private equity in Southern Africa

Private equity remains relatively immature across Africa. South Africa is the exception and the industry there is reasonably developed and is growing fast. Private equity in South Africa performed well in 2006 against a backdrop of a growing economy and a buoyant stock market. Record-sized funds were raised by local fund managers with a number of large transactions being pursued. Nonetheless, local institutions still have to step up to the opportunities in significant numbers. More generally, the Black Economic Empowerment programme continued to gather momentum throughout the year addressing the historical inequalities in the economy.

Economic growth in East Africa

Across the continent economies are growing and diversifying. In East Africa vibrant sectors have been tourism, horticulture, construction and telecommunications. Activity has been driven by the private sector acting as the engine of growth. There have been significant developments in the financial sector, including a revival of activity in the stock markets, a lengthening in the term of government bond issues, and more liquidity in the banking sector. However, impediments remain and include deteriorating infrastructure, including power, roads and ports. Private equity is relatively immature in the region but there are encouraging signs especially at the small and medium sized enterprises (SME) level.

Progress in West Africa

West Africa too has made solid progress. The region's largest economy, Nigeria, grew at 7%. The economic reform programme continued and the impact of debt relief and a robust stock market have all contributed to increasing levels of private equity fund raising and investment. However, security issues in the Delta constrained growth due to cutbacks in oil production.

2006 has been a year of steady progress for CDC in Africa. We have taken some pioneering initiatives in terms of new funds and have continued to grow our fund manager base.

Agriculture and economic development

CDC's 60 year history of commitment to agriculture in Africa was continued in 2006 when we created a dedicated African Agribusiness Fund managed by Actis. CDC was the sole investor in this US$93m fund, which was seeded with existing agribusiness assets across the continent including tea and forestry in Tanzania, arable farming and sugar in Zambia and rubber in Côte d'Ivoire. Agribusiness is typically the largest employer in Africa and the potential multiplier effect of business within the sector is significant. It is also an important contributor to Africa's foreign exchange. The challenge is scaling up and professionalising businesses in the sector. This is a fundamental element of sustainable economic development.

Real estate in Africa

CDC also founded the Actis Africa Real Estate Fund in 2006, the first dedicated fund investing in commercial, residential and retail property in Africa. CDC is the sole investor in this US$154m fund which was seeded with existing real estate assets in Nigeria, Kenya and Tanzania. In addition the fund is co-developing a retail mall in Accra, Ghana. We envisage that the fund will catalyse some high quality developments in a range of African countries, both large and small. The fund will meet the growing strong demand for quality property and will operate alongside local developers to co-develop and acquire start-up developments and to acquire and add value to existing property.

CDC also committed a further US$20m to Actis's US$355m Africa Fund 2, bringing our total exposure to the fund to US$330m. The Actis/Cordiant managed Canadian Investment Fund for Africa

GROFIN CAPITAL (AFRICA)

Jurie Willemse
Managing Director

$3m CDC COMMITMENT

$25m TOTAL FUND SIZE

Southern Africa-based GroFin Capital specialises in providing development capital for small and start-up companies with a valuation below US$1m.

- As the private equity market is still under-developed in the region, GroFin mostly offers self-liquidating instruments coupled with an incentive bonus based on a percentage of turnover.
- Transaction activity was up in 2006, resulting in a doubling of the company's size and expansion into Tanzania and Rwanda, as well as South Africa, Kenya and Uganda.
- By early 2007, GroFin had invested in 21 businesses with a particular focus on Uganda and Kenya. Average transaction size is US$300,000. After an initial focus on the energy sector the company now covers other sectors such as manufacturing and transport.
- East Africa Fund raised US$11.5m in 2006 but has since increased this to US$25m thanks to the buoyant market. With five banks coming on board and offering loan facilities the total funding facility now stands at US$43m.
- GroFin negotiated four exits in South Africa in 2006 achieving internal rates of return of up to 34%.
- With regional economic growth standing of between 5% and 8% entrepreneurial activity is picking up. GroFin expects the small business sector to grow strongly over the next few years and hopes to be operating in ten African countries by 2010.
- At the small end of the investment market risks are higher, meaning that funding is still mostly development-led.

www.cdcgroup.com/fund_managers.asp
www.grofin.com

HELIOS INVESTMENT PARTNERS

Tope Lawani
Managing Director

$50m
CDC COMMITMENT

$232m
TOTAL FUND SIZE

Focus on sub-Saharan Africa, particularly countries in the Economic Community of West African States (ECOWAS) region.

- Founded in 2004 with offices in London and Lagos.
- Took over running of the troubled Modern Africa Fund in 2004, a US$110m fully-invested fund whose investments were underperforming. Now just four investments remaining in the fund.
- Flexible approach to sector, deal size and financing model.
- In 2005 set up its own mobile telecommunications tower leasing business in Nigeria with US$8.5m of equity capital and US$30m of debt.
- Most recent deal was a 20% equity stake in a publicly-quoted Nigerian financial services company in return for board-level representation and a negotiated shareholder agreement.
- Ethical approach to investing.
- Launched Helios Investors LP fund in early 2006 with a target of US$150m, but now forecast to raise US$300m.
- Funding comes from development finance institutions, non-pension fund investment firms, and high-net-worth families/individuals.
- Investment interest in Africa growing but still weak amongst traditional pension funds.
- Africa still suffering an acute capital shortage.

www.cdcgroup.com/fund_managers.asp
www.heliosinvestment.com

(CIFA) had a final close at US$211m. CDC committed US$20m to the fund alongside a range of other investors including the Canadian government.

