CDC Group plc
Annual Review 2007

Generating wealth in emerging markets

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.
(both in 2001 terms)

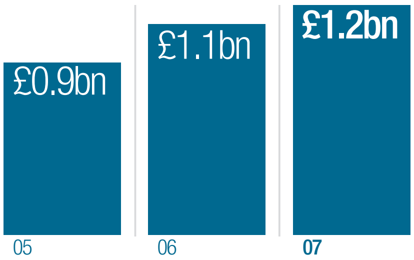
Contents

Portfolio diversity

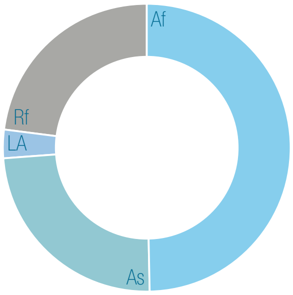
Portfolio value

£1.2bn

↑5.2%

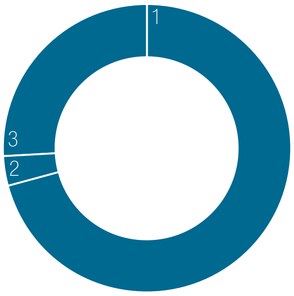


Portfolio by region



Af	Africa	£588m
As	Asia	£286m
LA	Latin America	£38m
Rf	Regional funds	£272m

Portfolio by fund manager



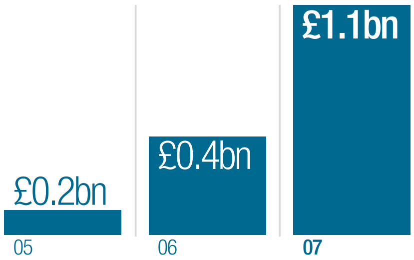
1	Actis	£838m
2	Aureos	£39m
3	Other	£306m

New commitments

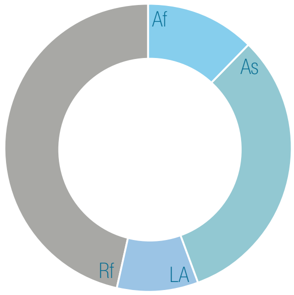
New commitments

£1.1bn

↑175%

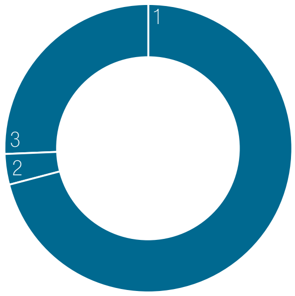


New commitments by region



Af	Africa	£135m
As	Asia	£353m
LA	Latin America	£101m
Rf	Regional funds	£512m

New commitments by fund manager



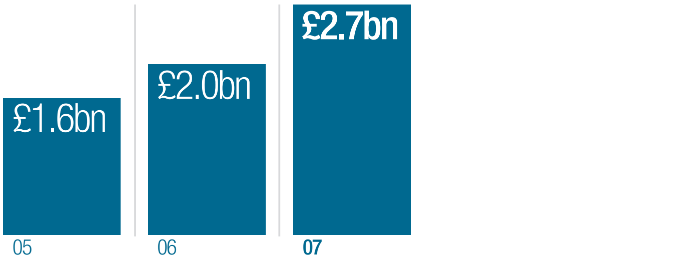
1	Actis	£781m
2	Aureos	£38m
3	Other	£282m

Highlights

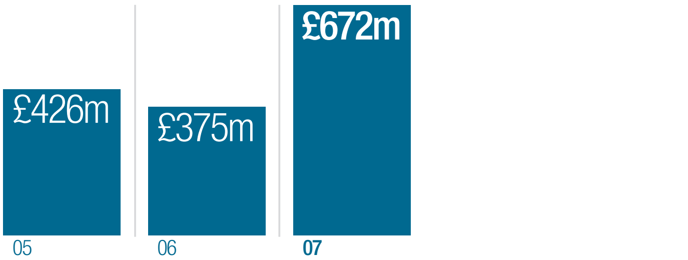
> Excellent total returns of £672m from successful portfolio companies.
> New commitments during 2007 to 31 funds with 16 fund managers.
> £35m invested in three co-investments alongside fund managers.
> Majority of Globeleq's power assets sold producing £281m realised gain and £621m cash.
> Commitments outstanding at 31 December 2007 of £1.4bn to 100 funds with 42 managers.
> Returns are reinvested in the developing economies of Africa, Asia and Latin America.

Performance

Net assets
£2.7bn ↑33%



Total return
£672m ↑79%



Outperforming MSCI Emerging Markets Index ↑20%

Statement from the Chairman

Sir Malcolm Williamson Chairman

"CDC's excellent returns for 2007 are powerful evidence of the potential for investors in developing economies."

2007 was characterised by turbulent financial markets in many developed economies. The sub-prime mortgage crisis threatened slow downs in some economies and the credit squeeze contributed to an uncertain year.

Emerging markets, however, have been mainly unaffected by these issues in 2007. CDC's excellent returns this year are powerful evidence of the potential for investors in developing economies and I am delighted to report on a highly successful year for the business.

Global markets are currently experiencing a downturn. Although many emerging markets are buoyant with strong rates of growth, investors need to be watchful.

We were reminded this year of the unpredictability of emerging markets. The political upheavals in Pakistan and Kenya seen towards the end of 2007 emphasised this uncertainty and highlighted the need for constant vigilance.

Emerging markets are not for the faint-hearted. CDC has a long history of putting capital to work in some of the world's most challenging economies. We are a patient investor and remain committed to these markets.

CDC's long term commitment is vital in uncertain times and serves as a reminder of the development impact of our capital.

More generally, rising commodity prices are putting downward pressure on consumer spending in some countries. At the same time, company valuations are often high and investors should be circumspect about expectations of ever increasing returns from emerging markets.

Our shareholder, the Department for International Development (DFID), set CDC the task of developing a fund of funds business in 2004 and in just four years that objective has been consummately achieved. The company now has £1.4bn committed to 42 fund managers and is invested in 100 funds. Since the beginning of 2004, the asset base of the company has grown by over two and a half times and now stands at £2.7bn.

At the close of 2008, the investment policy and arrangements put in place at demerger come to an end and CDC is working with DFID to ensure that the business develops at an appropriate pace. The important task of securing a sustainable business model for CDC is especially apposite as CDC celebrates its 60th anniversary in 2008. Inevitably, there have been changes over the decades and there will be more to come. All businesses have to adapt to changing commercial climates and CDC is no exception. Nonetheless, the current business model is working well and there is still much to be done in emerging markets where the equity finance approach is still in its infancy. Our central purpose remains unchanged: sustainable economic development in the poorer countries of the developing world through responsible investment in the private sector.

During the year the Board visited CDC investments in Ghana and Nigeria. We were very encouraged to see at first hand the added value contributed to businesses by CDC's skilled fund managers. Actis's investment in Lagos in the Palms shopping mall is an excellent example of how improving the retail infrastructure attracts the vital middle classes to live and work in Nigeria and professionalises supply chains locally, creating high levels of direct and indirect employment. Actis has now exited that investment and is putting its skills in the sector to work in an investment in a shopping mall in Accra, Ghana. We also visited other businesses in which CDC capital has been invested. Mouka, a mattress business in Nigeria is featured on pages 8 and 9. We also saw a small to medium enterprise investment in Ghana focusing on home loans, where it was especially encouraging to observe such active commitment to ethical business principles which are to a model standard.

Finally, congratulations to the CDC team on a successful year and my thanks to my fellow Board members for their continuing expertise and dedication. CDC's team of investment professionals is the bedrock of the company's impressive track record. Growing the team further and deepening its reach are vital to future success. CDC must continue to attract and retain the very best people. I also thank CDC's shareholder, DFID, for its valued guidance and support.

Malcolm Williamson

Sir Malcolm Williamson
Chairman

The scarcity of long term risk capital, particularly equity capital, is one of the factors which constrains the private sector in the developing world.

1 CDC capital

CDC has assets of £2.7bn (US$5.4bn). Our purpose is to stimulate economic growth in the poorer countries of Africa, Asia and Latin America by investing successfully and responsibly in the private sector.

2 Fund managers

We invest our capital 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.

3 Investee companies

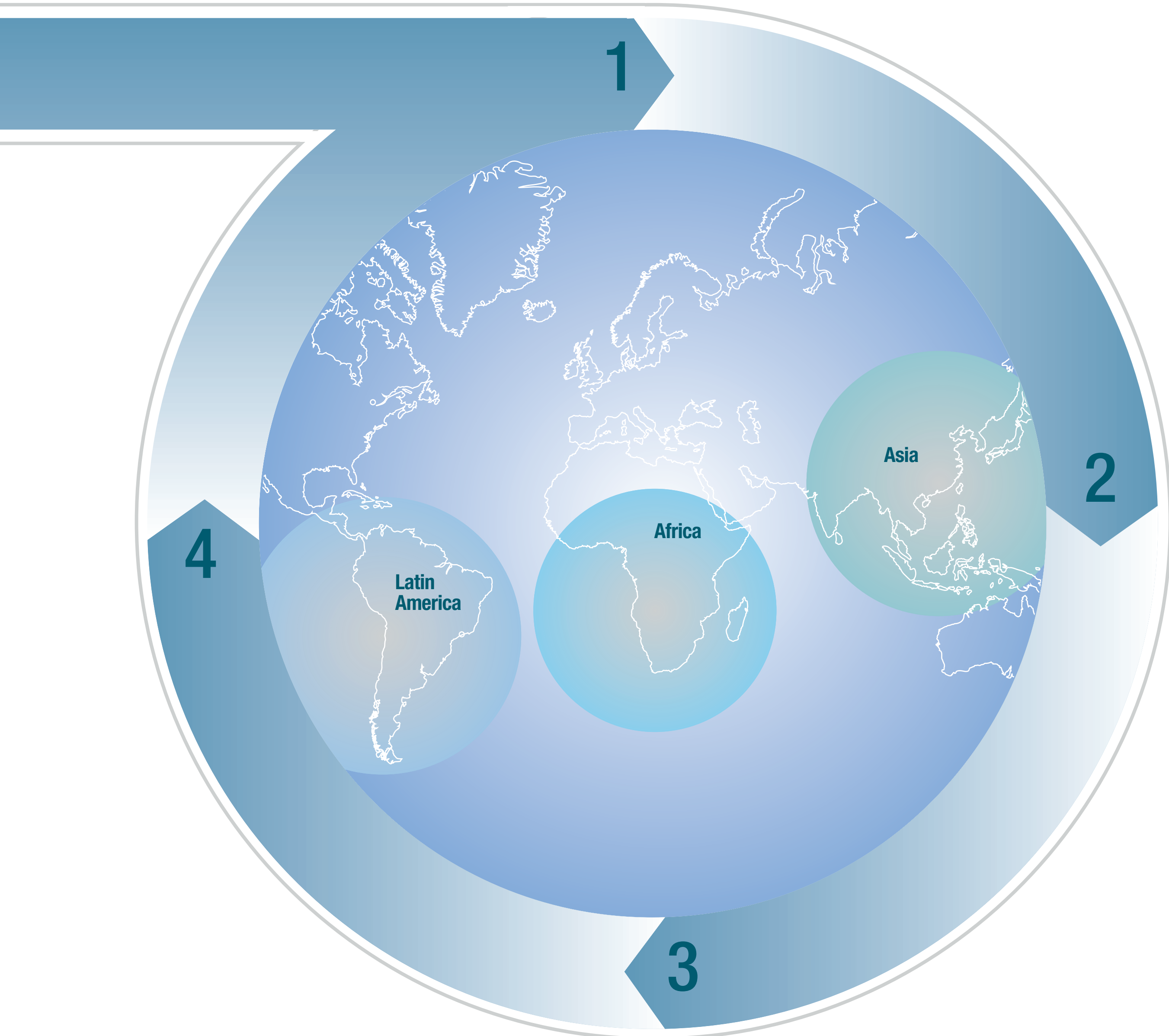
Fund managers deploy CDC's capital in profitable and responsibly managed private sector companies across a range of sectors. We require our fund managers to implement CDC's Best Practice Investment Code and to report on progress.

4 Economic growth

Successful companies stimulate economic growth which reduces poverty. CDC's profits are recycled into new investments in poor countries.

Our investment is aimed at the private sector as the engine of growth. We aim to achieve:

- a direct economic impact by providing capital for successful companies;
- an indirect impact by demonstrating the benefits of successful investment to other capital providers; and
- sustainable economic growth, which is the only route out of poverty for developing countries.



2 Fund managers

We commit capital to skilled fund managers who know and understand the emerging markets of Africa, Asia and Latin America.

We expect them to achieve returns appropriate to the relevant market and to implement our Best Practice Investment Code. In 2007 we placed capital with 16 new fund managers managing a total of 31 new funds in a range of countries including Cameroun, Pakistan and Bangladesh.

