CDC Group plc Annual Report and Accounts 2008

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 MORE THAN 75% OF NEW INVESTMENTS IN LOW INCOME COUNTRIES* AND TO INVEST MORE THAN 50% OF OUR FUNDS IN SUB-SAHARAN AFRICA.

* Those with an annual gross national income (GNI) per capita of less than US$905.

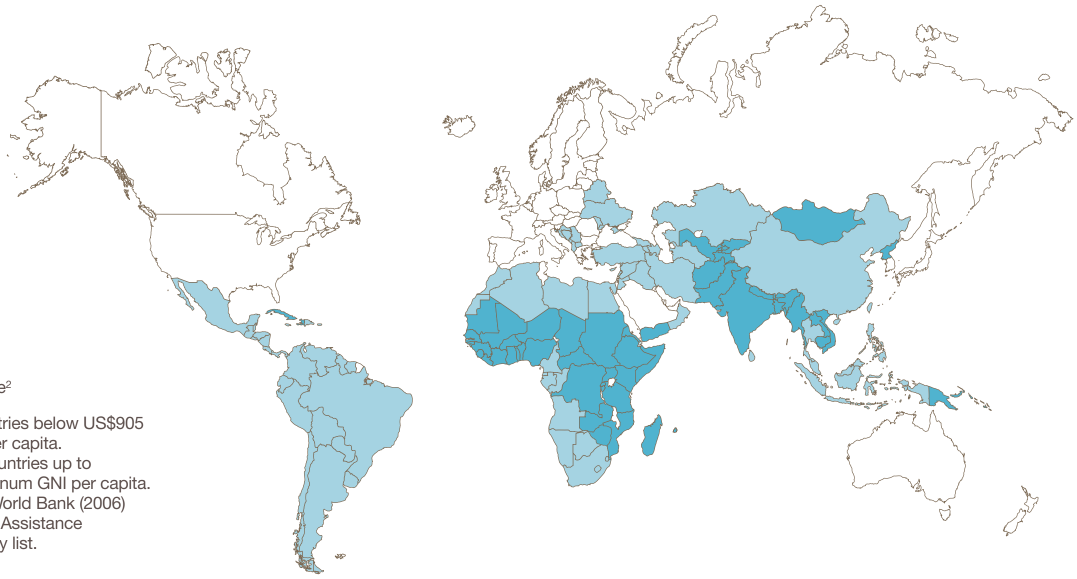
2004–2008 Overview

AFRICA
- US$1.9bn COMMITTED TO 44 FUNDS WITH 20 MANAGERS
- SUPPORTING BUSINESSES IN ALL SECTORS INCLUDING FINANCIAL SERVICES, MANUFACTURING AND AGRIBUSINESS

ASIA
- US$2.2bn COMMITTED TO 59 FUNDS WITH 29 MANAGERS
- US$1.5bn IN SOUTH ASIAN FUNDS
- INVESTING IN ALL SECTORS INCLUDING TECHNOLOGY, RETAIL AND PHARMACEUTICALS

OTHER INVESTMENTS
- US$0.5bn COMMITTED TO LATIN AMERICAN FUNDS WITH SIX MANAGERS
- REGIONAL FUNDS FOCUSED ON INFRASTRUCTURE, MICROFINANCE AND THE ENVIRONMENT

CDC Universe



Low income[1]

Middle income[2]

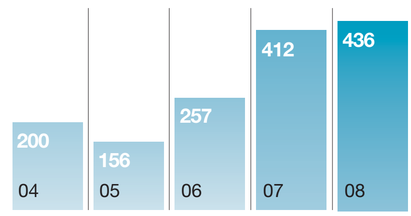
1 Low income countries below US$905 per annum GNI per capita.
2 Middle income countries up to US$11,115 per annum GNI per capita. All above as per World Bank (2006) and Development Assistance Committee country list.

New Investments

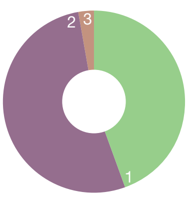
New investments in 2008 (£)

436m

New investments over 5 years (£m)

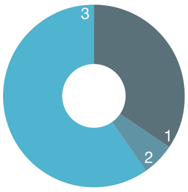


New investments by region in 2008



1	Africa	£194m
2	Asia	£230m
3	Other	£12m

New investments by fund manager in 2008



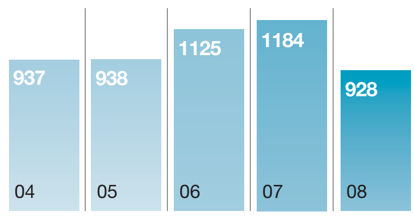
1	Actis	£151m
2	Aureos	£25m
3	Others	£260m

Portfolio

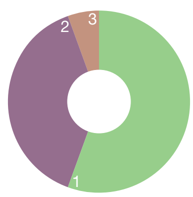
Portfolio value in 2008 (£)

928m

Portfolio value over 5 years (£m)

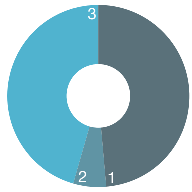


Portfolio by region at end 2008



1	Africa	£516m
2	Asia	£363m
3	Other	£49m

Portfolio by fund manager at end 2008



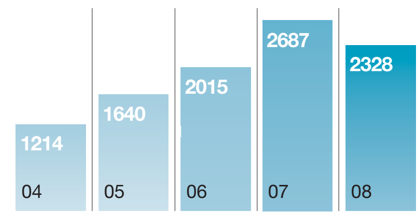
1	Actis	£453m
2	Aureos	£54m
3	Others	£421m

Performance

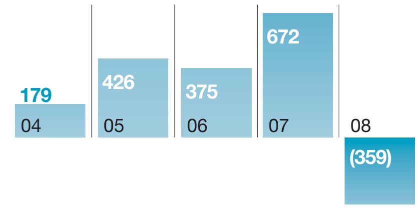
Net assets in 2008 (£)

2,328m

Net assets over 5 years (£m)



Total return over 5 years (£m)



Outperforming MSCI Emerging Markets Index in 2008

22%

MSCI Index: –55%.
CDC gross portfolio performance in US$: –33%.