2006 was a good year for Actis investments. Actis Africa Fund 1 made follow on investments in Platmin and helped the company's successful IPO on the Alternative Investment Market (AIM). Actis Africa Fund 2 and CIFA also made follow on investments in Mineral Deposits in Senegal; Starcomms, telecommunications in Nigeria; Banro, mining in the Democratic Republic of Congo and Candax, oil and gas in Tunisia.

The Actis Africa Fund 1 continued to produce good exits, including US$15m from TPS East Africa via a sale of our holding through the Nairobi Stock Exchange. The Comafin Fund, in conjunction with Aureos's Zambia Venture Capital Fund, secured an excellent exit from Manda Hill retail mall in Zambia via a sale to a South African buyer.

With its focus on the all important SME space in Africa, Aureos had a positive year. Fund investments included the Aureos East Africa Fund investment in Gamewatchers Kenya and Uganda Microfinance; Aureos West Africa Fund's investment in a Nigerian leasing company and the Aureos South African Fund's investment in Real People, a broad-based financial services company based in South Africa.

New fund manager relationships

In 2006 CDC continued to identify new fund managers with experience of our markets and it was a successful year for us in developing these new and important relationships. New fund highlights during the year include:

- US$15m commitment to CAPE II, a US$100m Nigerian focused fund which has made a US$4m investment in Swift Telecoms;
- US$1.6m commitment to Business Partner's US$14m Business Partners Kenya Fund. With US$2.5m of International Development Agency-funded technical assistance, this fund makes mezzanine-type investments of between US$50,000 and US$500,000 in small Kenyan companies;
- US$50m to the US$201m Helios Investor's Fund which will also raise US$50m of debt finance from the Overseas Private Investment Corporation (OPIC); and
- $100m to the Citigroup Venture Capital International (CVCI) Africa Fund which will target large transactions across the continent, and which completed an investment in Amoun Pharmaceutical in Egypt in December 2006.

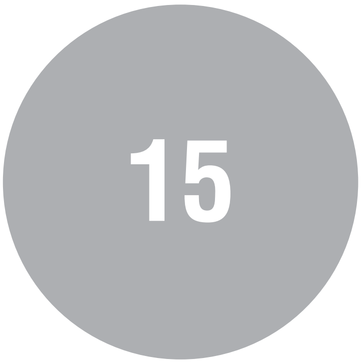
Existing fund investments were also encouraging and many managers were able to find good opportunities. Notable investments include:

- EMP Africa Fund 2's investments in Ecobank in West Africa and a Kenyan construction company. The fund is also making an investment in the privatisation of a Nigerian fertiliser producer, partnering with an Egyptian strategic investor;
- Ethos Fund V's investments in Moresport, a retail business in sporting and outdoor apparel, and in Plumbline, a South African building materials and plumbing distribution company;
- Africa Lion 2's investments in Birim Gold in Ghana and Platmin in South Africa;
- GroFin's East Africa fund has made investments in 12 small enterprises in Kenya, Uganda and Tanzania by year end. In addition it completed a highly successful fund-raising by year end, increasing the fund size to US$25m, plus a further US$18m of pledge lines from local banks.

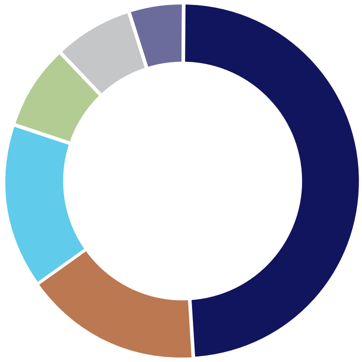
Business Review South and South East Asia and Asia Pacific

2006 was a record year for private equity in India, where the market continues to enjoy strong fundamentals on both the macro-economic front and in the stock market.

PORTFOLIO VALUE

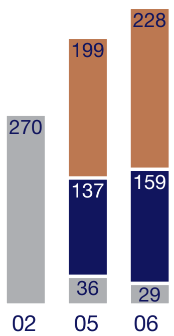


OPERATING FUND MANAGERS



PORTFOLIO BY SECTOR

- Manufacturing (49%)
- Financial institutions (16%)
- Infrastructure (15%)
- Healthcare (8%)
- Telecommunications (7%)
- Other (5%)



FUND VALUE GROWTH (£m)

- Unrealised profit
- Realised profit
- Investment

FUND GROWTH 2005-06

A strong year for private equity
The Mumbai stock exchange SENSEX index closed the year on a record high, up 47% on 2005 despite a sharp correction in May. The region has enjoyed a benign fund raising environment in 2006 on the back of strong growth in Asian economies and the emergence of private equity fund managers with realised track records. There appears to be a record number of fund managers announcing new fund initiatives and CDC reviewed over 50 funds operating in South and South East Asia during the year.

Throughout the year 299 investments were completed in India, worth a total of US$7.46bn. This was a three-fold increase in value over 2005 which was itself a record year. Deal size also grew and the number of investments in excess of US$50m increased from nine in 2005 to 26 in 2006. Funds raised by Indian country funds exceeded US$2bn during 2006, dominated by the US$815m raised by ICICI Venture's Dynamic India Fund II.

Published deal statistics in other countries in South and South East Asia reveal a contrasting picture, with Vietnam and Thailand attracting most interest and relatively low levels of activity in Indonesia, the Philippines, Malaysia, Sri Lanka, Bangladesh and Pakistan.

Political issues have inevitably had their impact. Renewed hostilities in Sri Lanka between the government and the Liberation Tigers of Tamil Eelam have dampened investor sentiment and a coup in Fiji also led to some uncertainty. The stock market in Thailand had been stagnant during the first part of the year. However, following the coup in September, the market surged on a wave of investment driven by mainly foreign interest.