Sev Vettivetpillai, Chief Executive
Aureos Capital
Established in 2001, Aureos is a leading global private equity fund manager providing risk capital for expansion and change-of-control transactions in emerging markets for established businesses in the small to mid-cap segment of the market.

Aureos generally invests in businesses with proven track records and helps them reach their full potential, by mobilising its management expertise and well established global network.

Aureos has 25 offices throughout Latin America, Africa and Asia. 14 new regional private equity funds were established between 2001 and 2007 with total capital commitments of over US$720m.

Since 2001, Aureos regional private equity funds have invested US$240m in 64 transactions. Over the same period, the regional funds have begun to demonstrate how Aureos uses its infrastructure on the ground to generate value and create exit opportunities for its regional businesses. Aureos is currently raising two second generation funds: the US$300m Aureos Latin America Fund and the US$400m Aureos Africa Fund.

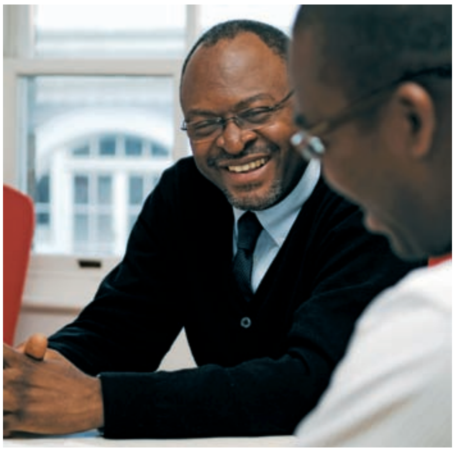
www.aureos.com

aureos CAPITAL

Ferdinand Ngon, Managing Director (Cameroun)
Emerging Capital Partners
CDC committed US$7.3m to the Central Africa Growth Fund in 2007. This fund is managed by a Douala-based team which became part of Emerging Capital Partners (ECP) in 2005. The fund invests in small and medium enterprises (SMEs) in Cameroun and neighbouring countries. ECP's presence on the ground in Cameroun enables it to bring private equity skills to SMEs in a region where traditionally the private equity industry has been insignificant. By becoming part of ECP, the team in Douala will have the support of an experienced investor in African private equity. The team is building an interesting portfolio, including Kosan Crisplant Cameroun (bottled gas under the Glocalgaz brand) and Semme Mineral Water (bottled water from Mount Etinde).

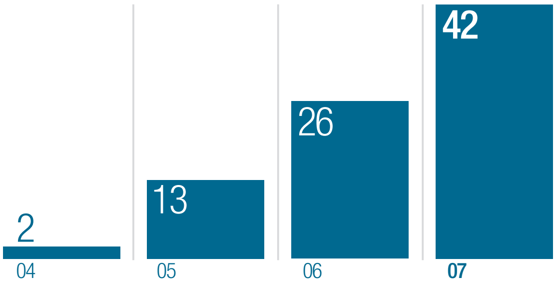
www.ecpinvestments.com

ECP PRIVATE EQUITY



Fund managers

42 ↑16



New commitments to fund managers include

Africa	Asia	Latin America
Access Holdings	CITC Capital	Nexxus Capital
I&P Capital	BTS India	Advent International
Medu Capital	Kotak India Realty	Partria Banco de Negocios
Vantage Capital	Avigo Capital Partners	
	CMIA Capital Partners	**Regional funds**
	New Silk Route Advisors	Global Environment Fund
	Saratoga Capital	Minlam Asset Management
		Actis Infrastructure Fund

See page 36 for a full list of our fund managers.

Paul Fletcher, Senior Partner
Actis

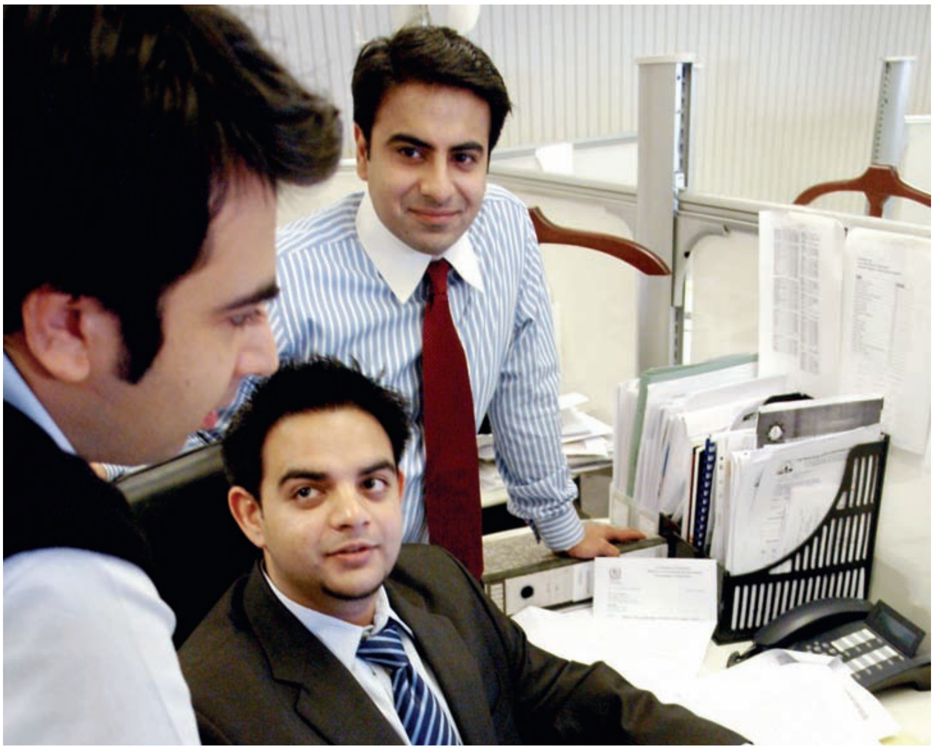
With US$3.5bn of funds under management and over 120 investment professionals located in 14 offices, Actis is a leading private equity investor in emerging markets. Over the past ten years Actis has invested over US$2.9bn in over 150 investee companies.

Integral to its approach to business is the belief that the capital Actis manages creates opportunity for investee companies and their stakeholders. The firm is committed to promoting the sustainable growth of the private sector in emerging markets and its objective is to ensure that the capital raised and managed makes a lasting, tangible and positive difference in the emerging economies of Africa, Asia and Latin America.

Actis provides equity capital for buyout and growth capital as well as project finance. The firm's investments span a range of sectors including agribusiness, financial services, manufacturing, mining, oil and gas, real estate, retail as well as telecoms and power together with broader infrastructure.

www.act.is

Actis
The positive power of capital



Umer Habib (left), Asad Zaidi (middle), Junaid Imran (right).
JS Private Equity

The macroeconomic environment in Pakistan in recent years has improved markedly with strong growth, credit rating upgrades and booming foreign direct investment. Pakistan appears poised to sustain 6-7% GDP growth in the next decade driven by the spending power of an emerging middle class, an expansion in the manufacturing sector, higher public sector spending to remove infrastructure-related bottlenecks and consistent government policies of liberalisation, privatisation and reduction in bureaucracy. Consequently, there are many growth opportunities, but the private sector remains capital-constrained and, despite the potential, Pakistan does not yet have an established private equity industry.

CDC's US$40m commitment to JS Private Equity is a good example of the pioneering, catalytic role CDC capital plays in emerging markets. This US$158m fund focuses on expansion capital and buyout investments of US$10-25m in sector-leading Pakistani companies across a variety of industries including manufacturing, telecoms, energy and agriculture.

www.jahangirsiddiqui.com

JS

Fund managers invest in profitable, responsibly managed private sector companies.

Successful, sustainable businesses make a vital contribution to their local economies. A thriving private sector is the engine of growth in developing countries, creating prosperity and sustainable economic development.

Mouka Limited

Mouka was founded in 1972 by the Mourkarim family. The company included two divisions – a foam business and a steel and pipes business.

In June 2007 the steel and pipes division was de-merged and Actis, the fund manager, bought a majority stake in the foam business from the family shareholders.

Today, Mouka has the largest single foam production plant in West Africa and provides Nigeria and neighbouring countries with millions of mattresses.

The new business plan is focused on Mouka becoming the leading foam company in Africa by 2010.

Mouka is forecasting strong growth of over 50% in sales and operating profits in the year to June 2008 as a result of the reinvigorated management and strategic focus.

Investment Impact

- Actis introduced Peju Adebajo, formerly the managing director of UTC Nigeria, as chief executive in July 2007. She is conducting an international benchmarking study comparing Mouka with African rivals to define the leadership position in Africa and is set to embark on a major new marketing campaign for the business.
- Actis introduced an independent chairman, Dr Dotun Sulaiman, a highly regarded business leader and Chairman of Accenture Nigeria.
- The business provides direct employment to more than 400 employees and a means of sustenance to nearly 5,000 people.

Country review: Nigeria

Q&A with Peju Adebajo, CEO, Mouka Limited:

I studied for a chemical engineering degree which has proved hugely valuable at Mouka, as many chemical processes are involved in the development of foam. I then took a Masters in Business Administration from Harvard Business School. I worked at Citibank and Boston Consulting Group in London before joining the United Bank for Africa on a change programme. From there I became managing director of UTC, a food company, before being invited to join Mouka.


Peju Adebajo

What is your ambition for Mouka? To make Mouka the clear leader in foam in Africa. Our aim is to make our products widely available at reliable quality and reasonable prices. We want Mouka to be a breeding ground for young business talent.

What are the biggest challenges to realising the ambition? The big issues relate to change. The transition from family business to professional corporation with structures, processes and formal reporting lines is challenging. Achieving our ambition means embracing change wholeheartedly. This means new ways of thinking about the business. We're making progress and we're pressing towards our goal.

What challenges do you see ahead? We have to import the bulk of our raw materials. Rising prices and the high cost of doing business in Nigeria make it hard to keep consumer prices steady. We will need a step change in our processes to achieve this.

Mouka is also a much imitated brand. Trademark protection agencies in Nigeria are hampered by lack of resources. This means we have to divert our own resources to ensure consumer protection.

We want to benchmark Mouka against high international environmental standards which mean bearing costs our competitors choose to avoid. However, this will be a long term advantage for us.

What has been the scope and impact of Actis's involvement? The scope is all encompassing but particularly in corporate governance, advocacy within Nigeria on environmental issues and linking Mouka to international partnership networks. Actis also assists in the area of business development.

Fact file[1]

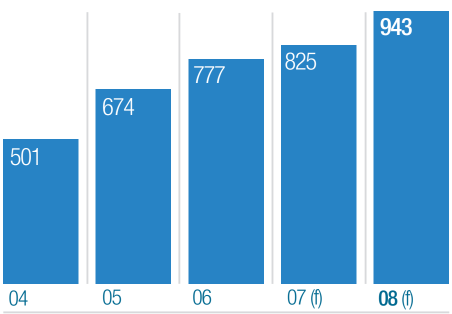
Population: 148m

Life expectancy: 46 years

Adult literacy rate: 69%

Projected growth 2008: 9%

Nigeria GDP per capita (US$)[2]



Investment in vital infrastructure

Oil has been a blessing and a curse for the Nigerian economy. Although it has encouraged rent seeking behaviour and poor governance, oil remains the backbone of the Nigerian economy, providing 95% of foreign exchange earnings and 65% of government revenues. In 2007 oil production declined and the underlying tensions in the Delta spilt over to serious security concerns.

However, growth in non-oil sectors has been strong, reflecting the improved business environment coupled with a strong entrepreneurial spirit and huge potential markets. The key challenge for the new administration is to improve the infrastructure to help reduce the costs facing business. Government success in improving the investment climate for the private sector will further encourage the talent and experience of the Nigerian diaspora to return home where their contribution to economic growth has such a vital role to play in Nigeria's development.

[1] Source: World Bank Development Indicators
[2] Source: WEO (October 2007) and IMF June 2007

Statement from the Chief Executive

Richard Laing Chief Executive

CDC continued to mature in 2007 and is now one of the premier emerging markets fund of funds investors. We facilitate economic growth in the poorer countries of Africa, Asia and Latin America by investing in successful private sector businesses. 2007's excellent results demonstrate our achievement. Returns of 33% show that portfolio companies within the funds in which CDC is invested are performing well. These are profitable and sustainable businesses, paying taxes and creating employment, bringing all the economic benefits of a thriving private sector so urgently needed in the poorer economies of the developing world.

Extending relationships with fund managers

We made new commitments of US$2.2bn in 2007 and increased the number of fund managers from 26 to 42. We currently have Board approval for further commitments to 21 funds with 15 new managers. Selecting successful fund managers in some of the world's most challenging investment climates is one of CDC's key skills. We look for managers with deep local knowledge and investment experience who share CDC's commitment to high environmental, social and governance standards. Fund managers are sourcing an increasing number of deals, in Africa as well as other regions, and are investing at an encouraging rate. They are raising successive funds and are establishing track records which position them well to attract greater investor interest.