2004–2008 FIVE YEAR PERFORMANCE

£2.7bn

> COMMITTED TO FUNDS

18%

> AVERAGE ANNUAL RETURN

£2.5bn

> PORTFOLIO CASH GENERATED FOR REINVESTMENT IN DEVELOPING ECONOMIES

16%

> AVERAGE OUTPERFORMANCE AGAINST MSCI EMERGING MARKETS INDEX PER ANNUM; AND BY 134% OVER FIVE YEARS

New

> TARGETS FOR 2009 ONWARDS: 75% INVESTMENTS IN LOW INCOME COUNTRIES; 50% INVESTMENTS IN SUB-SAHARAN AFRICA

Review

> OF DEVELOPMENT IMPACT MEASUREMENT AND EVALUATION METHODOLOGY

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Statement from the CHAIRMAN

THE UNPRECEDENTED FINANCIAL TURBULENCE OF 2008 SENT THE WORLDWIDE ECONOMY PLUMMETING AS THE CRISIS IN THE INTERNATIONAL BANKING SYSTEM GATHERED PACE.

Caught up in a full-scale global recession, developed economies slumped. Business and consumer confidence all but evaporated and the year closed with the bleakest financial picture within living memory.

The fortunes of developing economies are inextricably linked to those of the developed world. The downturn finally reached emerging markets in 2008 following five years of steady and sometimes extraordinary growth. As one of the leading investors in emerging markets, CDC has always cautioned against optimistic valuations and hopes of ever-increasing returns. In 2008 stock markets nose-dived and investor confidence faltered, leaving some of the world's poorest economies to cope with tightening access to risk capital. The myth that India and China could prevent a worldwide recession was starkly exposed.

It is a sobering economic fact that the effects of recessions are most keenly felt by the poorer nations. The most powerful route out of poverty is the continued investment in profitable businesses, but investors are beginning to lose their nerve and a potentially catastrophic retreat from emerging markets threatens vital economic growth in poorer countries.

The role of development finance institutions is crucial in such circumstances. CDC's task of patiently and responsibly investing capital in promising businesses in poor countries has never been more essential. This is the cornerstone of sustainable economic development.

The global financial turmoil means that some countries may slip down the poverty scale as the full impact of the worldwide recession is felt. CDC must remain vigilant and flexible in these unprecedented times.

The worldwide recession has, inevitably, meant falling valuations in CDC's portfolio of investee companies. It was the unrealised reduction in the value of the portfolio that drove the £359m negative total return in 2008. Like other investors in emerging markets, CDC has suffered from the effects of the global downturn. Nonetheless it was encouraging that CDC again outperformed the MSCI Emerging Markets Index, by 22% in 2008.

Trading conditions are still fragile. Fund managers and business owners need to assimilate the consequences of falling valuations. It is not yet possible to predict whether we have reached the bottom of the cycle. Nonetheless it is encouraging that in the first quarter of 2009, CDC has invested just over £100m.

Amidst the gloom there is positive news. CDC's record of successful investment means that we are able to continue investing at a time when many others are unable to raise capital. Our high cash balance puts us in a strong position to continue to support the private sector in poor countries. That is exactly why CDC exists. Private sector development is a long-term business and CDC has shown itself time and again to be a patient investor with a long-term perspective.

The investment policy agreed in 2004 with our shareholder, the Department for International Development (DFID), came to an end last year. The new policy agreed in 2008 sets the framework for the next five years. It ensures that CDC continues to focus on the poorest economies of the developing world where a shortage of risk capital is one of the most significant barriers to growth. CDC will now work with its characteristic energy and imagination to implement the new policy from 2009.

In November CDC's Board visited some of our investee companies in Africa. We were impressed by safety standards at Zamefa, a Zambian cable manufacturer, and the positive impact on the local community in Soweto of GroFin's petrol station investments. We visited Alstom, an Actis investment providing equipment and services for power generation and rail transport. We also saw ECP's investee company, Anvil Mining, in the Democratic Republic of Congo.