In Pakistan, strong growth in the economy and the rising middle class have resulted in continuing need for infrastructure investment. Economic conditions are creating attractive opportunities for investors but despite some evidence of green shoots, institutional private equity is still in its infancy.

Actis in 2006

The Actis fund-raising team was successful in 2006, raising interest in its US$130m Asean Fund from a number of family offices. The fund, which has significant CDC support at US$90m, is an expanded Malaysian Fund, and includes commitments from Malaysian pension funds.

It was a successful year for Actis fund investments. Some highlights include:

- US$30m investment in Dalmia, a company operating a cement plant in Tamil Nadu and a sugar mill and refinery in Uttar Pradesh, India;
- Actis Malaysia Fund's investment in Distri Thai, a magazine distribution business based in Bangkok;
- US$16m was invested in Sterling Hospitals based in Ahmedabad, India; and
- The acquisition of a 71% stake in Ceylon Oxygen, Sri Lanka's leading manufacturer of industrial and medical gases.

Actis also achieved some strong exits during the year. Most notable are the full realisations of Glenmark, a pharmaceutical business in India which returned over twelve times CDC's investment and South Asia Gateway Terminal in Sri Lanka, where over nine times capital was returned.

KENDALL COURT CAPITAL PARTNERS (South East Asia)

Yeo Kar Peng
Managing Director

$15m
CDC COMMITMENT

$90m
TOTAL FUND SIZE

Kendall Court Capital Partners is a venture capital company specialising in the South East Asian countries of Malaysia, Singapore, Thailand and Indonesia. The focus is on mezzanine finance for small-to-medium-sized businesses.

- Compared to other investment regions SE Asia is relatively small and under-exposed to alternative funding sources, including private equity, despite a population of 300 million and an economic growth rate of around 5% to 6% a year.
- The 1997 financial crisis in SE Asia made banks very cautious in their lending. This, coupled with poor liquidity in the equity markets, led to a funding gap for small-to-medium-sized companies which Kendall Court has sought to fill.
- Most small-to-medium businesses are family run and equity and management sharing is often not the preferred solution in this region. Yet these businesses still need funding in order to expand.
- Adopting a partnership approach is key to Kendall Court's investment thesis. A small, minority equity stake is usually taken – which proves more acceptable to investee companies – and offers senior management or board level representation to help with strategic and financial planning.
- Kendall Court Mezzanine (Asia) Fund I closed its fundraising period in August 2006. It targets buyout and development capital investment opportunities and has US$90m in committed capital and over US$150m of funds under management.
- Deal size is typically US$5m to US$15m in companies valued at US$30m to US$150m.
- Favoured sectors include consumer finance, energy, logistics, and specialist high-tech manufacturing.

www.cdcgroup.com/fund_managers.asp
www.kendallcourt.com

IDFC PRIVATE EQUITY (INDIA)

Luis Miranda
President and CEO

$25m
CDC COMMITMENT

$400m
TOTAL FUND SIZE

IDFC Private Equity, a wholly-owned subsidiary of the Infrastructure Development Finance Company Ltd., was founded in 2002 and invests mainly in infrastructure projects such as roads, ports, hospitals and airports throughout India.

- US$632m under management, including US$192m in the India Development Fund and US$440m in IDFC Private Equity Fund II.
- Lack of infrastructure has been widely recognised as the biggest barrier to India's growth, leading to great interest in the sector. As a result IDFC Private Equity Fund II, which closed its fundraising period in 2006, raised 50% more than expected and 70% of the funds came from within India.
- In 2006 IDFC was a member of a consortium funding the privatisation of Delhi Airport – India's largest privatisation to date – in a deal valued at US$1b over four years.
- In return for equity stakes of between 10% and 35% IDFC offers board-level strategic advice covering corporate governance, fundraising, recruitment and business development.
- But India's economic success – 9.2% growth in the last quarter of 2006 – has led to a flood of private equity capital pushing company valuations higher and making it harder for IDFC to find good value investment opportunities. Therefore we are targeting partnership deals with entrepreneurs and looking for early-stage companies to invest in.
- Internal rates of return (IRRs) from infrastructure investments are usually around 20%, but for IDFC one recent deal – the sale of a third of our stake in Gujarat State Petronet, a gas pipeline operator – achieved 130% IRR.

www.cdcgroup.com/fund_managers.asp
www.idfcpe.com

Aureos

Aureos continued to strengthen its position in the small and medium sized enterprises (SME) space throughout 2006. New funds included:

- Aureos South Asia Fund (ASAF) has so far closed on US$66.7m including a commitment from CDC of US$20m. By year end ASAF had made three investments in a clinical research company based in Bangalore, a trailer manufacturer in Sri Lanka and a turnkey provider of vacuum systems and pumps operating from Bangalore; and
- Kula Fund 2, a US$16m fund dedicated to investment in the Pacific. CDC's commitment of US$5m was made alongside commitments from the European Investment Bank, ANZ Bank, the Asian Development Bank and the Fiji National Provident Fund. By year end, Kula Fund 2 had made its first investment in a Papua New Guinea based company providing wide and local area cabling and networking solutions.

Strong investment activity was also seen from Aureos South East Asia Fund, with investments in a specialised steel company in Thailand, an IT software company in the Philippines and a bio-degradable plastics business in Indonesia.