Taking the initiative

CDC has a long tradition of taking the initiative and in 2007, we continued to identify market needs and to address them. The financial services sector, for example, has enormous development potential for poorer economies. A report published during the year by the Cass Business School in London[1] highlighted this and drew attention to the role of financial services in boosting growth and alleviating poverty through economic advancement. Within this sector, microfinance has a particularly powerful contribution to make in developing economies. By the end of 2007, CDC had commitments to microfinance of US$45m to three key funds, increasing CDC's total exposure to this highly developmental sector.

Similarly, we made significant investments in infrastructure in 2007, a sector providing the essential foundations for economic growth. Without considerable levels of investment in efficient power, transportation, telecommunications, ports and other types of infrastructure, sustainable economic development in the poorest countries will be impossible.

CDC has a strong track record in power investment. The sale to two consortia in 2007 of the majority of CDC's power assets in Latin America, South Asia and North Africa held in the wholly owned CDC subsidiary Globeleq, generated outstanding cash receipts of US$1.2bn representing an IRR of 18%. This has been a major achievement. Actis's skilful management of Globeleq has attracted high quality commercial investors into power in emerging markets and the impressive returns speak for themselves. Globeleq's achievements are a development success story involving the delivery of safe and reliable power to meet the electricity demands of 60 million people in poor countries. This is discussed further on page 25.

The achievements with Globeleq and the ongoing need for further infrastructure in our markets, led CDC and Actis to initiate the Actis Emerging Markets Infrastructure Fund. It is managed by Actis and incorporates many of the Actis and Globeleq professionals who made Globeleq such a success. We have committed US$750m of new cash and US$167m of existing power assets in sub-Saharan Africa to serve as a platform for further investment. This is CDC's largest commitment to a fund to date. We expect that other investors will commit to this fund during 2008.

Responsible investing

CDC's dedication to our Best Practice Investment Code covering high standards of environmental, social affairs and governance remains a cornerstone of our investment policy. Responsible investment is good business and CDC's strong returns are compelling evidence that adhering to high ethical standards enhances business value.

In 2007, we reviewed and improved our development impact assessment and best practice investment systems. We continued to work actively with our fund managers and through them the portfolio companies, to add value through responsible investment. In October we issued a statement with other development finance institutions, including the International Finance Corporation, placing corporate governance at the forefront of the sustainable development agenda in emerging markets as a facilitator of international capital flows.

Private equity found itself in the public spotlight this year, with much publicised concerns about accountability. The resulting Walker Report called for increased transparency and reporting by private equity firms. CDC has always adhered to these important principles. Through our record of open communication and accountability, we have sought to draw attention to the profound benefits of responsible private equity investment and we welcome the trend of greater openness across the industry. We will be firm advocates for such transparency in private equity in emerging markets.

Investing capital where it is most needed

Last year I highlighted the need to develop co-investment opportunities with our fund managers. This important mechanism allows CDC to invest where our capital is most needed. Despite positive investment opportunities, fund managers often have difficulty raising capital because of geographic or other constraints. By supporting these managers, we are able to make a real difference and support companies that would otherwise be denied the added value of private equity investment. In 2007, we made significant progress in co-investment with three investments totalling US$70m in financial services in Africa and renewable energy in Asia. Co-investment is a highly effective way of deepening the effect of our capital and we will continue to look for further opportunities.

Private equity and emerging markets

Private equity in emerging markets is growing in stature and maturity. India and China have both enjoyed record years in terms of fund raising. In Africa the pace of investment has quickened and many managers have raised successive funds.

Across emerging markets demonstrable returns are showing investors that private equity builds value in companies and investor interest has sharpened as more mature markets face the difficulties of the sub-prime mortgage crisis and the ensuing credit squeeze. However, this has created a heightened sense of expectation. Company valuations in India, for example, are high, possibly too high in some cases; competition for deals may lead some managers to invest too hastily; fund managers' own running costs are increasing as hot markets lead to upward pressure on key investment staff costs.

Despite the note of caution, strong financial markets across CDC's geographies are leading to increased deal flow, exit opportunities and debt availability. This is good news for poor countries. Economic growth is the single most powerful way of pulling people out of poverty[2] and CDC's capital is playing a crucial role in catalysing investment and creating sustainable development.

Barriers to growth

Emerging markets have their risks. Despite efforts to improve the investment climate in many emerging economies, the bureaucratic burden in starting up and running a business is a major barrier to entrepreneurs and growth in many parts of the developing world. The World Bank's annual 'Doing Business' report charts the progress of countries and is a valuable method of tracking change and also encouraging countries and their governments to make improvements. Yet so very much has still to change. In many African countries it takes as much as four times longer to set up even a small business compared to more developed markets and the situation for obtaining licences is similar.[3] Until these regulatory barriers are removed, business and economic growth will be stifled.

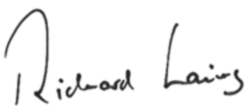
Working with other development finance institutions

During the year I was privileged to hold the Chairmanship of the European Development Finance Institutions Association (EDFI), which fosters co-operation between Europe's development finance institutions and encourages the sharing of best practice between members. During the year, EDFI commissioned a report from the Overseas Development Institute which confirmed our view that these bilateral organisations, each with its own way of doing things, add considerably to development outcomes.

Investing for the long term

CDC's achievements in 2007 were impressive by any measure, outperforming the Morgan Stanley Emerging Markets Index by 20%. Further details on the results are given on pages 28 to 33. Our significant returns are now being reinvested in poor countries where responsible and patient capital is urgently needed so that the process of the economic development cycle can continue.

I extend my thanks to our Board and our Chairman, Sir Malcolm Williamson, whose counsel and guidance have been invaluable. I also thank CDC's dedicated team. CDC's success depends upon their unique skills and dedication, often involving demanding travel regimes. We all look forward to another year maximising the impact of CDC's capital in the poorer countries of the world.



Richard Laing
Chief Executive

[1] Source: The Role of Financial Services in Alleviating Poverty and Delivering Economic Advancement in Developing Countries/Emerging Markets: Cass Business School 2007.
[2] Source: Department for International Development White Paper, 2006.
[3] Source: World Bank's 'Doing Business' 2008 report www.doingbusiness.org

CDC's core purpose is to create sustainable economic development through responsible and successful investments in private sector businesses in emerging economies.

All CDC's investments are made with development impact in mind and we seek fund managers who share this philosophy, translating that commitment into action in the added value their investment brings to portfolio companies. Our Best Practice Investment Code demands high standards in environmental, social and governance matters (ESG) which contribute to building value in businesses and increase their attractiveness to other investors. Best practice investment and development impact are core considerations at every stage of the investment process, from the decision to invest through to monitoring investments during the life of the fund.

CDC operates as a fund of funds, committing capital to managers who know and understand the business environment in their local markets. A commitment to implementing best practice investment standards is a condition of CDC's commitment of capital and we satisfy ourselves of managers' credentials through an exhaustive due diligence process. Managers are required to assess the potential impact of all their investments, allocate a risk rating to investments to determine the appropriate level of management and monitoring required, and to assist portfolio companies to develop action plans to improve their activities where necessary. Portfolio companies also commit to best practice standards and regular assessment, monitoring and reporting is undertaken by fund managers.

CDC's investment professionals devote a significant proportion of their time to monitoring and assessing the performance of our fund managers, supporting them in improving the ESG aspects of their investments and reporting to our shareholder and the wider community on the development impact of our capital.

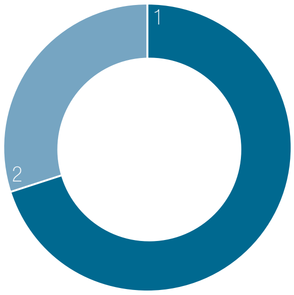
The need to publicise the beneficial impact of private equity investment was highlighted by the Walker Report published in November 2007. CDC has always been an active advocate of openness and transparency. Private equity is a powerful investment mechanism and in 2007 many underlying investments across the CDC portfolio delivered outstanding results in terms of development impact.

In 2007, CDC commissioned a report by Arthur D Little on the development impact of Globeleq, CDC's wholly owned subsidiary investing in power in emerging markets. The report identified a wide range of achievements. The development impact of providing reliable and safe power in countries where millions of people as well as businesses and essential services lack access to electricity is immense. The report concluded that Globeleq had effected significant improvements in the way the power industry operates in emerging markets. Operating efficiency was improved due to the high standards of maintenance introduced, which reduced emissions and improved national energy security. Globeleq was credited with dramatic health and safety improvements throughout its operations as well as introducing best practice in working conditions. 15 of Globeleq's assets were sold to two consortia in 2007, mobilising crucial commercial investment and demonstrating to the market that power in emerging markets is a viable investment opportunity. Our investment in Globeleq was managed by Actis and we are indebted to them for their exemplary input on Globeleq's development impact, especially from Actis's dedicated ESG team.

Set out below are three typical examples of the wide range of development impact within our underlying investee companies:

- expansion at Zambian egg producer Golden Lay Ltd, an Aureos investment, has led to a 30% increase in jobs. A waste management strategy is being developed and world-class bio-security measures to counter the threat from avian flu are being introduced. The company plays an active role in its community, with programmes to address problems in housing, water and sanitation, education and health;
- Actis's investment in Cavally, a rubber plantation in the underdeveloped western region of Côte d'Ivoire, demonstrates the viability of responsible investment in a politically unstable environment. Conservation of wetlands was undertaken to limit the environmental impact of the plantation's development and as part of its local social responsibility activities, Cavally has invested heavily in improving housing for its workforce, building over 500 new homes. The company built a hospital for the plantation, operates HIV/AIDS awareness programmes and has implemented initiatives in education; and

Target investment split



- our investment in V-Link through India Value Fund III is a strong example of the positive effect of CDC's capital. V-Link is a 1,000-strong taxi company in Mumbai and the company has undertaken an extensive programme of driver health and safety awareness, management training and environmental improvement to the fleet. A community outreach programme has also been launched to support the educational needs of drivers' families.

Along with 30 other development finance institutions (DFIs), CDC supported a joint statement positioning corporate governance at the forefront of sustainable development in emerging markets. The initiative highlighted the increasing role of good corporate governance as a facilitator of international capital flows. During the year CDC continued to play an active role in sharing best practice with other DFIs in pioneering workshops across ESG issues.

We have strengthened our monitoring and evaluation processes and are investing further in supporting best practice investment across the portfolio by expanding the CDC team responsible for this crucial aspect of our work.

During 2007, we instituted an improved evaluation system to monitor the development performance of CDC's investments in funds. This followed a period of consultation with other DFIs and experts in the field, including a leading sustainable development organisation, Forum for the Future. The CDC system has been designed to be compatible with the findings of a working group established by the World Bank, 'Good Practice Standards for Evaluation of Private Sector Investment Operations'.

CDC believes that supporting businesses across all sectors in emerging economies contributes to sustainable growth and development. Investing in the financial services sector is crucial. Microfinance, in particular, has an important role to play. We discuss CDC's activities in this sector on page 25 and 26.

Compagnie Heveicole de Cavally

Fund manager: Actis

Investing fund: Actis Agribusiness Fund

CDC fund commitment: US$93m

Investment size: US$15m

CDC led the privatisation of this Côte d'Ivoirian rubber plantation in 1996. It purchased a 7,700 hectare concession from the government including a 2,000 hectare rubber plantation.

Cavally was set up to manage the asset developing a further 3,300 hectares of rubber plantation from 1996 to 2007.

During 2006 the business produced 14,000 tonnes of rubber generating a turnover of US$27m and profits after tax of US$10m.

SIAT, a trade buyer in the region, bought the business in August 2007 for US$40m, a 3.1 x cash multiple over 11 years.

Investment impact

Cavally employs 1,000 people, supporting the lives of 5,000 people.

During the course of the investment there was investment in a new US$8m rubber processing factory, with a capacity of 14,000 tonnes. The factory has incorporated a water purification system and recycling capabilities.

More than 600 local villagers have received extensive training and support to become successful rubber planters. Cavally supports 12 extension officers to provide villagers with advice, training and technical assistance to establish rubber plantations.

Two primary schools are supported on the sites of Cavally and the firm pays the salaries of four of the nine teachers. It also supports an adult literacy programme which was launched in 2007 with 75 participants.

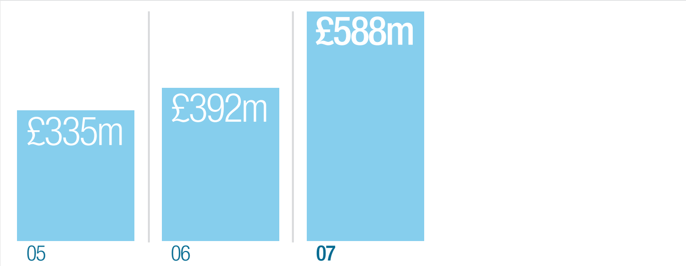
The output of the factory is exported and contributes approximately US$30m to the national economy.