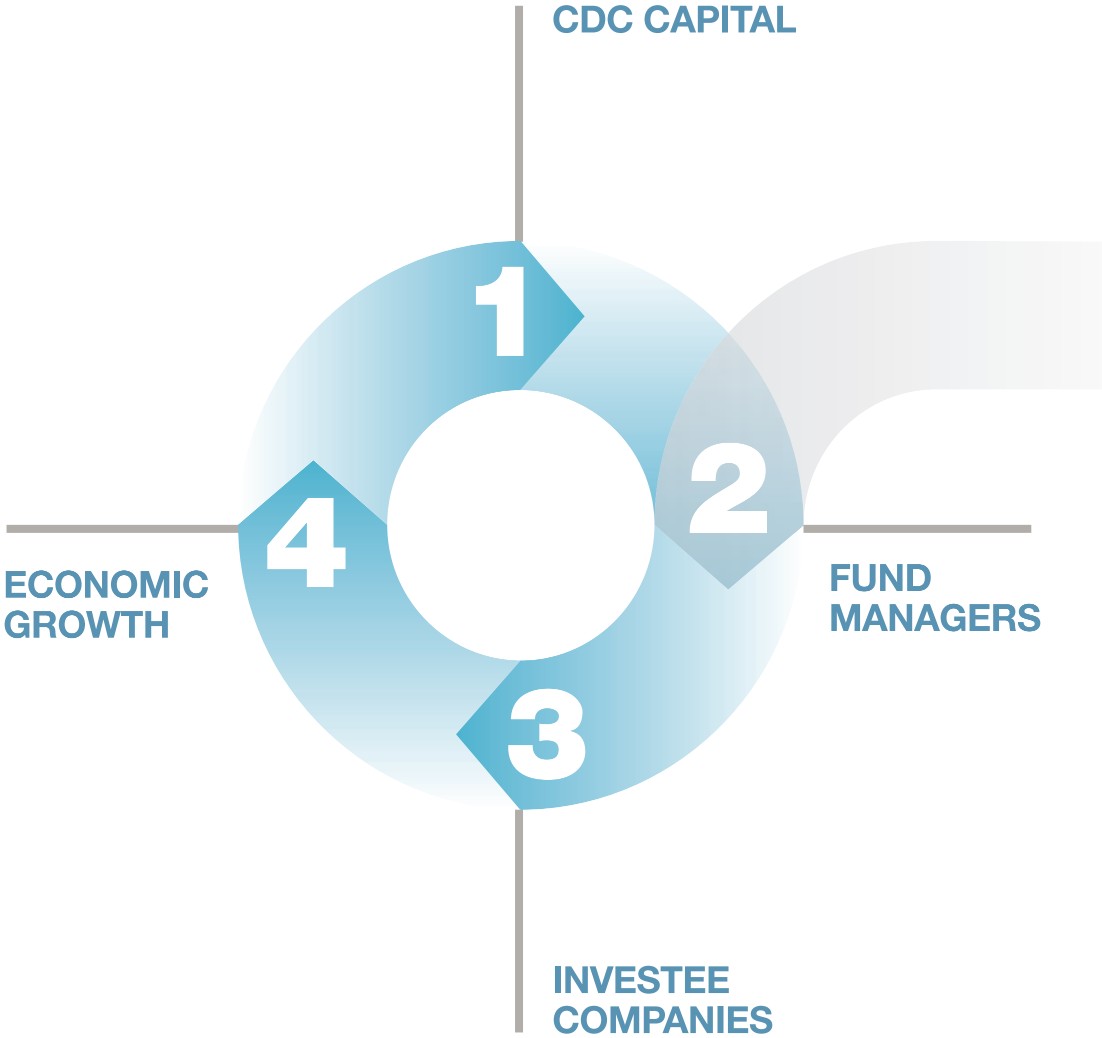
Towards the end of 2008 I announced my retirement as Chairman of the CDC Board. My five years with CDC have been an immense privilege and I would like to thank my fellow Board members for their valuable contributions to CDC. I also extend my thanks to Richard Laing, CDC's Chief Executive, for his unstinting hard work. Richard's performance has been outstanding through a testing 12 months.

I would like to take this opportunity to welcome my successor Richard Gillingwater, Dean of Cass Business School. Richard takes up his Chairmanship in April 2009 with a distinguished background in investment banking. CDC is fortunate to have a Chairman of such experience and standing, particularly at this time when CDC's role in private sector development in poor countries is more vital than ever.

Sir Malcolm Williamson
Chairman

THE DEVELOPMENT PROCESS

ONE OF THE MOST SERIOUS BARRIERS TO ECONOMIC GROWTH IN POOR COUNTRIES IS THE SHORTAGE OF RISK CAPITAL TO HELP PROMISING BUSINESSES GROW.



MOBILISING OTHER PEOPLE'S MONEY

We help mobilise private investment in poorer countries by demonstrating a successful track record.

1

CDC CAPITAL

>> P6

CDC has assets of £2.3bn (US$3.4bn). Our purpose is to stimulate economic growth in emerging markets, particularly sub-Saharan Africa and South Asia, by investing in the private sector.

2

FUND MANAGERS

>> P7

Commitments are principally with local private equity fund managers who know and understand developing economies. Managers are asked to target returns appropriate to geography and sector.

3

INVESTEE COMPANIES

>> P10

Fund managers raise capital from other investors, alongside CDC, thus increasing the levels of capital invested in poor countries. Managers invest responsibly in accordance with CDC's Investment Code.

4

ECONOMIC GROWTH

>> P11

Successful portfolio companies employ and train people and boost tax revenues for their local governments. They also improve practices on environmental, social and governance issues (ESG).

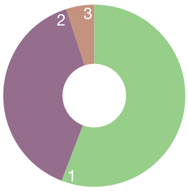
The Development Process

1 >>

CDC CAPITAL

NO COUNTRY HAS SUCCEEDED IN REDUCING POVERTY IN A SUSTAINABLE MANNER WITHOUT ECONOMIC GROWTH. SUCCESSFUL BUSINESSES EMPLOY AND TRAIN PEOPLE, PAY TAXES, AND CREATE AND OPERATE INFRASTRUCTURE.

Portfolio by region



1 Africa **56%**
2 Asia **39%**
3 Other **5%**

Net assets

£2.3bn

New commitments

£605m

CDC's objective is to invest in a commercially sustainable manner in the poorer countries of the developing world and to attract others to invest by demonstrating success.

CDC's capital is focused on the private sector as the engine of growth. Investments:

- provide much needed capital for growing businesses;
- attract other investors by demonstrating success;
- build value in companies through environmental, social and governance (ESG) management; and
- drive economic growth which is the only long-term route out of poverty.

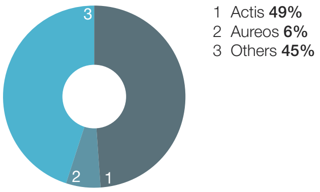
The Development Process

2 >>

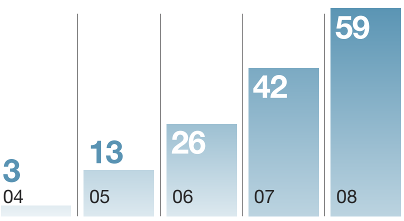
FUND MANAGERS

CDC COMMITS CAPITAL TO FUNDS MANAGED BY SKILLED FUND MANAGERS WHO KNOW AND UNDERSTAND EMERGING MARKETS AND THE CHALLENGES THEY FACE.

Portfolio by fund manager



Increase in fund managers



New fund managers in 2008

17

Total fund managers at end 2008

59

Fund managers

CDC requires fund managers and investee companies to adhere to responsible business practices, and CDC's Investment Code sets out the principles, objectives, policies and management systems which managers are asked to implement.

Managers are also expected to generate returns appropriate to the market and sector.