New fund managers for CDC

We continued to identify new fund managers in 2006 and key relationships were forged during the year. Commitments to new funds made included:

- US$43.7m to AIF Capital's third fund which had a final closing at US$436.5m;
- US$4m to Lok Capital's US$12m microfinance fund in India;
- US$75m to ICICI's US$810m Dynamic India Fund VII;
- US$25m to the US$400m IDFC Private Equity Fund II targeting infrastructure investment in India; and
- US$15m to Kendall Court, which had its final close in June at US$90m.

A first for CDC in Afghanistan

We also announced our participation in the first private equity fund in Afghanistan, the Afghanistan Renewal Fund managed by Acap Partners. CDC committed US$5.8m to this fund which has attracted US$20.3m investment including a US$5.3m commitment from the Asian Development Bank. CDC played a leading role in the incubation of this fund. Afghanistan is one of the poorest countries in the world with per capita GDP of less than US$200. Despite consistent economic growth and progress in reform of the banking sector, businesses have been unable to access medium term capital while the economy is fragile and insurgency continues. Yet the long term prosperity of the country will depend on sustainable economic growth and a thriving private sector.

Further fund commitments and investments

Further commitments were approved for funds managed by Lombard (US$20m) and East West Capital (US$25m) and are due to be closed during the course of 2007.

There was a renewal of existing relationships in the form of approvals for India Value Fund Advisers (IVFA III, US$25m) and Navis (Navis Fund V, US$70m). Both these funds will have formal closings during 2007.

This part of the CDC portfolio also saw good levels of investing including deals in India, Sri Lanka, the Philippines, Indonesia, Thailand, Vietnam, Papua New Guinea, Afghanistan and Mongolia, spanning a wide range of business sectors including consumer finance, pharmaceuticals and technology, manufacturing and infrastructure.

CDC reaches US$256m committed capital in China

The Chinese economy performed well again in 2006 with GDP growth at 10.7% and the Shanghai Stock Exchange registering huge gains after years of poor performance. China nevertheless continues to face serious development challenges, including disparities of income between towns and the countryside. The structural weaknesses in the banking system restrict the availability of capital, including working capital, to most of the country's companies. Provision of private equity is small in relation to the size of the economy. CDC along with other private equity players has an important role to play in improving the efficiency of the economy and generating long term development.

Actis in China

Actis realised the bulk of its holding in Suntech, which listed in New York in December 2005. Suntech continued to perform extremely well both as a company and as a stock. Sales of Suntech shares have so far generated 11 times the original investment. Actis also made investments of US$40m investment in Taizinai, a yoghurt drink manufacturer and US$10m as part of a US$40m package in Shunda, a manufactuer of silicon wafers and supplier to Suntech. Grentech, formerly known as Powercom, which supplies equipment for the mobile phone industry, floated on the Nasdaq in March and is trading at a significant multiple to Actis's entry price.

Aureos in China

We also committed US$20m to Aureos China, a newly established fund for SMEs in Shandong province of Eastern China. The target size of the fund is US$70m and it is the first Aureos China focused fund. Its first two investments are in a block board and a pharmaceutical business.

> "Steady fundraising, encouraging levels of fund investments and some pleasing exits contributed to an excellent year."

New fund managers in China

We added Capital Today to our portfolio of fund managers, committing US$30m to this new Shanghai-based China focused fund. The fund will invest in companies which are able to respond to the growing Chinese consumer market in a period of rapid urbanisation. The fund which is led by Kathy Xu, one of the few women in prominent positions in business in China, closed at its target size of US$280m. Its first investment was a fast food chain, the first of its type to attempt to provide Chinese food to a mass market in this way.

A commitment of US$75m was also made to the third fund raised by CDH, China's leading local private equity fund manager, which will provide capital for the privatisation of state-owned enterprises and growth capital to private sector companies.

The total amount of CDC capital put to work in China since 2000 is US$256m.

Summary

2006 was a year of strong progress for CDC in Asia. Steady fundraising, encouraging levels of fund investments and some pleasing exits contributed to an excellent year for private equity in the region, where CDC's capital continues to be deployed in some of poorest emerging economies of the world.

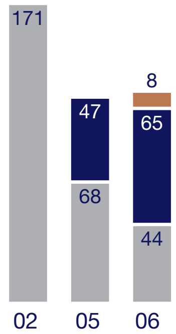
Business Review Latin America

After several years of muted activity in the wake of the Argentine crisis, private equity picked up in Latin America in 2006. This was helped by relatively benign macro-economic conditions which encouraged increased private sector investment in the region.

PORTFOLIO VALUE

PORTFOLIO BY SECTOR

- Agribusiness (56%)
- Financial institutions (14%)
- Infrastructure (13%)
- Minerals, oil and gas (10%)
- Other (7%)



FUND VALUE GROWTH (£m)

- Unrealised profit
- Realised profit
- Investment

The major economies continued to operate flexible market-based exchange regimes and pursue sound fiscal policies. Growth rates in the two largest countries were modest by Asian standards, at 2.9% in Brazil and 4.8% in Mexico. Nevertheless, the overall picture was positive and was not accompanied as in the past by foreign exchange crises – both countries ran healthy current account surpluses in 2006. These factors have attracted interest from investors, including hedge funds, and local markets enjoyed a good year with the Bovespa in Brazil registering a 32.9% rise during the year on the back of an active IPO market.

We continue to be selective in our commitment policy in Latin America. Our first priority is to find top quartile managers with a strong presence on the ground. We made a US$20m commitment to Nexxus in Mexico, managed by a Mexico City-based team which is now on its third fund. This US$200m fund will focus on growth expansion opportunities in Mexico. We continue to look for similar funds operating in other parts of the region, particularly Brazil.