Africa

Portfolio value

£588m

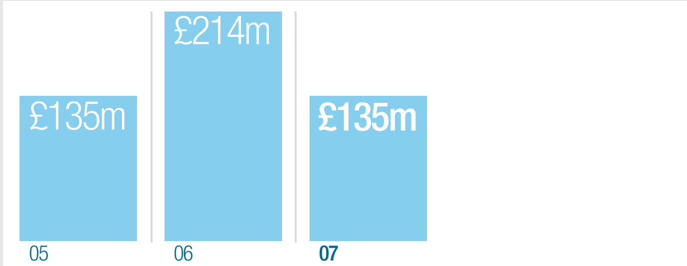
↑50%



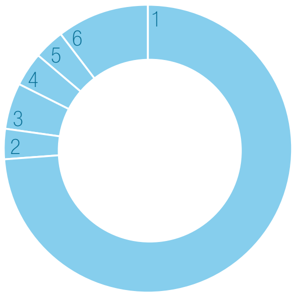
New commitments

£135m

↓37%

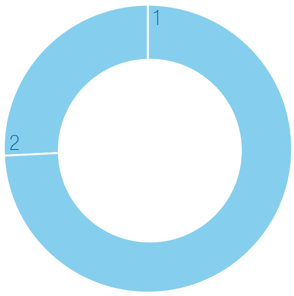


Portfolio by fund manager



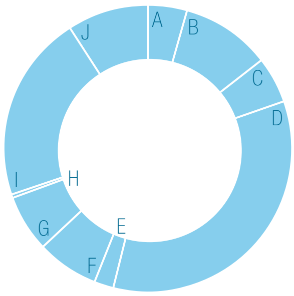
1	Actis	£434.5m
2	Aureos	£20.0m
3	Capital Alliance	£30.5m
4	Helios Partners	£22.5m
5	Continental Reinsurance	£20.2m
6	Other (all under £20m)	£60.9m

New commitments by fund manager



1	Actis	£100.5m
2	Other	£34.9m

Portfolio by sector



A	Agribusiness	£25.6m
B	Consumer	£58.8m
C	Energy	£30.5m
D	Financial services	£200.0m
E	Healthcare	£12.7m
F	Industrials	£40.7m
G	Infrastructure	£37.5m
H	Other	£2.3m
I	Materials	£127.2m
J	Telecoms	£53.3m

Five largest African investee companies

Company	Country	Description
Diamond Bank	Nigeria	Commercial bank
Platmin	South Africa	Minerals, oil and gas
UAC of Nigeria	Nigeria	Food and food services
DFCU	Uganda	Commercial bank
Moga Holdings	Algeria	Telecommunications

New investments by funds include

Company	Fund	Country	Description
SA Block	Aureos Southern Africa Fund	South Africa	Cleantech – brick manufacturing complex
SEP Pharma	Central Africa Growth Fund SICAR	Congo	Healthcare – pharmaceuticals
MTN Côte d'Ivoire	ECP Africa Fund II	Côte d'Ivoire	Wireless telecommunications
Kosan Crisplant	Central Africa Growth Fund SICAR	Cameroun	Gas storage and distribution
Aviance Ghana	Aureos West Africa Fund	Ghana	Transportation

The turbulence of developed markets has not affected sub-Saharan African economies where there has been no slow down in growth, which remained strong at 6.5% in 2007 and the same is expected in 2008.[1] Even in countries with more globally integrated financial markets, such as South Africa, the banking sector has been largely unaffected by the volatility and risk aversion in international financial markets.

More private sector capital is coming into Africa as investors turn to emerging markets in their search for returns. Africa offers significant opportunities and the investment climate is improving, albeit from a low base.

Africa is a core market for CDC. £907m, representing 33% of our funds under management, are in Africa. At the year end our fund managers are operating from 35 offices in sub-Saharan Africa, spread across both oil exporting and oil importing countries. The private sector is generally confident about the outlook and we observe managers investing at a faster pace than historically, raising successive funds and building their track records of investments and exits. Fund managers are doing larger deals and this is raising the profile of the asset class in Africa. The African private equity industry is growing and maturing. The improved profile and results are key factors in attracting both talented individuals and foreign capital back to Africa.

To give a flavour of how our money was put to work in Africa in 2007 we are highlighting transactions in banking and financial services, including microfinance, in sustainable forestry, infrastructure and manufacturing. In markets across Africa, but most reported in Nigeria, private equity managers have been assisting the banking sector to become better equipped to meet the needs of its customers. Accompanying each investment has been a clear focus on the business transformation needed to take advantage of opportunities in the market place.

The Nigerian financial services sector was a theme for our fund managers. Actis made a significant investment in Diamond Bank and CDC was able to co-invest US$50m alongside the fund. We were also able to co-invest US$10m alongside ECP Africa Fund II's investment in Continental Reinsurance. ECP also invested in InterContinental Bank in Nigeria. CAPE II invested in Cornerstone Insurance to assist the company to meet the increased capital requirements of the Nigerian insurance sector. Ethos took a stake in Oceanic Bank and Helios in First City Monument Bank.

In Kenya, Helios's investment in Equity Bank, the market leader with over 70 branches in rural as well as urban areas, will help finance further development of the business, enabling the bank to extend its services to poorer people who are traditionally ignored by the more established institutions.

[1] Source: International Monetary Fund Survey, Africa Growing Rapidly but Faces Risks. February 2008.

Nana Hostel

Fund manager: GroFin

Investing fund: GroFin East Africa SME Fund

CDC fund commitment: US$3m

Investment size: US$1.5m

Nana Hostel was set up by Tom Kaaya to develop residential accommodation on the outskirts of Makerere University in Kampala, Uganda.

The hostel will provide 450 rooms of affordable accommodation for 800 students at the university.

Construction of the hostel began in the summer of 2005 and will be ready for occupation by August 2008.

Investment impact

More than 50 jobs will be created in the maintenance of the hostel. A further 200 jobs were created during the construction of the hostel.

The success of Nana has led GroFin to support the investment of a second hostel in Makerere University, located near its business school.

GroFin will also invest in the development of two hotels in Rwanda. The first is the Okapi in the centre of Kigali and the second is the Belvedere in Gisenyi.

> "The big issues relate to change. The transition from family business to professional corporation... is challenging."
> **Peju Adebajo, CEO, Mouka Ltd**

Aureos, a manager focusing on the small and medium sized (SME) business space, is helping to create a regional microfinance grouping involving Micro Kenya and Uganda Microfinance Ltd (UML), an innovative microfinance institution (MFI). UML provides savings and loans products to low-income clients (roughly half of whom are women) with informal collateral conditions and flexible repayment schedules. Aureos is working closely with the company to help improve corporate governance, management information systems and internal controls.

Microfinance is under-developed in Africa and many of CDC's managers are investing in MFIs. A case study on ShoreCap's investment in the Gambian MFI Reliance Financial Services is featured on page 25.

Investment in infrastructure was also a theme for CDC in Africa this year. Following the sale of the majority of assets in CDC's wholly owned subsidiary Globeleq, we made a US$750m commitment to the new Actis Emerging Markets Infrastructure Fund. We are hopeful that a significant proportion of this fund will be invested in new infrastructure assets in Africa. The fund has also been seeded with some of the African assets of Globeleq which have been retained in anticipation of further growth potential and value enhancement.

In the manufacturing sector, Actis invested in Mouka, a foam mattress producer in Nigeria. A case study of this investment appears on pages 8 and 9. ECP made an investment in a Nigerian fertiliser producer which was acquired through a privatisation process.

There were several encouraging exits across the portfolio during the year. Actis's sale of The Palms shopping mall in Lagos was a reflection of the success of this important retail business and we will continue to support this type of business through Actis's investment in a further shopping mall in Accra, Ghana.

In the horticultural sector, Actis exited its investment in Flamingo, a leading Kenyan fruit and vegetable business to an experienced investor in East African agribusiness. Actis's exit from Cavally, a rubber business in Côte d'Ivoire is featured as a case study on page 13.

The troubling events following the Kenyan elections in late 2007 have caused short term damage to the private sector. The longer term nature of private equity and its focus on building businesses should help the Kenyan portfolio work through any short term problems.

Looking to the future, the impact on Africa of climate change is an inevitable subject of concern. CDC is actively looking for investment opportunities that will have a positive impact and Actis's investments in sustainable forestry in South Sudan and Tanzania are good examples of this. We are also looking at biofuels and are seeing the development of an interesting sector which is attracting the attention of local and international investors.

Diamond Bank

Fund manager: Actis

Investing fund: Actis Africa Fund 2

CDC fund commitment: US$330m

Investment size: US$134m

CDC co-investment: US$50m

Diamond Bank of Nigeria was set up in March 1991 by Pascal Dozie. It is now quoted on the Nigerian Stock Exchange, with a GDR listing in London.

Diamond Bank delivers full banking services from a network of 120 branches throughout Nigeria and Benin. It employs more than 2,000 staff.

In June 2007 the bank received an investment of US$134m, representing the largest single private equity investment ever made in Nigeria.

Diamond Bank is the ninth largest bank in Nigeria with a 5% market share.

Diamond Bank has now received an A grade from Fitch Ratings.

Investment impact

43 new branches opened in 2007.

The investment will accelerate the development of a 200 branch network by December 2008.

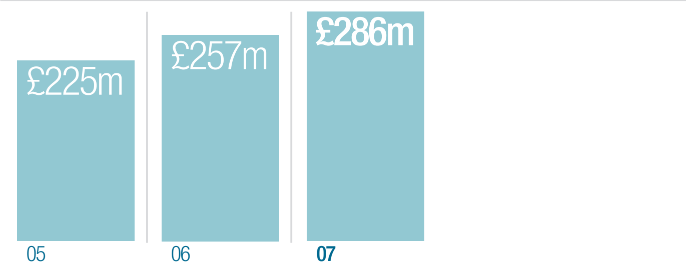
The operational performance of the bank has been boosted by the contacts and expertise of Actis. Two non-executive directors – Nkosana Moyo, a former Managing Director at Standard Chartered in Tanzania and senior advisor to the International Finance Corporation and Simon Harford, the former head of Virgin Nigeria in West Africa – now sit on the Diamond Bank board.

Asia

Portfolio value

£286m

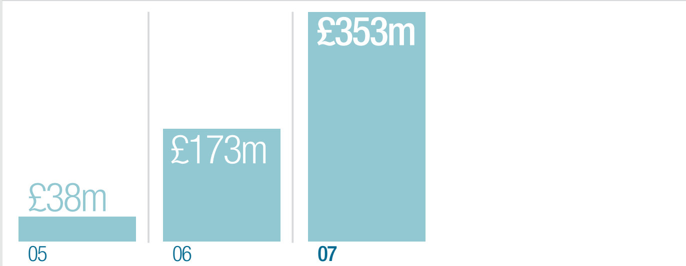
↑11%



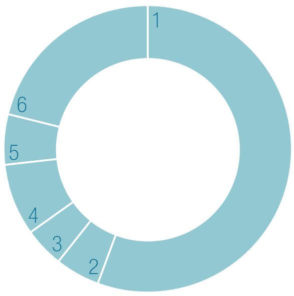
New commitments

£353m

↑104%

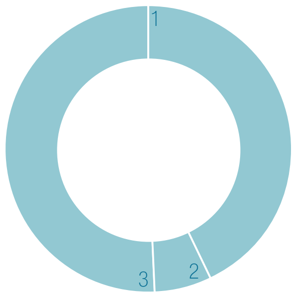


Portfolio by fund manager



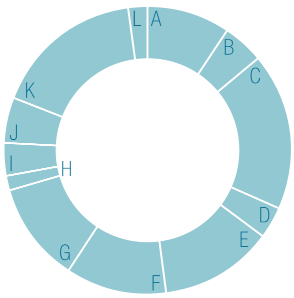
1	Actis	£158.9m
2	Aureos	£14.3m
3	CDH China	£12.8m
4	ICICI Venture	£23.1m
5	Navis	£16.2m
6	Other	£60.3m

New commitments by fund manager



1	Actis	£151.1m
2	Aureos	£22.7m
3	Other	£178.8m

Portfolio by sector



A	Agribusiness	£26.7m
B	Cleantech	£13.2m
C	Consumer	£50.4m
D	Energy	£10.2m
E	Financial services	£36.4m
F	Healthcare	£32.4m
G	Industrials	£32.1m
H	Infrastructure	£4.7m
I	IT	£10.5m
J	Manufacturing	£14.6m
K	Materials	£48.2m
L	Telecoms	£6.2m

Five largest Asian investee companies

Company	Country	Description
Phoenix Lamps	India	Energy efficient halogen bulbs
Dalmia Cement (Bharat)	India	Construction materials
Mivan Far East	Malaysia/India	Construction materials
Paras Pharmaceuticals	India	Healthcare/pharmaceuticals
Taizinai Biotechnology	China	Beverages

New investments by funds include

Company	Fund	Country	Description
Andromeda	Navis Asia Fund V	India	Call centres and direct sales through field agents
LMKR Holdings	Actis South Asia Fund 2	Pakistan	Information management solutions to the oil and gas industry
STS Holdings	Aureos South East Asia Fund	Bangladesh	Healthcare providers
Bangkok Ranch	Navis Asia Fund V	Thailand	Food processing
Truong Thanh	Aureos South East Asia Fund	Vietnam	Consumer durables

South Asia

Economies across South Asia are buoyant and the Indian economy remains the powerhouse in the region despite a volatile year for the Sensex. Indian GDP growth averaged 8.5% to 9% in 2007[1] and a steadily growing middle class is leading to increased consumer demand.