In 2008 CDC committed capital to 17 new managers and 28 new funds. Four of CDC's fund managers are profiled below.

Aureos Capital Limited

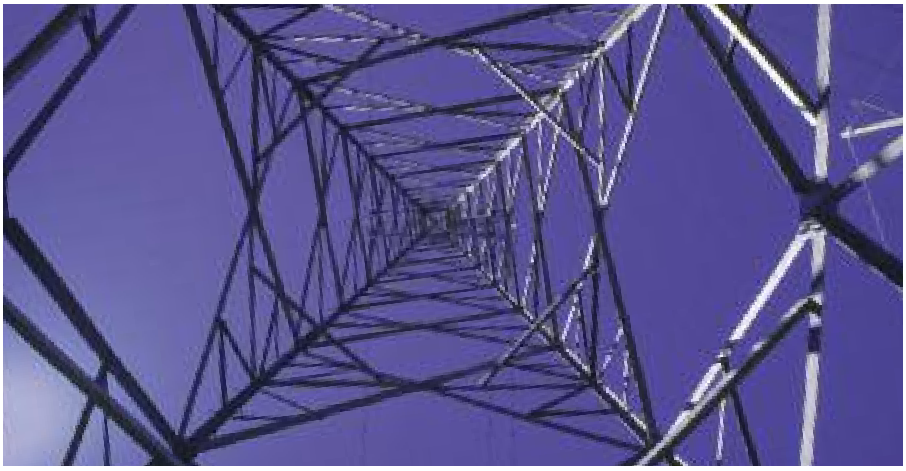
www.aureos.com

Established in July 2001, Aureos is a leading private equity fund manager investing in small and medium size enterprises (SMEs) throughout the emerging markets. Aureos invests in businesses with proven track records, helping them to realise their full potential by mobilising its management expertise and well established global network of over 25 offices throughout Africa, Asia and Latin America.

Since 2001, Aureos has raised over US$1bn of third-party capital, and has extended its investment expertise to more than 50 emerging markets. The performance of the 14 regional funds which Aureos has raised since 2001 demonstrates how Aureos uses its infrastructure on the ground to generate value and facilitate exit opportunities.

Some of the highlights in 2008 were the first closings of the Aureos Africa Fund and the Aureos Latin America Fund. Moreover, the first generation funds in Africa realised a series of successful exits, bringing early returns to investors. The Aureos Central, South and South East Asia funds have successfully increased their investment rates. Aureos expects to establish a pan-regional fund for South East Asia in the last quarter of 2009 to capitalise further on its strong local infrastructure.

The Development Process
continued



Helios Investment Partners
www.heliosinvestment.com

Established in 2004 and led by co-founding partners Tope Lawani and Babatunde Soyoye, Helios is an Africa-focused private equity investor with over US$500m in funds under management. Helios is among the few independent pan-African firms managed by Africans. The team has decades of collective experience in the world's most competitive and demanding markets, gained within Texas Pacific Group, Investcorp, Terra Firma and JP Morgan.

Limited partners in Helios' funds include several leading global investment funds, corporate entities, family offices, high net-worth individuals and development finance institutions.

Helios' knowledge of the African market, capability to add value to investee companies and strong local networks enable the firm to identify and execute attractive investment opportunities in the region. The team's approach yields opportunities to generate attractive risk-adjusted returns while contributing to the socio-economic development of the continent.

Helios believes that broad-based wealth creation is the most powerful means to achieve lasting social and economic development in Africa and that the mobilisation of capital and the building of management capacity are the keys to achieving this. The team is committed to the highest ethical standards and looks for that same commitment within its investee companies.

Each year Helios contributes a fixed percentage of its gross fee income to non-profit groups and programmes in Africa to improve access to education and healthcare for the underprivileged. These initiatives demonstrate sponsor involvement, are self-sustaining and deliver measurable results.

IDFC Project Equity
www.idfc.com

IDFC Project Equity, manager of the India Infrastructure Fund (IIF), is led by MK Sinha, President and CEO, who has over 18 years' experience in private equity, project finance, corporate finance and investment banking. IIF has so far raised US$875m and is aiming for a final close at US$1bn. IIF's focus is the Indian infrastructure space where there is an urgent need for significant levels of investment, with an estimated US$515bn required over the next five years.

IIF's investors are drawn from the USA, Canada, Europe, Japan and the Middle East as well as the International Finance Corporation (IFC), the private sector investment arm of the World Bank. IIF has already made investments in roads and sees good opportunities in toll-roads and power plant construction.

AFIG
www.afigfunds.com

Advanced Finance & Investment Group (AFIG) was founded in 2005 by Papa Madiaw Ndiaye, who has a background with JP Morgan and ECP Africa. Others in the team have strong international and local investment banking and audit experience gained at JP Morgan and Ernst & Young, as well as day-to-day operations experience in companies in Africa and emerging markets. There are currently three partners and one investment officer, with plans to recruit two more. The team is based in Dakar, Senegal.

AFIG is targeting US$150m for the Atlantic Coast Regional Fund (ACRF), which takes minority or strong minority positions in growth companies in the countries forming the Atlantic coast of Africa. There is a particular emphasis on Senegal, Côte d'Ivoire, Nigeria and Ghana as well as Cameroun, Gabon, Democratic Republic of Congo and Angola.

The team's investment philosophy combines local market presence and knowledge with value-added contributions to investee companies. Potential investments are those with capacity for annual revenue growth, sustainable competitive advantage and a commitment to transparency and world-class corporate governance standards.

ACRF has a broad-based investment strategy across all sectors, particularly transportation and logistics; agribusiness; financial institutions; telecommunications; manufacturing and infrastructure. The team seeks to add value to investee companies, particularly through the introduction of additional managerial and strategic planning skills and human resources capacity.