At the other end of the spectrum, we made a commitment to Emerge, a US$20m fund sponsored by the Multilateral Investment Facility of the Inter-American Development Bank and managed by Aureos Capital to invest in small and medium-sized enterprises in Central America. This is a segment which has the capacity to generate economic activity at the grass roots level, but is capital-starved.

CDC's investments through the Aureos Central America Fund performed up to expectations. An investment in a photocopying company with operations in Guatemala, El Salvador and Panama was divested during the year and investments were made in an aluminium business in Panama and two outdoor advertising companies. The fund is set to achieve its return targets despite a relatively difficult operating environment.

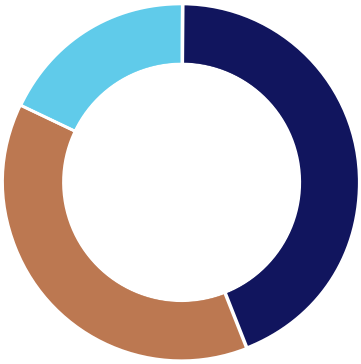
Actis continued with the successful work out of CDC's legacy portfolio in the region. A follow-on investment was made through Regal Forest, a successful retail business in Costa Rica, in the Courts chain of shops in the Caribbean.

"Our first priority is to find top quartile managers with a strong presence on the ground."

Business Review Power

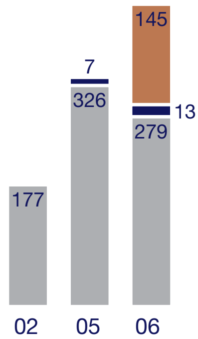
Emerging economies depend on safe, reliable and affordable power to support sustainable economic development.

PORTFOLIO VALUE



PORTFOLIO BY REGION

Latin America (44%)
Africa (38%)
South Asia (18%)



FUND VALUE GROWTH (£m)

Unrealised profit
Realised profit
Investment

CDC is committed to playing a key role in helping to achieve this important goal and CDC's power assets, held in a wholly-owned subsidiary, Globeleq, represented 39% of our portfolio at the end of 2006. Globeleq is an operating power company solely focused on the emerging markets of Africa, the Americas and Asia. The company has investments in 20 power companies in 16 countries with a total of more than 4,500 megawatts (MW) in generation capacity. Our investment in Globeleq is managed by Actis.

Consolidation in 2006

2006 was a year of consolidation for Globeleq. The company also entered the next phase in its growth. A major acquisition programme was completed and a planned shift in focus was implemented to concentrate on adding generating capacity through the development of new power projects. This move was supported by a change in organisational structure from a regional focus to a functional structure better suited to Globeleq's focus on new business development.

Torbjorn Caesar, who had led Globeleq's African operation since 2003, was appointed Chief Executive succeeding Robert Hart who was Chief Executive since the start of Globeleq in 2002. Reflecting the new functional structure, two senior executives were also appointed to lead business development and global operations. First, Ashish Sarkar took up the post of Executive Vice President of Business Development with responsibility for the development, engineering and construction of Globeleq's new power projects. Secondly, John Dolan was appointed Executive Vice President for Global Operations where he is responsible for the technical and commercial operation of Globeleq's power generation and distribution businesses. Both come with extremely deep experience of the power industry and have already added much to Globeleq's activities. 2006 also saw the retirement of John Baker as chairman. John was an invaluable and visionary leader of the business. Alistair Mackintosh, the Chief Investment Officer of Actis, took over as the new chairman.

Asia

In Asia, the purchase of power assets in Pakistan and Bangladesh was completed. Acquisitions included a significant interest in Fauji Kabirwala, a 157MW natural gas fired generator in Pakistan and in NEPC, a 113MW natural gas fired generator in Bangladesh. This was a significant milestone in Globeleq's strategy in Asia, where the company owns and operates over 800MW of natural gas-fired generation in Bangladesh and also has interests in power plants in Sri Lanka putting the company in a position to meet the growing demand for efficient, reliable generation. Globeleq also attracted new foreign investment to Bangladesh during the year when the company completed the sale of 24% of its 100% interests in the Haripur and Meghnaghat power projects, both located near the capital, Dhaka, to the Islamic Development Bank (IDB) Infrastructure Fund LP. The Haripur and Meghnaghat facilities were originally acquired in December 2003. Building sustainable power generating businesses that can attract new investors is key to providing safe, clean, reliable electricity in the emerging markets.

"CDC is committed to the role of power in emerging markets."

"Globeleq, CDC's wholly owned subsidiary, works towards international best business practices."

Africa

Africa continues to be a core market for Globeleq. Reliable and safe power supply is a vital element of the infrastructure needed to underpin economic development across the continent. In 2006 Globeleq stepped up to 100% ownership of Umeme, a Ugandan electricity distribution network operated under a 20-year concession leased from the Ugandan Electricity Distribution Company Limited. The focus on efficient and reliable operations in Egypt and Tanzania was maintained and Globeleq continues to pursue development opportunities in the more challenging African markets where the need for power is so great.

Americas

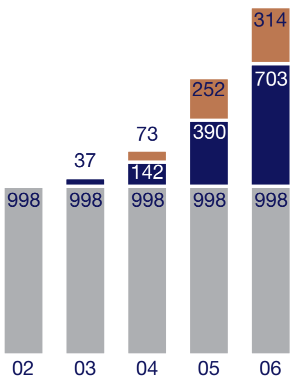
In the Americas, Globeleq built on its existing portfolio as part of the company's strategy to create strong regional businesses as platforms for the development of new generating capacity to serve growing demand in the emerging markets. The portfolio purchase of several Central American and Caribbean power generation assets was announced at the beginning of the year. Globeleq owns and operates hydroelectric and thermal generation throughout Latin and Central America, including Compañía Boliviana de Energía Eléctrica (COBEE), the largest hydroelectric generator in Bolivia and has interests in power plants in Peru, Guatemala, Nicaragua, the Dominican Republic and Jamaica.