However, the scale of poverty is massive. 34% of the population lives on less than US$1 a day[2] and many years of 10% plus growth are required to lift the country out of poverty.

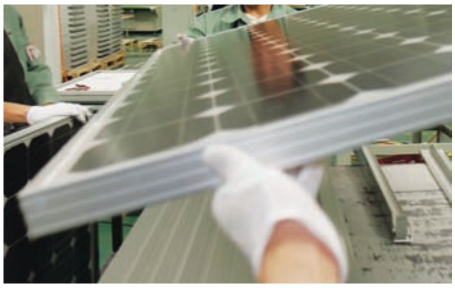
India has one of the largest private equity markets in Asia. Levels of fundraising are at an all time high with rates of investment to match. In 2007 US$14.2bn was invested[3], double the figure in 2006 which was itself a record year. India has come a long way very quickly. The total invested just five years ago was US$1bn with some 15 fund managers dedicated to investments in India. There are now over ten times that number of managers investing in India and this extraordinary growth has brought increased competition for deals and upward pressure on fund manager costs. Choosing the right manager is crucial in this environment.

CDC has a vital role to play in the region and our capital is invested across a wide range of sectors. India's need for infrastructure is greater than ever and managers are raising funds at a record rate. The key, however, is sourcing good investment opportunities and this remains a challenge. During the year the US$1.25bn India Infrastructure Fund was launched by IDFC Project Equity. CDC committed US$100m to this important new fund which will focus on energy, telecommunications and transport together with commercial and industrial property. IDFC invested well in the sector during the year and examples include investments in hospitals, an equipment bank for the construction industry, India's largest 'full truck load' road transportation company as well as an investment in Pipavav Port, the country's first private sector port, located in the state of Gujarat. In addition, the Dynamic India Fund made an important investment in a shipbuilding facility and Baring India has made an investment in clean energy.

In 2007 we investigated real estate in India. According to the Indian government's tenth Five Year Plan, the country is facing a housing shortage of at least 20 million units with 70% to 80% within the low income sector. Some unofficial estimates put the shortage at nearly four times that figure. The urban population is growing at a rapid rate and demand for lower income housing is far outstripping supply. Quality also remains very low with 70% of households occupying no more than two rooms. In addition, the Bank of India recently tightened monetary policy in real estate lending which has resulted in a shortage of capital investment in the sector.

Against this background, CDC made two significant investments in 2007. We committed US$100m to Actis's US$250m Actis India Real Estate Fund. This is Actis's first fund in the sector and the focus will be on lower-middle income residential and commercial property. We also committed US$50m to the US$350m Kotak India Realty Fund II. These funds will also promote best practice in real estate corporate governance.

[1] Source: The India Report, Astaire Research, December 2007.
[2] Source: 2007/2008 Human Development Report on India published by UNDP.
[3] Source: Venture Intelligence India Q4 2007.



Moser Baer Photo Voltaic

Fund manager: IDFC Private Equity
Investing fund: IDFC Private Equity Fund II
CDC fund commitment: US$25m
Investment size: US$100m
CDC co-investment: US$10m

In October 2005, Moser Baer India Limited, the world's second largest manufacturer of optical media storage devices, launched a new subsidiary called Moser Baer Photo Voltaic (MBPV) focused on the manufacture of photovoltaic cells and modules.

MBPV will produce solar cells and modules that can ultimately be used in providing clean renewable energy. MBPV is on course to become a global leader in the photovoltaic space.

Currently the business has a 40 MW crystalline silicon cell manufacturing capacity. The investment of US$100m will enable MBPV to increase this to 360 MW over the next couple of years. Management has plans to ramp up production capacity to over 1,000 MW (across various technologies in the photovoltaic space) over the next five years.

Management anticipates a public listing of MBPV on an international exchange over the next 12-18 months.

Investment impact

The investment has enabled Moser Baer to expand the capacity of its current solar cell and module production facility, as well as expand into new technology verticals such as thin film and concentrated photovoltaic modules.

The area of Noida, near Delhi, has benefited from the investment. It is set to develop into a residential and industrial centre, bringing job creation. Additionally management plans to expand its thin film technology vertical in Chennai, in South India which will have a beneficial impact on employment in this area.

The development impact of financial services in developing economies is profound and ShoreCap and Lok Capital continued to invest steadily in the microfinance sector. Lok investments in 2007 included the provision of enterprise, housing and education loans in Bangalore as well as an investment in Spandana Sphoorty Innovative Financial Services, one of India's largest microfinance institutions.

In the small and medium enterprises (SME) sector, we increased our commitment to the Aureos South Asia Fund on the back of increased deal flow in India, Sri Lanka and Bangladesh. The fund made important new investments in healthcare and the automotive industry in 2007. We also committed US$20m to the US$125m Avigo Fund II targeting industrial SMEs.

We made significant commitments to a number of important new funds in 2007 investing in niche manufacturing, technology and business process outsourcing. We committed US$25m to the US$400m India Value Fund III and US$20m to the Mumbai-based US$68.3m BTS fund.

Key investments in other parts of the portfolio include India Value Fund III's V-Link Travel Solutions' investment, a taxi licence and 1,000-strong vehicle business in Mumbai. Driver safety and family outreach programmes are being implemented and plans for liquid propane gas powered vehicles are progressing.

2007 saw some important exits in South Asia. Actis sold its remaining investment in Glenmark Pharmaceuticals and also exited the Sri Lankan investment in South Asia Gateway Terminal as well as its Engro fertilizer investment in Pakistan. India Value Fund II sold its investment in Trinethra, a supermarket chain based in Hyderabad.

Pakistan remains an important focus for CDC and our capital has a catalytic role to play in this rapidly developing economy where government reforms have encouraged a more transparent and investor friendly environment. Nonetheless, the political difficulties of 2007 are a reminder of the often challenging nature of emerging markets and we maintain a close watching brief on developments. The Pakistani economy is growing at a rapid rate. In 2007 real GDP growth was 6.4%[4]. Although the private equity industry is in its infancy, there are encouraging signs not least in the formidable pool of professional financial talent as well as the abundance of investment opportunities.

CDC committed US$40m to JS Private Equity's US$200m Fund I. This is discussed on page 7. CDC supported the formation of this first time team.

China

Despite the extraordinary rates of growth in China, averaging 10% over the last decade, a third of the population continues to live below the poverty line.

Some 300 million people are classified by the World Bank as poor. The country continues to undergo dramatic change as urbanisation gathers pace. Over half the population is still rural, but the urban population is growing by over 3% a year and is expected to constitute more than half of the total within the next ten years.12 million people enter the job market each year. As population flows to the cities increase, the need for jobs and homes will need to keep pace. A thriving private sector is essential for the provision of both, but company growth is constrained by immature capital markets and the lack of a strong credit culture in the banking system. Smaller businesses in particular are held back by a dearth of intelligent capital and the banking system does not favour entrepreneurs.

CDC has committed over US$450m to China and a further US$75m is in the pipeline. Our capital is playing a catalytic role in the provision of growth finance, across the spectrum from small businesses to larger companies. We look for disciplined managers who add value to their portfolio companies and help them grow. Although the private equity industry is still small in relation to the size of the economy, we are seeing good managers and there is great potential.

Our fund managers performed well in 2007. Actis continues to build a strong team with an interesting portfolio. This includes a US$40m growth capital investment in Taizinai, a leading dairy company. We made a substantial commitment this year to Actis's China Fund 3. Aureos's China Fund, which also provides growth capital, is investing in Shandong Province, providing funding to small and medium sized businesses. Aureos will shortly make an investment in a wind power company.

Capital Today, a first-time fund based in Shanghai, also made some interesting investments during the year, including those in Kung Fu, a steamed food fast food chain, Rong Qing, a refrigerated truck distribution business, and DQY Poultry (see page 21).The fund's aim is to provide expansion capital to mid-cap companies which are positioned to capitalise on the growth of the consumer market in China.

CDH is tackling the difficult but important task of restructuring and privatising larger state owned enterprises (SOEs). Shuanghui, CDH's pork processing business in Henan province, is a good example of this kind of investment.

We committed to the US$425m CITIC Capital China Fund in 2007. CITIC is a strong brand with a disciplined approach. The team focuses on SOEs and buyouts and has already made some promising investments, including Harbin Pharmaceuticals which manufactures pharmaceutical products and Chinese traditional medicines in North Eastern China.

Finally we committed to CMIA, which provides growth capital to companies in second and third tier cities. CMIA has made investments in a variety of businesses, including a food production company and a vanadium mine in Gansu province.

South East Asia

The macro-economic picture is positive in the region. Currencies are strengthening and the economies are growing. Private equity is showing signs of progress. Vietnam is a buoyant market with strong deal flow.

Fundraising in Indonesia is stepping up and we committed US$45m to Saratoga Asia II in 2007. The fund will invest in a range of industries including agribusiness and infrastructure. We also committed US$70m to the US$900m Navis Fund V this year, making CDC one of the fund's largest investors. The fund will invest across a broad range of sectors, taking majority stakes that allow the manager to adopt a hands on approach. Kendall Court Mezzanine (Asia) Fund I has had some interesting deals including an investment in an Indonesian consumer finance company.

Actis was active in the region during the year with the sale of Unza, a Malaysian-based personal care products manufacturer, and an investment in Mivan, a manufacturing company again in Malaysia which designs innovative aluminium moulding systems for the construction industry across Asia.

In Thailand the deal pipeline is healthy despite the political turbulence of 2007. Aureos South East Asia Fund, with a CDC commitment of US$20m, is investing at a steady pace. Lombard Asia Fund II invested in a deal in Thailand during the year.

Central Asia

A shortage of risk capital is holding back diversification in the economies of Central Asia. We made a US$20m commitment this year to Aureos's Central Asia Fund, its first foray into the region.

The fund has a US$100m target and will focus on SME investments in Kazakhstan and Azerbaijan to create jobs, grow companies and develop management skills. Sectors for investment include financial services, distribution and food processing. The deal pipeline is encouraging and CDC is pleased to have exposure in the region.

Tirta Marta

Fund manager: Aureos Capital

Investing fund: Aureos South East Asia Fund

CDC fund commitment: US$20m

Investment size: US$4m

Tirta Marta was established in 1971 as a flexible packaging manufacturer but is now focused on developing biodegradable plastic made from Indonesia's abundant supply of tapioca.

Tirta Marta designs, manufactures and distributes Biobags – biodegradable plastic shopping bags – with customers including retailers such as Body Shop. In 2007, the business had sales of US$7.7m. The company employs 300 people.

Investment Impact

The fresh investment will enable the business to improve existing machinery and invest in new equipment to support a marked expansion in production.

The firm has invested in upgrading the financial and accounting reporting systems and will develop financial models to help with resource allocations. It has appointed a new finance manager.

De Quing Yuan Poultry

Fund manager: Capital Today

Investing fund: Capital Today China Growth Fund

CDC fund commitment: US$30m

Investment size: US$14m

Founded in 2002, De Quing Yuan (DQY) is now the second largest egg producer in China. Its 500,000 hens produce 300,000 eggs per day.

DQY sells branded green-graded eggs stamped with a brand and production date. The business increased like for like sales in the first six months of 2007 by 75%. The investment has been used to improve the firm's manufacturing plants and quality control technology.

Investment impact

The investment will help boost production levels by 500% to 1.5m eggs per day from 1.5m hens.

Capital Today has taken an active board role, introducing a director who previously built a RMB10bn dairy business. It also has representatives on the compensation and strategy committees and is helping to hire a financial controller and factory head.

A facility that generates power using methane, which will enable the firm to sell carbon credits following approval from the Chinese government, is being developed.

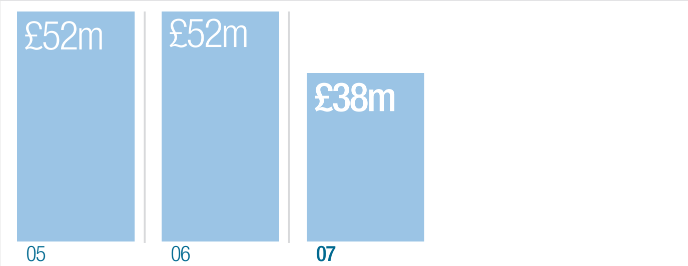
[4] Source: Economist Intelligence Unit, February 2008.