CDC fund managers

- ACCESS HOLDING
- ACTIS CAPITAL
- ADLEVO CAPITAL
- ADVANCED FINANCE & INVESTMENT GROUP
- ADVENT INTERNATIONAL CORPORATION
- AFRICAN CAPITAL ALLIANCE
- AFRICAN LION
- AIF CAPITAL
- ALTRA INVESTMENTS
- AMBIT PRAGMA VENTURES
- AUREOS CAPITAL
- AVIGO CAPITAL PARTNERS
- BARING PRIVATE EQUITY PARTNERS INDIA
- BTS INVESTMENT ADVISORS
- BUSINESS PARTNERS
- CAPITAL TODAY
- CASPIAN CAPITAL PARTNERS
- CDH INVESTMENTS
- CENTRAS CAPITAL PARTNERS
- CITIC CAPITAL
- CITIGROUP VENTURE CAPITAL INTERNATIONAL
- CMIA CAPITAL PARTNERS
- CMIMC
- CORDIANT
- ECP AFRICA
- ETHOS PRIVATE EQUITY
- FOUNTAINVEST PARTNERS (ASIA)
- GLOBAL ENVIRONMENT FACILITY
- GROFIN
- HELIOS INVESTMENT PARTNERS
- HORIZON EQUITY
- HORUS – DEVELOPMENT FINANCE
- ICICI VENTURE
- IDFC PRIVATE EQUITY
- INDIA VALUE FUND ADVISERS
- I&P MANAGEMENT
- JS PRIVATE EQUITY
- KENDALL COURT
- KEYTONE CAPITAL PARTNERS
- KOTAK MAHINDRA GROUP
- LEGEND HOLDINGS
- LOK CAPITAL
- LOMBARD INVESTMENTS
- MEDU CAPITAL
- MINLAM ASSET MANAGEMENT
- NAVIS CAPITAL PARTNERS
- NEW SILK ROUTE ADVISORS
- NEXXUS CAPITAL
- PATRIA BANCO DE NEGOCIOS
- QIMING VENTURE PARTNERS
- SARATOGA CAPITAL
- SHORECAP INTERNATIONAL
- SOCIÉTÉ GÉNÉRALE (ASSET MANAGEMENT)
- SPHERE HOLDINGS
- TRAVANT CAPITAL
- TRIPOD CAPITAL INTERNATIONAL
- TUNINVEST
- VANTAGE CAPITAL
- VENTUREAST

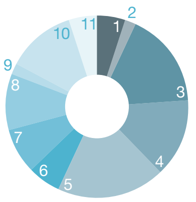
The Development Process

3 >>

INVESTEE COMPANIES

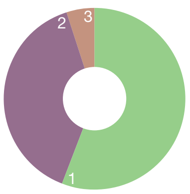
CDC'S FUND MANAGERS INVEST IN SUSTAINABLE, RESPONSIBLY MANAGED PRIVATE SECTOR COMPANIES ACROSS THE FULL SPECTRUM OF BUSINESS SECTORS.

Portfolio by sector



1 Agribusiness **5%**
2 Cleantech **2%**
3 Consumer **17%**
4 Energy and utilities **14%**
5 Financials **19%**
6 Healthcare **6%**
7 Industrials **8%**
8 Infrastructure **10%**
9 IT **2%**
10 Materials **12%**
11 Telecommunications **5%**

Portfolio by region



1 Africa **56%**
2 Asia **39%**
3 Other **5%**

Successful, sustainable businesses make a crucial contribution to their local economies. A thriving private sector is the engine of growth in developing economies. Businesses create jobs, generate tax revenues and drive prosperity and sustainable economic development.

At the end of 2008 CDC had investments in 682 companies in 75 countries.

Development depends on investment in businesses of all sizes and in all sectors. A broad-based economy is a pre-requisite of sustainable economic growth. CDC's fund managers invest in agribusiness, which plays a vital role particularly in Africa, but we also invest in manufacturing and industry, financial services including microfinance, telecommunications and information technology, property and retail, consumer goods and services as well as mining and engineering businesses.

CDC has a particular interest in small and medium size enterprises (SMEs) and has invested US$144m in SMEs since 2004.

The 682 companies underlying CDC's portfolio support the lives of an estimated 6 million people.

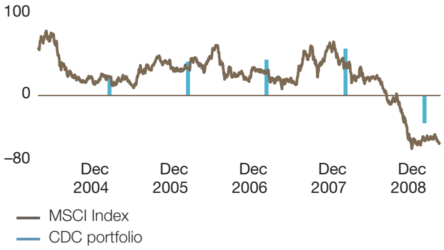
The Development Process

4>>

ECONOMIC GROWTH

EMERGING MARKETS HAVE EXPERIENCED HEALTHY GROWTH IN RECENT YEARS. THIS BEGAN TO SLOW DOWN DURING 2008 AS THE EFFECTS OF THE GLOBAL DOWNTURN SPREAD.

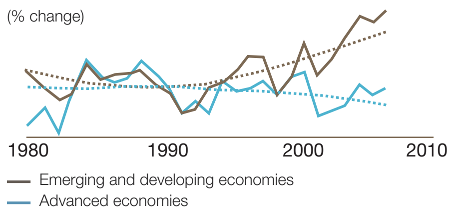
MSCI Index return versus CDC portfolio return (%)



CDC outperformed MSCI Emerging Markets Index in 2008

22%*

Real GDP growth and trend (%)



Source: IMF staff estimates.

Many developing economies are facing reduced capital inflows as investors become more risk-averse. CDC's capital plays a pivotal role in this environment.

Nonetheless, strong growth is projected across emerging markets, albeit at lower rates than over the past four years.

The World Bank[1] predicts real GDP growth in developing economies of 4.5% in 2009 and projections for 2010 show this expanding to 6.1%.

Sub-Saharan Africa

The situation here is heavily influenced by the slowdown in South African growth, where the impact of the international financial crisis has been most keenly felt. The World Bank[1] expects 2009 growth of 2.8% in South Africa. Other African countries will be affected by weakening external demand, lower commodity prices and worker remittances. The World Bank[1] puts sub-Saharan Africa growth at 4.6% in 2009.