In 2006 Globeleq began its first greenfield project; the construction of the 336MW Kallpa power plant near Lima, Peru. The new, natural gas-fired generator will help meet the rapidly rising demand for electric power in that country. The first phase of the plant, 40 miles south of Lima in the municipality of Chilca, will provide 168MW of new generation fuelled by domestic natural gas from the Camisea field. Globeleq is already well advanced in preparations for the second phase, which will double Kallpa's generating capacity. A third phase, now in the planning stages, will convert the entire plant to combined cycle, increasing efficiency and capacity even further. The cooperation between all the stakeholders in Kallpa, including the Ministry of Energy and Mines, the municipality of Chilca, suppliers and contractors, enabled swift progress on the project.

Performance Review

Godfrey Davies
Chief Financial Officer

CDC, as a fund of funds, has developed relationships with 30 new fund managers since the beginning of 2004.



CDC VALUE GROWTH (£m)

Unrealised profit
Realised profit
Investment

Portfolio return

The MSCI Emerging Markets Index is designed to measure equity performance in the global emerging markets. In 2006 it rose by 29% (2005: 30%). However, index rises of individual countries varied widely in 2006 with Africa 17%, India 49% and China 78%. CDC's gross portfolio performance in US dollars was 43% exceeding the MSCI index by 14% (2005: 12%).

The portfolio generated £337.4m (2005: £387.1m) of return. Within this portfolio, yield is decreasing as the recently invested portfolio is intended to achieve returns through capital gain rather than yield. Realised gains of £47.5m (2005: £173.6m) arose mainly on the legacy portfolio, particularly from Africa and Latin America. Unrealised gain within the portfolio at the year end was £270m (2005: £178.6m), with the largest valuation gains being from the legacy portfolio mostly from the Actis Energy Fund at £144.5m and Actis Africa Fund I at £60.4m, but also from Actis Africa and China Fund 2s.

43%
2005 : 42%

GROSS PORTFOLIO PERFORMANCE IN US$ EXCEEDED THE MSCI EMERGING MARKETS INDEX OF 29% BY 14%

£375m
2005 : £426m

TOTAL RETURN AS A FUND OF FUNDS

£132m
2005 : £284m

THIRD-PARTY FUNDS MOBILISED ALONGSIDE CDC'S CAPITAL IN ACTIS AND AUREOS FUNDS

NEW INVESTMENTS IN POORER COUNTRIES (%)

NEW INVESTMENTS IN SUB-SAHARAN AFRICA AND SOUTH ASIA (%)

Operating costs
Operating costs for the year of £6.7m (2005: £4.9m) have increased due to the increasing fund commitment and portfolio monitoring activity from the 26 London office employees (2005: 24). Operating costs represent 0.4% of funds under management which compares favourably with industry benchmarks.

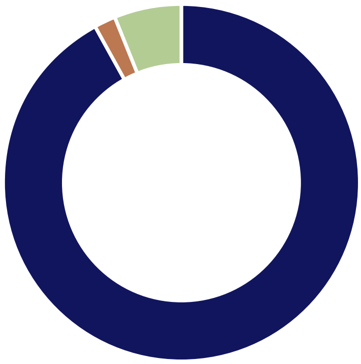
Other net income
Other net income of £44.3m (2005: £43.6m) was lower due to lower tax provision releases of £4.0m (2005: £17.8m) with HMRC agreement of tax due since CDC became UK corporation tax exempt in May 2003. The higher average cash balance in 2006 gave increased deposit interest.

Total return
The overall result is a total return of £375.0m (2005: £425.8m). As a return on opening total net assets on a valuation basis this represents a return for CDC's shareholder of 23% (2005: 35%) this year and an average annual return of 19% since the beginning of 2003.

	£m
Portfolio return	**337.4**
Operating costs	(6.7)
Other net income	44.3
Total return after tax	**375.0**

NEW INVESTMENTS IN THE YEAR

UNREALISED VALUATION GAINS



PORTFOLIO BY FUND MANAGER (%)

Actis (92%)
Other (6%)
Aureos (2%)

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$259.1m (2005: US$489.9m).

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 portfolio rose from £937.8m to £1,125.3m, a 20% increase.

	£m
Portfolio at the start of the year	937.8
New investments	257.3
Realisations	(339.8)
Unrealised gains/(losses)	270.0
Portfolio at the end of the year	**1,125.3**

	£m
Portfolio	1,125.3
Net Cash and short term deposits	771.1
Other net assets	118.4
Total net assets on a valuation basis	**2,014.8**

CDC, as an investment company, is funded by equity with no external borrowings.