Latin America

Portfolio value

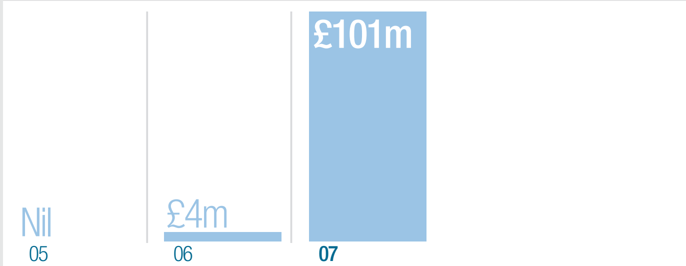
£38m

↓27%

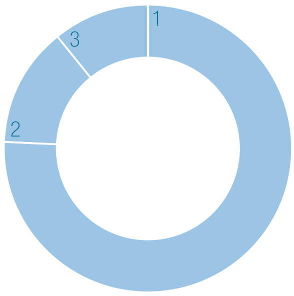


New commitments

£101m

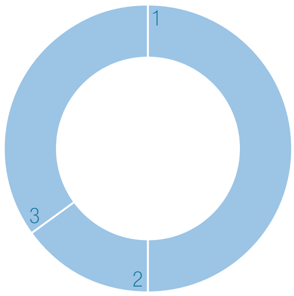


Portfolio by fund manager



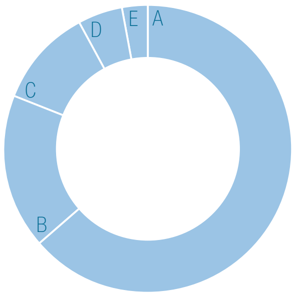
1	Actis	£28.7m
2	Aureos	£5.1m
3	Other	£4.1m

New commitments by fund manager



1	Actis	£50.4m
2	Aureos	£15.1m
3	Other	£35.3m

Portfolio by sector



A	Agribusiness	£24.1m
B	Consumer	£6.6m
C	Financial	£4.2m
D	Infrastructure	£1.9m
E	Other	£1.1m

Five largest Latin American investee companies

Company	Country	Description
Regal Forest Holding Co	El Salvador	Forestry
Nexus Film Corp	Peru	Media
ASA Posters	El Salvador	Media
Grupo Gayosso S.A. de C.V.	Mexico	Retail
Avance Ingenieros	El Salvador	Infrastructure

New investments by funds include

Company	Fund	Country	Description
Aluminio de Panama	Aureos Central America Fund	Panama	Materials – metals and mining
Viena Group	Advent Latin America Private Equity Fund IV	Brazil	Hotels and leisure
Credito Real	Nexxus Capital Private Equity Fund	Mexico	Consumer finance
Constructora e Inmobiliaria Centroamericana S.A. de C.V.	Emerge Central America Growth Fund	El Salvador	Capital goods

At the macro-economic level much of the region is performing well albeit with more modest growth rates than other emerging markets. The Mexican economy grew by 4.8%[1] in 2006 and in Brazil and Colombia by 3.7% and 6.8% respectively[2]. In the smaller economies of Central America, the growth rate was almost 6%[3].

The growing middle classes are driving consumer demand. However in spite of encouraging political and economic improvements, poverty is still a feature in parts of Latin America. In Brazil, for example, according to World Bank data, almost 14 million people[4] live on less than a dollar a day.

Economic reforms in the '90s have created a favourable investment environment for private equity in Brazil, where there is a booming IPO market. Private equity is maturing and there are good managers with interesting pipelines across all sectors. Further reform is still needed, however, particularly on the fiscal side. Mexico is a case apart: although the economy is performing well, the private equity market is less developed than in Brazil.

2007 was a busy year for CDC in Latin America, with commitments to four new funds in the region. In Brazil, we committed US$30m to Patria's third fund, which targets investments in mid-market companies in fragmented industry sectors. Patria's disciplined buy and build approach adds value to portfolio companies. The burgeoning middle classes are generating investment opportunities across a range of sectors including education, health and financial services. The fund is projected to close in excess of US$500m.

Aureos launched its US$300m Aureos Latin American Fund early in 2007, targeting investments in small to medium enterprises (SMEs) in Central America, the Andean region and Mexico with the aim of transforming small family-run companies into sustainable, professionally managed enterprises. New offices have been established in Colombia, Peru and Mexico. CDC committed US$30m to the fund. Aureos stresses the importance of increasing environmental awareness among SMEs and improving health and safety and governance standards in investee companies.

CDC's greatest exposure in the region is through the Actis Latin America Fund 3 which targets mid market expansion capital and buyout investments. The fund will initially focus on Brazil. Actis has opened an office in São Paolo.

In 2007 CDC also invested in Advent International's most recent fund, Advent LAPEF IV, which closed at US$1.3bn. Advent, one of the most established players in the region with teams in Mexico, Brazil and Argentina, targets buyout opportunities in mid to large companies in high growth sectors, often in cross country deals leveraging on its pan regional presence.

Prior to the commitments above, CDC committed US$20m to Nexxus Fund III in 2006. The fund's first investment was in a consumer finance company with a strong focus on microfinance.

With new commitments to Advent International, Patria, Actis and Aureos in 2007 together with the earlier investment in Nexxus, CDC reaffirmed its footprint in the major Latin American economies of Brazil and Mexico as well as in Central America but also gained an early exposure to the Andean region.

[1] Source: Credit Suisse Q1 2008 estimates.
[2] Source: ibid.
[3] Source: Occasional Paper Series No. 257: Economic Growth and Integration in Central America, June 2007 produced by the IMF.
[4] Source: World Bank Development Data, Brazil Country Profile, latest data available is for 2004.

Grupo Difoto

Fund manager: Aureos Capital
Investing fund: Aureos Central America Fund
CDC fund commitment: US$10m
Investment size: US$36.3m

Grupo Difoto was originally founded as a family owned business with the distribution rights to Kodak in Guatemala. Management saw an opportunity to make a transition to a related and higher value added business and so used private equity funding in March 2004 to acquire Xerox's operations in Central America.

Making a success of the investment demanded a re-engineering of the corporate culture at Grupo Difoto and a transition from a family run operation to one with multiple shareholders.

Investment impact

Aureos introduced more rigorous controls into the Grupo Difoto business. Two Aureos executives joined the board, with one taking an active position in the acquisition committee that was set up to examine potential targets.

Aureos assisted Difoto in improving its corporate governance, refinanced the group's debt and lowered costs throughout the business. Financial reporting is now generated within ten days of the month ending and Ernst & Young have been appointed as advisors for regional tax planning purposes.

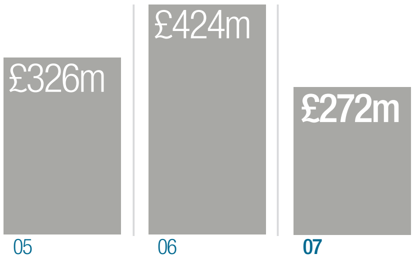
This led to an increase in Difoto sales of 275% between 2002 and 2005. A Caribbean conglomerate acquired a majority stake in Grupo Difoto in 2006.

Regional funds

Portfolio value

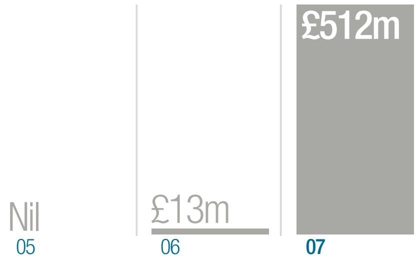
£272m

↓36%

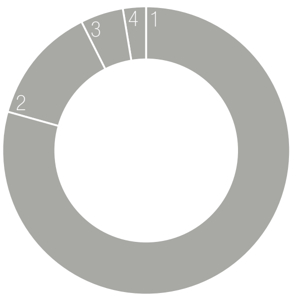


New commitments

£512m

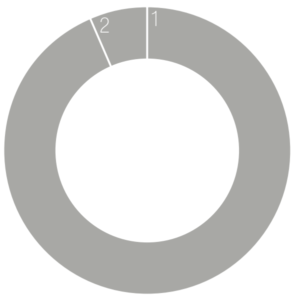


Portfolio by fund manager



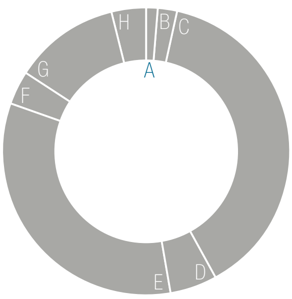
1	**Actis**	£215.8m
2	**International Finance Participation Trust**	£36.0m
3	**Minlam Microfinance Offshore Fund**	£13.1m
4	**Other**	£7.1m

New commitments by fund manager



1	**Actis**	£478.6m
2	**Other**	£33.3m

Portfolio by sector



A	**Agribusiness**	£3.5m
B	**Consumer**	£5.9m
C	**Energy**	£104.8m
D	**Financial**	£14.4m
E	**Infrastructure**	£90.1m
F	**Materials**	£10.3m
G	**Minerals, oil and gas**	£32.4m
H	**Other**	£10.6m

Five largest regional investee companies

Company	Country	Description
Infrastructure Development Finance Company	India	Infrastructure
Songas	Tanzania	Power generation
Mozal	Mozambique	Minerals oil and gas
Minlam Microfinance Offshore Fund	Global	Microfinance
Umeme	Uganda	Power generation

New investments by funds include

Company	Fund	Country	Description
Eleme Petrochemicals	European Financing Partners	Nigeria	Manufacturing
Empower	Actis Infrastructure Fund II	Global	Power generation
ACCESS Madagascar	Access Holdings	Madagascar	Commercial bank
Dequingyuan Agricultural Technology	Global Environment Emerging Markets Fund III	China	Cleantech – agriculture
International Hindustan Sugar	International Finance Participation Trust (2004)	India	Farming

We approach a number of funds from a regional perspective to maximise the impact of our capital. In 2007 three important themes were addressed through regional initiatives: infrastructure, microfinance and the environment.

Infrastructure

The need for infrastructure to support economic growth in emerging economies is immense. Safe and reliable power, efficient transportation and modern telecommunications are the essential foundations of any economy. Without them, sustainable development is not possible.

CDC has a long record in power and in 2007 we sold the majority of the assets held in our wholly owned emerging markets power subsidiary Globeleq. The excellent returns allowed us to establish a new emerging markets infrastructure fund to back greenfield and mobile power generation. CDC's commitment of nearly US$1bn comprises US$750m capital and three investments valued at US$167m. It is our largest commitment in our 60 year history and is an excellent example of CDC taking the initiative and putting our capital to work where it is needed most.

Managed by Actis, the Emerging Markets Infrastructure Fund will invest predominantly in the power sector and will seek selective investment opportunities in transport and telecommunications. It expects to invest a significant proportion of its commitments in development stage investments and will invest across Africa, Asia and Latin America where millions of people have no access to electricity.

The fund has an attractive pipeline of new investment opportunities with an emphasis on Africa.

Microfinance

Microfinance typically covers small loans to individual entrepreneurs, often women, running very small-scale businesses in the developing world. These individuals would otherwise find it impossible to access credit. This type of lending is drawing increasing interest from commercial financial services groups, having traditionally been an industry supported by non government organisations. The Microcredit Summit Campaign's 2006 report estimates that in the last ten years, microfinance outreach has grown by between 25% to 30% annually, with 3,100 of existing microfinance institutions (MFIs) serving over 113 million clients worldwide. Despite this growth, the number of clients reached is still significantly smaller than the global demand. This is estimated to be as much as 3 billion people by the Consultative Group to Assist the Poor. MFIs report exceptionally high repayments rates of 97%. Microfinance fosters sustainable businesses and has the potential for profound developmental impact. This is a highly effective use of CDC capital.

Reliance Financial Services

Fund manager: ShoreCap International

Investing fund: ShoreCap International

CDC fund commitment: US$4m

Investment size: US$0.7m

Reliance Financial Services was launched in late 2006 to provide microfinance services to sole traders, entrepreneurs and small and medium sized enterprises (SMEs) in The Gambia, Africa.

The company has a stated mission to become the leading and preferred financial services provider for individuals, SMEs and micro enterprises in West Africa.

Reliance has developed a network of solar powered kiosks that are cheap to erect, efficient and convenient for customers. The first one was opened in Serrekunda market's old car park in April 2007.

Reliance has built a team of nearly 72 professionals who are helping the business develop its client base and services, including foreign exchange, and was the first non bank financial institution in The Gambia to be appointed as a direct agent of Western Union.

As at 31 December 2007, Reliance has deposits of US$3.75m and disbursed loans of over US$4m.

Investment impact

The business has extended its network of kiosks and has developed two traditional branch networks as well as the head office in Barra in the North Bank Region of The Gambia.

Reliance takes part in several community outreach programmes, including the development of training programmes for local businesses.