Asia

Increased food prices and weakening domestic demand led to the economy slowing down in the first part of 2008 and the global financial crisis is taking its toll. In India the investment outlook is less robust and the World Bank[1] estimates growth of 5.8% for 2009.

Continued growth

In summary, although growth has slowed in many instances, the trajectory is positive. Emerging economies need thriving, successful businesses to drive growth and those businesses require patient, responsible capital to help them expand and succeed.

* MSCI: –55%; CDC: –33%.

1 Prospects for the Global Economy, Forecast Summary, March 2009.

Statement from the
CHIEF EXECUTIVE

IN 2008, THE INVESTMENT POLICY ESTABLISHED IN 2004 CAME TO AN END. THE PAST FIVE YEARS HAVE BEEN HIGHLY SUCCESSFUL FOR CDC, WITH OUTPERFORMANCE AGAINST ALL TARGETS.

New investments into the poorest countries of the world have totalled £1.5bn over the past five years. Net assets grew from £1bn at the start of 2004 to £2.3bn in 2008, as a consequence of £1.3bn of profit. New investments have more than doubled in the period and the figure for 2008, £436m, was a record for CDC. The portfolio has consistently outperformed the MSCI Emerging Markets Index. Average annual return has been 18% per annum, and £2.5bn of cash has been generated for investment in to promising businesses in poor countries.

Inevitably, CDC's results in 2008 reflect the extraordinary turmoil in global capital markets. The upheaval in emerging economies' stock exchanges and falling company valuations have taken their toll on CDC's portfolio. Net assets fell by £359m (13%) to £2,328m. However, the portfolio performance was 22% better than our main benchmark, the MSCI Emerging Markets Index and CDC invested a record amount of £436m into the world's poorest countries.

As opportunities to make fresh investments and secure exits diminish, the priority is now on building value in existing investments. The key is to nurture and build those companies, positioning them well for the upturn when it comes. This means deploying different strategies and skills. The successful fund managers will be those who are sufficiently flexible to rise to the challenge.

CDC worked closely with DFID to design a new Investment Policy in 2008. The new targets will lead to 75% of CDC's investments being made in low income countries, particularly in sub-Saharan Africa and South Asia, as part of CDC's mission to alleviate poverty by generating economic growth.

The crisis in global capital markets means that promising businesses in poor countries face an even bigger challenge in accessing long-term risk capital. As a patient investor with a long term view, CDC's contribution to emerging markets is essential in these unprecedented times. It is right to concentrate capital where it is most needed. This makes the role of CDC as important today as at any time in its 60-year history.

CDC's strong track record demonstrates skill in investing in countries that are now emerging economies. This means CDC can now put even more focus on the poorer countries of the world.

The new investment policy will involve more risk and CDC does not underestimate the scale of the task. CDC relishes the challenge and looks forward to implementing the new policy from January 2009.

CDC's new investment policy means that:

- CDC will make more than 75% of new investments in low income countries (those with an annual gross national income (GNI) per capita of less than US$905);
- CDC will invest more than 50% of its funds in sub-Saharan Africa;
- CDC will be able to invest up to £125m over five years in small and medium size enterprise (SME) funds in other developing countries.

The new policy means that CDC has needed to reconfigure its internal management structure. Late in 2008 a new senior management team was put in place, comprising Rod Evison as Managing Director Africa and Latin America, Anubha Shrivastava as Managing Director Asia, Hywel Rees-Jones as Managing Director Alternatives and Shonaid Jemmett-Page, who joins from Unilever as Chief Operating Officer.

Towards the end of the year CDC commissioned McKinsey to help the company explore alternative ways of getting its capital to work, such as the provision of debt rather than equity finance. In many of the very poorest economies, the private equity industry is not yet sufficiently mature for CDC to invest in funds. Alternative ways of deploying capital to support promising businesses are required in these geographies. There are many challenges ahead and CDC will work hard to make the most of the opportunities.

One major project in 2008 was the review of and improvements to CDC's methodology to assess and monitor the development impact of its investments. CDC's business has grown very fast in just a few years. The company now has 59 fund managers, compared with just three managers five years ago. Systems and processes need to develop to accommodate this growth. CDC's ability to understand and measure development impact is one of the most important management tasks as it goes to the very heart of the company's purpose as a leading development finance institution. The innovative work undertaken in 2008 positions CDC well for the future to understand better the difference being made on the ground.

CDC also took the opportunity to revise the Investment Code covering such issues as the environment, social matters (including health and safety, labour and working conditions), governance and business integrity.

It was also a busy year for commitments to funds. Across the business, CDC committed £605m to 28 funds. This brings the total outstanding commitments to £1,972m in 127 funds with 59 managers. These included commitments to 17 new managers. CDC's success depends in large degree on the selection of strong managers. CDC looks for experience and a compelling investment strategy as well as a commitment to the Investment Code and development impact. CDC is especially pleased when it is able to support first time teams, building the private equity industry and investment capabilities of poor countries. Over half of CDC's managers are first-time teams. This is further evidence of CDC's development impact.

Good progress was made in the core markets of sub-Saharan Africa and South Asia. CDC is now the largest private equity player in Africa where total capital committed in the past five years stands at £1.3bn. There were some significant investments made by managers in 2008 and the pace of exits was pleasing too.

During the year the National Audit Office (NAO) published a thorough report on DFID's oversight of CDC. This was an important piece of work and CDC welcomed the opportunity to demonstrate in detail the way its business works and how development impact is achieved. The report, which was published in December 2008, recognised CDC's effectiveness in the poorer countries of the world and found that CDC "has made a credible contribution to economic development in those countries while also encouraging other foreign investors to engage with them". The NAO also concluded that CDC has delivered exceptional financial returns on behalf of the taxpayer and has good internal governance arrangements. The recommendations of the report will help build CDC's success.

At the end of the year CDC sold its shareholding in Aureos, the leading emerging markets fund manager focusing on SMEs, to the Aureos management team. The establishment and build-up of Aureos since its formation by CDC in 2001 has provided substantial development impact. The management buyout is the next logical step for Aureos and will provide further developmental benefits, not least of which is the attraction of more capital to these markets.