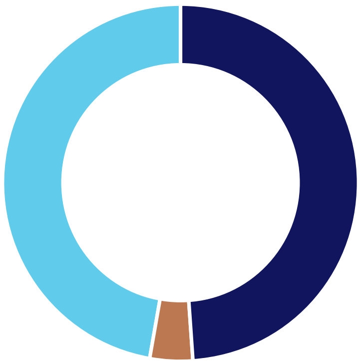
CASH AND SHORT TERM DEPOSITS HELD AT YEAR END (£m)

OUTSTANDING COMMITMENTS (£m)

£413m

2005 : £232m

NEW COMMITMENTS DURING THE SECOND FULL YEAR OF CDC'S NEW BUSINESS MODEL



OUTSTANDING COMMITMENTS BY FUND MANAGER (%)

Actis (49%) Other (47%)
Aureos (4%)

NEW COMMITMENTS BY FUND MANAGER (%)

Actis (36%) Other (57%)
Aureos (7%)

Fund commitment

	Outstanding commitment £m
23 Actis managed funds	**448.3**
22 Aureos managed funds	**40.1**
Shorecap International	0.9
European Financing Partners	10.3
Navis Asia Fund IV	1.5
India Value Fund II	1.1
Barings India Fund II	4.6
EMP Africa Fund II	12.7
GroFin East Africa SME Fund	0.9
Ethos Fund V	13.8
Sphere Fund 1	1.1
Cordiant International Finance Participation Trust (2004)	25.5
Africa Lion 2	0.6
Kendall Court Mezzanine (Asia) Fund	7.1
Capital Alliance Private Equity II	4.6
IDFC Private Equity Fund II	10.6
Capital Today China Growth Fund	14.8
Dynamic India Fund VII	30.4
Lok Capital	1.9
Helios Investors	25.3
Business Partners International Kenya SME	0.8
Afghanistan Renewal Fund	2.8
AIF Capital Asia III	20.2
CDH China Fund III	38.3
CVCI Africa Fund	40.8
Lombard Asia III	10.2
24 Other managed funds	**280.8**
Total legal commitments to 69 funds at end 2006	**769.2**

	Outstanding commitment £m
Nexxus Capital Private Equity Fund III	10.2
India Value Fund III	12.8
Horizon Equity III	5.1
Asia Healthcare	12.8
Navis Asia Fund V	51.0
Atlantic Coast Regional Fund	7.7
Vantage Mezzanine Fund	7.3
Medu Capital Fund II	7.3
Co-Investments	30.3
Board-approved commitments (eight funds)	**144.5**
Total (77 funds)	**913.7**

Fund drawdowns

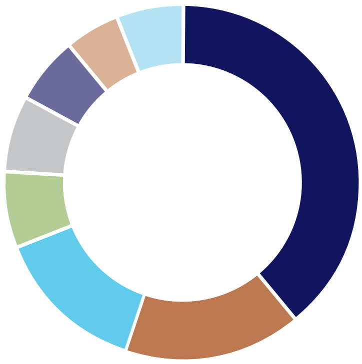
Drawdowns by funds for new investments at £257.3m (2005: £155.5m) were higher than last year with increased investment in power and increased drawdowns from non Actis managed funds. Although CDC no longer makes direct investments, instead investing in managed funds, CDC does look through the fund to the underlying new investments to measure our new investment targets over a five-year period.

New investments

With new investments at 72% in poor countries and 61% in sub-Saharan Africa and South Asia the rolling five year targets of 70% and 50% respectively were exceeded.

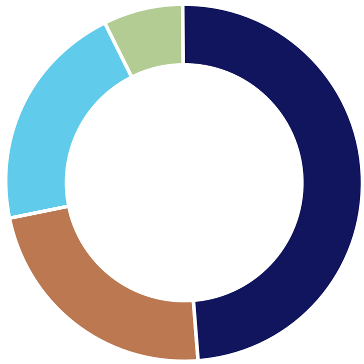
NEW INVESTMENTS BY AREA (%)

- Africa (29%)
- Americas (24%)
- South Asia (36%)
- Asia Pacific (11%)



PORTFOLIO BY SECTOR (%)

- Power (39%)
- Manufacturing (16%)
- Minerals, oil and gas (14%)
- Infrastructure (7%)
- Financial institutions (7%)
- Agribusiness (6%)
- Telecommunications (5%)
- Other (6%)



PORTFOLIO BY GEOGRAPHICAL AREA (%)

- Africa (49%)
- Americas (21%)
- South Asia (23%)
- Asia Pacific (7%)

Fund cash generated

The high level of portfolio cash generation has continued at £407.3m (2005: £507.7m) driven from portfolio realisations. These arose mainly on the legacy portfolio and included some large underlying investment realisations within the funds. Trans African Concessions, a South Africa to Mozambique toll road realised cash of £27.9m, at a 3.4 multiple to cost. The sale of Glenmark Pharmaceuticals in India generated £21.7m of cash at a 2.6 multiple to cost.

Cash and short term deposits held

The high level of legacy portfolio realisations resulted in a higher cash and short term deposits balance at £771.1m (2005: £676.5m). Most of this balance is placed on deposit with the UK Government's Debt Management Office at present but will be recycled into fund investments as current outstanding commitments for investment into 77 funds which stand at £913.7m, representing an over-commitment of 19%, are drawn down.

	£m
Fund drawdowns	(257.3)
Fund cash generated	407.3
Net fund flows	**150.0**
Other cash flows	(55.4)
Net cash inflow	94.6

Fund managers

Before investing in a fund, extensive due diligence is undertaken to try to ensure that top quality fund managers have been chosen who will deliver above average returns in the chosen markets.

CDC made commitments to three new Actis funds totalling US$293m in 2006: Actis Umbrella Fund (US$26m); Actis Agribusiness Fund (US$93m); and Actis Africa Real Estate Fund (US$154m). CDC also increased its commitment to the Actis Africa Fund 2 by US$20m. During the year, CDC made commitments to four Aureos SME funds totalling US$52m as follows: Aureos South Asia Fund (US$20m); Aureos China Fund (US$20m); Kula Fund II (US$5m); and Central America Growth Fund (US$7m).