Microfinance fosters sustainable businesses and has the potential for profound developmental impact.

In 2007 we committed US$26m to the Minlam Microfinance Offshore Fund, a commercial microfinance debt fund investing across Asia and Africa. This innovative investment will make available local currency debt capital to MFIs. The Minlam team has a solid track record in combining macroeconomic expertise with fundamental investment analysis and we anticipate robust returns.

We also committed US$15m of equity to Catalyst Microfinance Investors. The Catalyst fund will seek to establish new MFIs in the underserved markets of Asia and Africa following the successful model of ASA, one of the leading MFIs in Bangladesh.

These commitments bring CDC's investment in microfinance funds since 2004 to US$45m. We also have exposure to microfinance through Lok Capital, ShoreCap International and Access. We are continuing to look at further opportunities to invest in microfinance funds and there is a promising pipeline for consideration.

Environment

Climate change was high on the political agenda across the world in 2007. Attention has turned to the developing nations, and governments in emerging economies are having to juggle a growing need for energy with the need for environmental management.

CDC committed US$40m in the US$325m Global Emerging Markets Environment Fund III. The fund focuses on businesses with an environmental component. The team has a strong track record and the fund will help to increase the proportion of clean energy and clean technology used across emerging markets. Portfolio companies will be assisted to operate at best practice levels in terms of their social and environmental impact and the fund's investments will support the development of sustainable natural resources. The fund will also help to reduce the risk of the impact of hazardous solid waste on the typically poor populations living close to industrial areas or informal waste sites. CDC's commitment to this fund has helped to catalyse interest from other investors, thus increasing the levels of capital flow.

Actis Fund 3s

Since its formation in 2004, Actis has performed exceptionally well and is now a leading pan-emerging markets private equity firm with over 120 investment professionals and some US$3.5bn of capital under management. Actis is now raising its third series of funds, comprising a Global fund and regional pools targeted at Africa, South Asia, China and Latin America. The Global fund will co-invest in the regional pools. At the end of 2007, CDC committed US$650m to Actis Fund 3s as an anchor investor. Actis has a promising broad based deal pipeline including investments in information technology, manufacturing, oil and gas and telecommunications.

Godfrey Davies Chief Financial Officer

"CDC's gross portfolio performance in US$ was 57%, exceeding the MSCI Emerging Markets Index by 20%."

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 poorer countries, by providing capital for investment in sustainable and responsibly managed private sector businesses. CDC also plays a catalytic role, using our investments in funds 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 drivers 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 currently 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 a commitment to best practice including environmental, social policies and governance; 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 objects of the business

CDC carries out its mission mainly by investing in private equity and other intermediated collective investment vehicles. As a fund of funds, CDC places its portfolio with skilled and experienced private equity fund managers in our target markets. CDC also co-invests alongside certain 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 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:

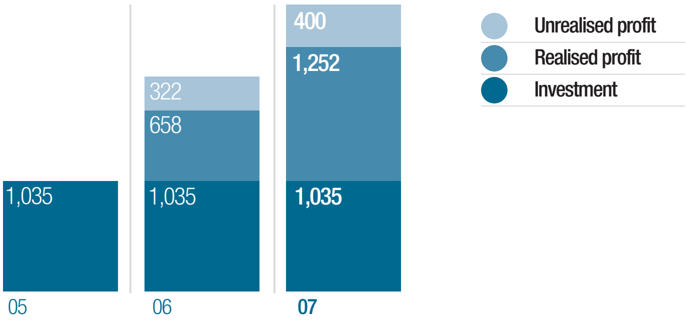
- a credible thesis aimed at our preferred markets;
- a strong management team, preferably with a track record of investing successfully together for a number of years;
- prospective returns which are commensurate with the potential risk; and
- a management team who will apply high standards of business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

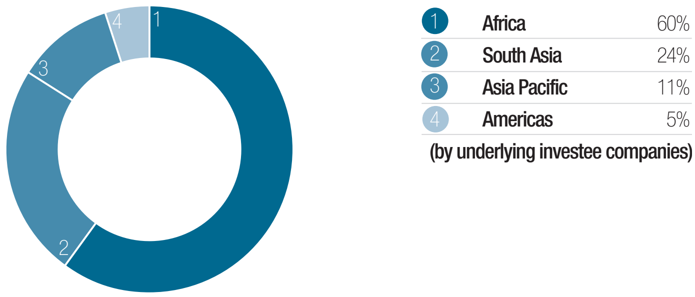
Key performance indicators

- CDC's gross portfolio performance in US$ was 57% (2006: 43%) exceeding the MSCI Emerging Markets Index by 20% (2006: 14%).
- Total return of £672.0m (2006: £375.0m). A fund net return of 33% (2006: 23%) and an average annual return of 27% since 2003.
- New investments on a rolling basis at 74% in poor countries exceeded the rolling five year target of 70%.
- New investments on a rolling basis at 67% in sub-Saharan Africa and South Asia exceeded the rolling five year target of 50%.
- Third-party funds mobilised alongside CDC's capital invested in Actis and Aureos funds amounted to US$653.4m (2006: US$259.1m).

Value growth (£m)



Portfolio by area



Current performance

Portfolio return

The MSCI Emerging Markets Index is designed to measure equity performance in the global emerging markets. In 2007 it rose by 37% (2006: 29%). However, index rises of individual countries varied widely in 2007 with South Africa 15%, China 63% and India 71%. CDC's gross portfolio performance in US$ was 57% exceeding the MSCI Emerging Markets Index by 20% (2006: 14%).

The portfolio generated £406.2m (2006: £67.4m) of realised profits which arose mainly from the Globeleq power realisation.

The unrealised gain in the portfolio valuation was £223.0m (2006: £270.0m) driven primarily by gains in Nigeria and India. The largest fund valuation gains came from Actis Assets Legacy Fund at £52.7m, Actis Africa Fund 2 at £46.6m and Nigerian co-investments of £45.5m.

Operating costs

Operating costs for the year of £8.3m (2006: £6.7m) have increased due to legal costs on the more than doubled level of new fund commitments activity in the year and portfolio monitoring activity from the 30 London office employees (2006: 27). Operating costs represent 0.41% of funds under management which compares favourably with industry benchmarks of up to 1%.

Other net income

Other net income of £51.1m (2006: £44.3m), which is mainly interest income, was higher due to the higher average cash balance in 2007.

Total return

The overall result is a total return of £672.0m (2006: £375.0m). The increase arose mainly from the £281.0m profit on the Globeleq power realisations. As a return on opening total net assets on a valuation basis this represents a return for CDC's shareholder of 33% (2006: 23%) this year and an average annual return of 27% since 2003.

Total return continued

	2007 £m	2006 £m
Globeleq power realisations profit	**281.0**	–
Other net realised profits	**125.2**	67.4
Unrealised value movements	**223.0**	270.0
Portfolio return	**629.2**	337.4
Operating costs	**(8.3)**	(6.7)
Other net income	**51.1**	44.3
Total return after tax	**672.0**	375.0

Third-party funds mobilised

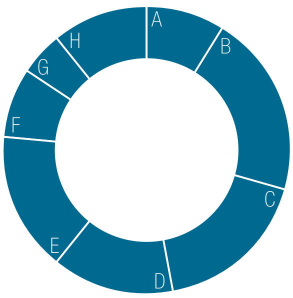
One of CDC's objectives is to mobilise third-party capital investment in emerging markets by demonstrating the benefits of successful investment to other capital providers. During the year third-party funds mobilised alongside CDC's capital invested in Actis and Aureos funds amounted to US$653.4m (2006: US$259.1m).

Portfolio

	2007 £m	2006 £m
Portfolio at start of year	**1,125.3**	937.8
New investments	**412.0**	257.3
Realisations	**(576.2)**	(339.8)
Unrealised gains	**223.0**	270.0
Portfolio at end of year	**1,184.1**	1,125.3

	2007 £m	2006 £m
Portfolio	**1,184.1**	1,125.3
Net cash and deposits	**1,405.1**	771.1
Other net assets	**97.7**	118.4
Total net assets on a valuation basis	**2,686.8**	2,014.8

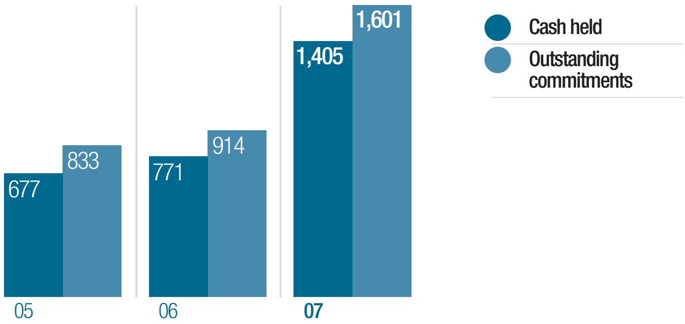
Portfolio by sector



A	Agribusiness	7%
B	Financial institutions	21%
C	Infrastructure	18%
D	Manufacturing	14%
E	Minerals, oil and gas	16%
F	Power	8%
G	Telecommunications	5%
H	Other	11%

(by underlying investee companies)

Cash and short term deposits held (£m)



Total net assets increased in the year from £2,014.8m to £2,686.8m, a rise of 33%. However, the portfolio, which consists of investments in funds managed by fund managers and the legacy portfolio managed by Actis, increased from £1,125.3m to £1,184.1m, a 5% increase. This was low due to the high level of realisations in the year.

Cash flows

	2007 £m	2006 £m
Fund drawdowns	**(412.0)**	(257.3)
Funds cash generated	**985.5**	407.3
Net fund flows	**573.5**	150.0
Other cash flows	**60.4**	(55.4)
Net cash flow	**633.9**	94.6

Drawdowns by funds for new investments at £412.0m (2006: £257.3m) were significantly higher than last year with increased investment in Africa and increased drawdowns from non-Actis managed funds. The ten largest underlying investments are shown on page 33.

New investments

With new investments at 74% in poor countries and 67% in sub-Saharan Africa and South Asia, the rolling five year targets of 70% and 50% respectively, were exceeded.

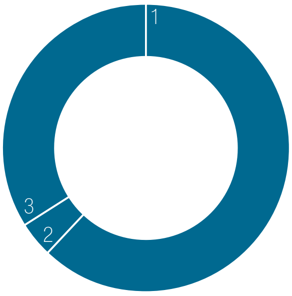
Fund cash generated

The higher level of portfolio cash generation this year at £985.5m (2006: £407.3m) was driven by legacy portfolio realisations, in particular Globeleq power assets which generated cash of £620.6m at a 1.7 multiple to cost and an 18% IRR. Other substantial legacy portfolio realisations were: Platmin platinum mining in South Africa which generated cash of £76.9m at a 6.0 multiple and a 105% IRR; Punjab Tractors in India which generated cash of £46.0m at a 4.6 multiple and a 33% IRR; Lenco which manufactures rigid plastic packaging products in South Africa generated cash of £24.2m at an 8.5 multiple and a 45% IRR; Palms shopping mall in Nigeria which generated cash of £28.5m at a 1.6 multiple and a 26% IRR; and Compagnie Heveicole de Cavally in Côte d'Ivoire producing natural rubber which generated cash of £19.7m at a 3.1 multiple and a 12% IRR.

Cash and short term deposits held

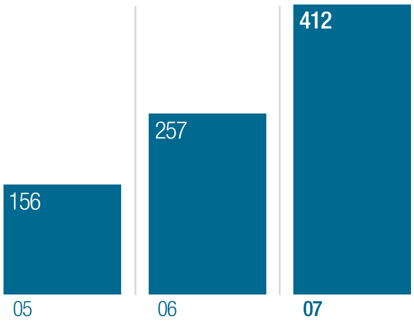
Despite the higher level of fund drawdowns, the very high level of portfolio realisations resulted in higher cash and short term deposits at £1,405.0m (2006: £771.1m). Most of this balance is placed on deposit with the UK Government's Debt Management Office. However, cash will be recycled into fund investments and current outstanding commitments for investment into 112 funds which stand at £1,600.8m, representing an over commitment of 14%.

Funds under management by fund manager



1	Actis	62%
2	Aureos	4%
3	Other	34%

Fund drawdowns (£m)



Fund managers

CDC actively reviews fund proposals from private equity fund managers within its investment universe. In 2007, CDC made new fund commitments of US$2,103m (2006: US$810m) of which 71% were with Actis, 4% were with Aureos and 25% were with other managers. CDC also committed US$100m to co-investments. Despite the substantial commitment to Actis funds in 2007, with the Globeleq realisation from the portfolio, the percentage of funds under management (CDC's investment in funds plus outstanding commitments to the funds) by Actis has fallen from 74% at the end of 2006 to 62% at the end of 2007.