Finally, I would like to acknowledge the immense contribution made to CDC by Sir Malcolm Williamson over the past five years. Under his Chairmanship CDC has grown from an asset base of £1,035m in 2004 to the present level of £2,328m. We have outstanding commitments of £1,972m to 59 fund managers and 127 funds. CDC capital is invested in 682 businesses in 75 poor countries. They support an estimated 6 million people. This is an outstanding record and I would like to extend my personal thanks to Sir Malcolm for his support and wise counsel over a period of extraordinary growth and achievement at CDC. I would also like to thank CDC's hard-working and committed staff for all their efforts in 2008.

I look forward to a year of challenge and opportunity under our new Chairman, Richard Gillingwater, who joins us at a time when the developing world needs CDC's continued investment as never before.

Richard Laing
Chief Executive

DEVELOPMENT IMPACT

Supporting private sector businesses across all sectors stimulates economic growth which is the only long-term route out of poverty.

The role of the private sector

CDC is a development finance institution wholly owned by the UK government's Department for International Development (DFID). One of the most serious barriers to sustainable economic development in poor countries is the lack of capital investment in growing businesses. Commercial investors often shy away from the poorer emerging markets which are seen as risky and problematic. Yet long-term economic growth, which is the only sustainable route out of poverty, depends on a thriving private sector. Developing countries need successful businesses of all kinds and of all sizes, employing and training people and paying taxes to their governments.

Supporting the private sector is a key element of DFID's poverty reduction strategy. DFID's private sector programme, which includes its ownership of CDC, complements its aid and humanitarian support programmes.

“THE 90 MILLION PEOPLE WHO FACE EXTREME POVERTY… NEED THE OPPORTUNITIES THAT BUSINESS PROVIDES. WE KNOW THAT THE PRIVATE SECTOR IS THE ENGINE OF ECONOMIC GROWTH, AND WE KNOW THAT GROWTH DRIVES DEVELOPMENT. THE CORPORATE SOCIAL RESPONSIBILITY APPROACH OF THE PAST TEN YEARS DOES NOT GO FAR ENOUGH. SUPPORTING DEVELOPMENT IS – AND MUST BE – A CORE PART OF WHAT BUSINESSES DO, NOT AN ALTRUISTIC ADD-ON.”

Mike Foster MP, Minister for International Development, speaking at the launch of DFID’s Private Sector Development Strategy, January 2009.

CDC does not administer aid. Instead, it invests capital into sustainable private sector businesses. CDC also seeks to leverage third-party capital into poor countries. This is achieved by demonstrating to commercial investors that it is possible to invest responsibly and successfully in promising businesses in poor countries. Therefore, CDC invests UK capital in the private sector in the poorer of the emerging economies. CDC’s principal instrument is investing in private equity funds. Private equity provides more than capital alone. Fund managers play a hands-on role in nurturing the companies within their portfolios by adding value through business expertise. This is the profound development potential of private equity.

Attracting other investors

CDC has a long record of investment in poor countries. In recent years commercial investors have increasingly committed capital to promising businesses and that trend must continue.

However, the turmoil in capital markets of 2008 has been a significant setback and CDC’s role today is as important as it has ever been in its 60-year history.

Understanding CDC’s development impact

CDC’s role as a fund of funds investor has practical implications for monitoring and evaluating performance at the fund and investee company level. Last year was an important one for CDC in terms of measuring development impact. In the early part of the year the company began a major project to review and update its development impact policies, procedures and methodology, to ensure they meet the needs of the business, are leading-edge and reflect best practice in the market. A great deal of important work has been carried out on this subject in recent years and it is vital that CDC takes account of the experiences of others. Therefore, extensive consultations were conducted with DFID and other development finance institutions (DFIs), most notably the International Finance Corporation (IFC) and the members of the association of European Development Finance Institutions. CDC’s methodology is informed by the IFC’s Development Outcome Tracking System.

CDC monitors four key indicators to assess the development impact of its investments:

- financial;
- economic;
- ESG; and
- private sector development.

“By the success of its bold investments, CDC has helped build some great companies and attracted other investors into our region.”

Dr William S. Kalema
Chairman of the Board of the Uganda Investment Authority and former member of the Commission for Africa.

The National Audit Office (NAO) report on DFID’s oversight of CDC published in December 2008 rightly drew attention to the need for DFID and CDC to have sufficient information on CDC’s development impact to inform strategic decisions on where and how CDC should invest. The development impact methodology will be a vital tool in this regard.

Investment Code

Background

Poor management of environmental, social and corporate governance (ESG) issues can be a defining characteristic of many developing countries. Local laws are sometimes weak and enforcement is often ineffectual. This means that businesses sometimes pay insufficient attention to environmental protection, the wellbeing of employees, safety and healthy working conditions. Business integrity is also often compromised by lax corporate governance practices.

Development Impact
continued

A key element of CDC's development impact is the promotion of responsible ESG practices in poor countries. Like all DFIs, CDC requires its fund managers and investee companies to adhere to responsible business practices and CDC's Investment Code sets out the principles, objectives, policies and management systems managers are asked to implement.

During 2008 CDC reviewed and updated its Investment Code on ESG issues, which is now consistent with IFC Environmental, Health and Safety (EHS) guidelines.[1] These guidelines have now been adopted by most DFIs as well as the commercial Equator Banks.[2]

CDC's Investment Code includes an exclusion list which specifies businesses and activities where CDC will not invest, including arms, pornography and illegal drugs.

> "By investing in the private sector in the developing world, CDC helps generate employment and growth, and tackles poverty in the Commonwealth and beyond. Persistent poverty is the scandal of our times. It can be beaten by a combination of private investment, development investment, trade and education: all this, under the banner of responsible and democratic governance which puts money to the best possible use – for the many, not the few."
>
> Mr Kamalesh Sharma,
> Commonwealth Secretary-General.