In 2006, CDC committed to 14 funds managed by other fund managers totalling US$465m: Africa Lion 2 (US$5m); Kendall Court Mezzanine (Asia) Fund (US$15m); Capital Alliance Private Equity (US$15m); IDFC Private Equity Fund II (US$25m); Capital Today China Growth Fund (US$30m); Dynamic India Fund VII (US$75m); Lok Capital (US$4m); Helios Investors (US$50m); Business Partners International Kenya SME (US$2m); Afghanistan Renewal Fund (US$6m); AIF Capital Asia III (US$43m); CDH China Fund III (US$75m); CVCI Africa Fund (US$100m); and Lombard Asia III (US$20m).

Godfrey Davies
Chief Financial Officer

Board of Directors

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

Until February 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 28 years at Barclays.

Arnab Banerji
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
Non-executive Director
Appointed in 1997. He is Chairman of the Business Principles and Development Committee. A development economist, he is Dean of the University of London's External System and Visiting Professor at the Centre for Environmental Policy of Imperial College, London. Up to February 2007 he was chairman of NR International Ltd., a company which manages research programmes in developing countries, and he is a member of the Advisory Council of ECGD.

Fields Wicker-Miurin
Non-executive Director
Appointed in November 2004. She is co-founder and partner of Leaders' Quest, an international organisation which connects, engages and enables leaders around the world to be more effective and responsible leaders. She is also Chair of its Advisory Board. Fields is a non-executive director of the D. Carnegie and Co, Sweden, and Savills plc. She is an Independent Member of the DTI's Executive and Strategy Boards and serves on the UK's Technology Strategy Board. She is also a Governor of King's College, London.

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

Andrew Williams
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 Limited and is a Visitor of the Ashmolean Museum.

He was formerly Managing Director of Schroder Ventures (London) Limited, 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
Chief Executive
Appointed 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 currently Chairman of the EDFI Board of Directors, an association of 15 bilateral institutions which provides long-term finance for private sector enterprises in developing and reforming economies. He is also 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.

Senior Investment Team


Hywel Rees-Jones
Investments Director
Anubha Shrivastava
Portfolio Director, Asia
Innes Meek
Portfolio Director,
Latin America
& China
Rod Evison
Portfolio Director,
Africa

CDC's Fund Managers

We invest our funds with skilled and experienced private equity fund managers in our target markets.

Acap Partners
www.acap.com

Actis
www.act.is

Advanced Finance & Investment Group
www.afigfunds.com

African Capital Alliance
www.aca-web.com

African Lion
www.afl.co.za

Aureos
www.aureos.com

AIF Capital
www.aifcapital.com

Barings Private Equity Partners India
www.bpeindia.com

Business Partners
www.businesspartners.co.za

Cordiant
www.cordiantcap.com

Capital Today
www.capitaltoday.com

CDH Investments
(No website)

Citigroup Venture Capital International
www.citigroupai.com/cvci_overview.htm

CITIC Capital
www.citiccapital.com

East West Capital
www.eastwestcap.com

EMP Africa
www.empafrica.com

Ethos Private Equity
www.ethos.org.za

GroFin
www.grofin.com

Helios Investment Partners
www.heliosinvestment.com

Horizon Equity
www.horizonequity.co.za

ICICI Venture
www.iciciventure.com

IDFC Private Equity
www.idfcpe.com

India Value Fund Advisers Private Limited
www.ivfa.com

Kendall Court
www.kendallcourt.com

Lok Capital
www.lokcapital.com

Lombard Investments
www.lombardinvestments.com

Medu Capital
www.meducapital.co.za

Navis Capital Partners
www.naviscapital.com

Nexxus Capital
www.nexxuscapital.com

ShoreCap International
www.shorecap.net

Sphere Holdings
www.sphereholdings.co.za

Vantage Capital
www.vantagecapital.co.za

CDC's Top Ten Underlying Investments

Investment	Country	Description
Globeleq Ltd	Various	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.
Platmin Ltd	South Africa	Early stage platinum mining in the Bushvelt Complex of South Africa.
Mozal SARL	Mozambique	500,000 tons per annum aluminium smelter in Maputo, Mozambique.
Moga Holdings Ltd	Algeria	The leading mobile telephone operator in Algeria with over six million subscribers.
Infrastructure Development Finance Company Ltd	India	Funding for infrastructure projects in India, particularly telecommunications, information technology, power, roads, ports and urban infrastructure.
Punjab Tractors Ltd	India	One of the largest tractor manufacturers in India.
Lenco Investment Holdings (Pty) Ltd	South Africa	Manufacture of rigid plastic packaging products, with two main businesses, Versapak and Xactics.
UAC of Nigeria Plc	Nigeria	Public company in Nigeria, focusing on food and food services.
Persianas Property Ltd	Nigeria	A 20,000m^2 shopping mall on a 10.9 acre site in the heart of Lagos with ancillary parking.
DFCU Ltd	Uganda	One of Uganda's leading financial institutions, established in 1964 to help boost the development of the Ugandan economy.

All these investments are in Actis funds.

This Annual Review is printed on 9lives 80 Silk, produced from 80% recycled fibre content and 20% virgin totally chlorine free pulp from certified sustainable forests.

Designed and produced by Rare Corporate Design, London. www.rarecorporate.co.uk

CDC Group plc
6 Duke Street
St James's
London SW1Y 6BN

Telephone: +44 (0)20 7484 7700
Fax: +44 (0)20 7484 7750
Email: enquiries@cdcgroup.com
www.cdcgroup.com