CDC made commitments to seven Actis funds totalling US$1,500m in 2007 (2006: three funds, US$293m) being: Actis Infrastructure Fund II (US$750m); Actis India Real Estate Fund (US$100m); Actis Emerging Markets Fund 3 (US$200m); Actis Africa Fund 3 (US$150m); Actis India Fund 3 (US$100m); Actis China Fund 3 (US$100m); and Actis Latin America Fund 3 (US$100m). During the year, CDC made commitments to four Aureos SME funds totalling US$75m (2006: four funds, US$52m) as follows: Aureos Latin America Fund (US$30m); Aureos Central Asia Fund (US$20m); Aureos South Asia Fund (US$15m); and Aureos Malaysia Fund (US$10m).

In 2007, CDC committed to 20 funds managed by other fund managers totalling US$528m (2006: 14 funds, US$465m) from: Access Holdings AG (US$5m); Advent Latin America Private Equity Fund IV (US$20m); Avigo SME Fund II (US$20m); BTS India Private Equity Fund (US$20m); Central Africa Growth Fund SICAR (US$7.3m); CITIC Capital China Partners (US$25m); CMIA China Fund III (US$30m); Global Environment Emerging Markets Fund III (US$40m); Horizon Fund III (US$10m); I&P Capital II (US$10m); India Value Fund III (US$25m); Kotak India Realty Fund (US$50m); Medu Capital Fund II (US$10m); Minlam Microfinance Offshore Fund (US$26m); Navis Asia Fund V (US$70m); New Silk Route Fund I (US$50m); Nexxus Capital Private Equity Fund (US$20m); Patria – Brazilian Private Equity Fund III (US$30m); Saratoga Asia II (US$45m); and Vantage Mezzanine Fund (US$15m).

Fund commitment and investment

	Outstanding commitment £m	CDC investment value £m
29 Actis managed funds	**903.6**	**787.9**
23 Aureos managed funds	**61.8**	**39.6**
48 Other managed funds	**400.7**	**281.1**
4 Co-investments	**5.0**	**75.5**
Total legal commitment to 100 funds and 4 co-investments at end 2007	**1,371.1**	**1,184.1**
Asia Healthcare Fund	12.6	
Atlantic Coast Regional Fund	7.6	
Venture East Proactive Fund	10.1	
Centras Private Equity Fund	7.6	
JS Private Equity Fund I	20.2	
IDFC Project Equity Company I (Mauritius)	50.4	
Infratel Indus (Co-investment)	10.1	
SGAM Al Kantara	14.0	
Maghreb Private Equity Fund II	14.0	
Travant Private Equity Fund I	15.0	
Pakistan Infrastructure Fund	50.4	
Catalyst Microfinance	7.6	
Capital Alliance Property Investment Company	10.1	
Board approved commitments to 12 funds and 1 co-investment	**229.7**	
Total	**1,600.8**	

“In 2007 CDC made new fund commitments of US$2,103m... total net assets increased in the year from £2,014.8m to £2,686.8m, a rise of 33%.”

Largest underlying investments

Diamond Bank
Invested by Actis Africa Fund 2, Canada Investment Fund for Africa and co-investment
Diamond Bank is the ninth largest bank in Nigeria (with a subsidiary in Benin Republic), with a strong focus on the SME and corporate sectors. The bank currently has 120 branches, 1,800 staff and a 5% market share.

Infrastructure Development Finance Company
Invested by Actis Assets Legacy Fund
Funding for infrastructure projects in India, particularly telecoms, IT, power, roads, ports and urban infrastructure.

Platmin
Invested by Actis Africa Legacy Fund
Early stage platinum mining in the Bushveld Complex of South Africa.

Songas
Invested by Actis Energy Legacy Fund
Power generation in Tanzania.

UAC of Nigeria
Invested by Actis Africa Fund 2 and Canada Investment Fund for Africa
A public company in Nigeria, focusing on food and food services.

DFCU
Invested by Actis Africa Legacy Fund
DFCU was founded in 1964 by CDC and the Ugandan Government. It is a commercial bank operating in leasing, housing, finance and term lending.

Mozal
Invested by Actis Assets Legacy Fund
500,000 tpa aluminium smelter in Maputo, Mozambique.

Moga Holdings
Invested by Actis Africa Legacy Fund
The leading mobile operator in Algeria with over six million subscribers.

Alexander Forbes
Invested by Actis Africa Fund 2, Canada Investment Fund for Africa, Actis Africa Empowerment Fund and Ethos Fund IV
Alexander Forbes is a diversified financial services company that operates as an intermediary in the investment and insurance industries. It is represented in 30 countries, with the majority of its operations in South Africa.

Continental Reinsurance
Invested by ECP Africa II, Central Africa Growth SICAR and co-investment
One of the largest Nigerian reinsurers.

Godfrey Davies
Chief Financial Officer

Board of Directors

Sir Malcolm Williamson Chairman
Appointed in January 2004. Sir Malcolm was awarded a knighthood in the 2007 Queen's birthday honours list for services to the financial services industry. 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 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.

Richard Laing Chief Executive
Appointed in July 2004. Richard joined CDC in January 2000 as Finance Director and assumed the role of Chief Executive following the restructure of CDC in 2004. In 2007, he was Chairman of the Board of the Association of European Development Finance Institutions, a group of 15 bilateral development finance 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 CDC, 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.

Board Committees
Audit, Compliance and Risk. Chair: **Arnab Banerji**
Remuneration. Chair: **Andrew Williams**
Best Practice Investment and Development. Chair: **Jonathan Kydd**
Nominations. Chair: **Sir Malcolm Williamson**
Co-Investment. Chair: **Sir Malcolm Williamson**

Arnab Banerji **Non-executive Director**
Appointed in July 2004. Arnab 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. Jonathan is Chairman of the Best Practice Investment 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. He is chairman of the Advisory Council of the UK's Export Credit Guarantee Department.

Fields Wicker-Miurin OBE **Non-executive Director**
Appointed in November 2004. Fields was awarded an Order of the British Empire in the 2007 Queen's birthday honours list for services to international business. 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 Savills plc and a member of the Department for Business, Enterprise and Regulatory Reform's Executive and Strategy Boards. She is also a Governor of King's College, London. Previously, Fields was Chief Financial Officer of the London Stock Exchange and Chief Operating Officer and Partner of Vesta Group, an international venture capital firm investing in early stage technology businesses in Europe.

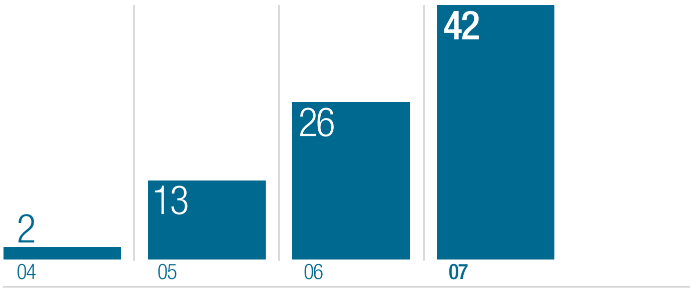
Andrew Williams **Non-executive Director**
Appointed in July 2003. Andrew is a director of SVG Capital plc and Chief Executive Officer of its fund advisory business, SVG Advisers Limited. He is a Visitor of the Ashmolean Museum. He was formerly Managing Director of Schroder Ventures (London) Limited, 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.

CDC's fund managers

Fund managers

42

↑16



CDC's fund managers

Acap Partners www.acap.com
Access Holding www.accessholding.com
Advent International Corporation www.adventinternational.com
Actis www.act.is
African Capital Alliance www.aca-web.com
African Lion www.afl.co.za
Aureos www.aureos.com
AIF Capital www.aifcapital.com
Avigo Capital Partners www.avigocorp.com
Baring Private Equity Partners India www.bpepindia.com
BTS Investment Advisors www.btsadvisors.com
Business Partners www.businesspartners.co.za
Capital Today www.capitaltoday.com
CDH Investments www.cdhfund.com
Citigroup Venture Capital International www.citigroupai.com
CITIC Capital www.citiccapital.com
CMIA Capital Partners www.cmia.com
Cordiant www.cordiantcap.com
ECP Africa www.ecpinvestments.com
Ethos Private Equity www.ethos.org.za
Global Environment Facility www.globalenvironmentfund.com
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 www.ivfa.com
I&P Management www.ip-mngt.com
Kotak Mahindra Group www.kotak.com
Kendall Court www.kendallcourt.com
Lok Capital www.lokcapital.com
Lombard Investments www.lombardinvestments.com
Medu Capital www.meducapital.co.za
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New Silk Route Advisors
Navis Capital Partners www.naviscapital.com
Nexxus Capital www.nexxuscapital.com
Patria Banco De Negocios www.bancopatria.com.br
Saratoga Capital www.saratogacap.com
ShoreCap International www.shorecap.net
Sphere Holdings www.sphereholdings.co.za
Vantage Capital www.vantagecapital.co.za

CDC's fund commitments and investments

	Outstanding commitment £m	CDC investment value £m
Actis 11 Legacy Funds	15.2	349.0
Actis Africa Fund 2	14.1	211.7
Canada Investment Fund for Africa	1.5	10.9
Actis Africa Empowerment Fund	3.6	21.5
Actis Africa Real Estate Fund	46.2	13.7
Actis Agribusiness Fund	16.2	19.6
Actis ASEAN Fund	25.3	15.0
Actis Assets Fund 2	–	–
Actis China Fund 2	14.1	26.0
Actis India Fund 2	7.6	54.2
Actis India Real Estate Fund	50.4	–
Actis South Asia Fund 2	4.7	54.9
Actis Umbrella Fund	3.2	11.4
Actis Infrastructure Fund II	374.7	–
Actis Emerging Markets Fund 3	100.8	–
Actis Africa Fund 3	75.6	–
Actis India Fund 3	50.4	–
Actis China Fund 3	50.4	–
Actis Latin America Fund 3	49.6	–
29 Actis managed funds	**903.6**	**787.9**
Aureos 10 Legacy Funds	–	4.6
Aureos Central America Fund	1.5	2.8
Aureos Central Asia Fund	9.9	–
Aureos China Fund	9.2	0.3
Aureos East Africa Fund	0.3	5.0
Aureos Latin America Fund	13.0	1.9
Aureos Malaysia Fund	4.9	–
Aureos South Asia Fund I [Interim]	0.7	1.9
Aureos South Asia Fund	10.7	6.1
Aureos South East Asia Fund	5.0	5.1
Aureos Southern Africa Fund	1.6	4.5
Aureos West Africa Fund	1.0	6.6
Emerge Central America Growth Fund	2.2	0.2
Kula Fund II Ltd	1.8	0.6
23 Aureos managed funds	**61.8**	**39.6**
Access Holdings	2.0	0.6
Advent Latin America Private Equity Fund IV	8.4	1.6
Afghanistan Renewal Fund	2.6	–
African Lion	–	14.2
African Lion 2	–	5.4
AIF Capital Asia III	16.0	4.9
Avigo SME Fund II	6.0	4.1
Baring India Private Equity Fund II	2.3	4.7
BTS India Private Equity Fund	8.6	1.1
Business Partners International Kenya SME	0.5	0.3
Capital Alliance Private Equity I	–	19.7
Capital Alliance Private Equity II	3.7	10.8
Capital Today China Growth Fund	10.1	4.2
Central Africa Growth Fund SICAR	–	4.0
CDH China Fund III	24.2	12.8
CITIC Capital China Partners	9.0	2.9
CMIA China Fund III	5.3	9.1
CVCI Africa Fund	40.1	10.0
Dynamic India Fund VII	20.4	23.2
ECP Africa Fund II	10.7	14.2
Ethos Fund IV	9.0	8.1
European Financing Partners	9.9	3.5
Global Environment Emerging Markets Fund III	18.5	1.0
GroFin East Africa SME Fund	0.8	0.6
Helios Investors	11.2	22.5
Horizon Tech Ventures	–	0.7
Horizon Fund III	5.3	0.1
I&P Capital II	5.1	–
IDFC Private Equity Fund II	5.7	9.8
India Value Fund II	0.3	2.5
India Value Fund III	9.2	3.2
International Finance Participation Trust (2004)	13.4	36.0
Kendall Court Mezzanine (Asia) Fund	3.9	3.1
Kotak India Realty Fund	23.2	1.8
Lok Capital	1.5	0.4
Lombard Asia III	8.9	0.8
Medu Capital Fund II	5.0	0.4
Minlam Microfinance Offshore Fund	3.0	13.1
Navis Asia Fund IV	0.1	6.2
Navis Asia Fund V	23.8	10.1
New Silk Route Fund I	22.0	2.3
Nexxus Capital Private Equity Fund	9.6	0.1
Patria – Brazilian Private Equity Fund III	12.0	2.4
Saratoga Asia II	22.5	0.1
Shorecap International	0.9	2.0
Sphere Fund 1	0.6	0.6
Vantage Mezzanine Fund	5.4	1.9
48 Other managed funds	**400.7**	**281.1**
4 Co-investments	**5.0**	**75.5**
Total legal commitment to 100 funds and 4 co-investments at end 2007	**1,371.1**	**1,184.1**

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