Application of the Investment Code by fund managers is a non-negotiable requirement of all CDC's commitments to funds.

Due diligence
At an early stage of the initial due diligence process for all new investments, CDC assesses the ability of fund managers to implement responsible business practices for their investee companies. Key areas for assessment include:

- the risk level of proposed investment sectors;
- a comparison of local legislation with IFC's Performance Standards and EHS Guidelines;
- effectiveness of processes to enable senior management to identify and address ESG issues;
- availability of specialised external technical support to conduct environmental and social impact assessments;
- track record on ESG management.

Investments
As part of the investment agreement with CDC, fund managers are required to employ management systems which effectively identify and address ESG risks in investee companies, and to work with investee companies to manage such risks and realise improvements in business practices. They also commit to report annually on the ESG performance of investee companies and to report to CDC as soon as they are aware of any serious ESG issue.

If necessary, CDC's investment team will help fund managers establish and maintain ESG management systems appropriate to the sectors in which fund managers plan to invest. CDC will pay special attention to support fund managers planning to invest in sectors with significant risks from the ESG perspective, particularly fund managers that have not yet developed robust ESG management systems.

CDC's constant objective is to encourage improvements to ESG practices at both fund and investee company level.

Investment monitoring
During the investment period, CDC monitors its fund managers' implementation of the Investment Code in terms of how they work with their investee companies to ensure responsible business practices.

CDC monitors improvements in business practices across its portfolio and shares good practice with other fund managers. This is a key aspect of CDC's development impact.

"CDC LEADS THE WAY IN SHOWING THE WORLD THE WEALTH OF BUSINESS AND DEVELOPMENT OPPORTUNITIES THAT EXIST IN AFRICA AND OTHER PARTS OF THE WORLD. IT ACTS AS A PATHFINDER, PLANTING SEEDS OF INVESTMENT WHERE OTHERS FEAR TO TREAD."

Richard Dowden, Director of Royal African Society.

Evaluations

CDC is a long-term investor and the funds in which it invests have a typical ten year life span. Every fund is evaluated around the mid point and at the end of its life. The evaluation covers the development impact of the fund against parameters set at the initial investment stage, financial and economic performance and private sector development. It also considers improvements in ESG over the investment period and the management of any ESG issues. Evaluations involve meetings with the management of investee companies and sample site visits to verify and complement information received from fund managers. The ESG performance is one of the key dimensions evaluated as part of CDC's broader framework for evaluating the development impact of its investments.

During 2008, 12 fund evaluations were completed. These major programmes of work have significantly advanced CDC's understanding of its development impact and the outputs will be used to ensure continued improvements in this vital area. CDC will evaluate in the region of a further 19 funds in 2009.

CDC's investment standards

CDC applies the following standards to investments:

- target an appropriate commercial return on each investment which may vary according to geography, product or sector;
- require managers to invest in companies with responsible business practices with respect to ESG matters in line with CDC's Investment Code;
- aim to be catalytic and add value to fund managers; and
- aim to be innovative and pioneering in what we do.

Monitoring performance

This is achieved by implementing systems to:

- monitor the financial performance of the funds in which CDC invests;
- measure the development impact of the funds in terms of creating commercially sustainable and responsibly managed businesses with associated positive effects for economic growth and private sector development; and
- monitor third-party capital which is invested alongside CDC to promote such development effects.

This year CDC will, for the first time, produce a separate publication which sets out the detail of the revised monitoring and evaluation methodology, and gives the results of the development impact fund evaluations conducted in 2008. It also examines case studies across key geographies and in some of the sectors where CDC's capital is invested. The publication will be available on CDC's web site.

1 See www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards.

2 The Equator Banks include more than 20 banks involved in project finance in emerging markets, including Barclays, ABN Amro, Citigroup and Credit Suisse. See www.equator-principles.com.

Business Review

INVESTING IN GROWTH

AFRICA

Deacons Kenya Limited

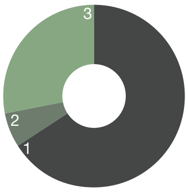
A thriving Kenyan fashion retailer, within Aureos East Africa Fund, is a key contributor to the Kenyan public purse. Deacons has pioneered a campaign offering advice on bra fitting and addressing the needs of women who have undergone breast cancer treatment.

Accra Mall

An Actis investment in Ghana, the mall stimulates local manufacturing, food production and local provision of fresh fruit and vegetables.

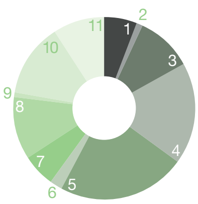
Business Review
AFRICA

Portfolio by fund manager



1 Actis **66%**
2 Aureos **6%**
3 Others **28%**

Portfolio by sector



1 Agribusiness **6%**
2 Cleantech **1%**
3 Consumer **10%**
4 Energy and utilities **18%**
5 Financials **23%**
6 Healthcare **2%**
7 Industrials **6%**
8 Infrastructure **11%**
9 IT **1%**
10 Materials **13%**
11 Telecommunications **9%**

Portfolio value

£516m

New commitments in 2008

£254m

2008 WAS A YEAR OF CONTRASTS FOR THE PRIVATE EQUITY INDUSTRY IN AFRICA. INITIAL OPTIMISM AROUND PROSPECTS FOR FUND-RAISING, INVESTMENT OPPORTUNITIES AND LIKELY EXITS WAS DAMPENED BY THE REALITIES OF THE INTERNATIONAL FINANCIAL CRISIS.

The terrible events at the beginning of the year in Kenya were followed six months later by collapsing commodity prices. African stock markets, particularly in the bigger economies of Kenya, Nigeria and South Africa, took a sharp turn downwards and the depreciation of the major African currencies compounded an already difficult situation.

World Bank[1] figures show economic growth across sub-Saharan Africa slowed by 0.9%. In Kenya the figure was down from 7.1% in 2007 to 3.3% in 2008. In South Africa the rate of growth has also slowed markedly compared with the rest of the continent. Nonetheless, projections for sub-Saharan Africa growth are still a healthy 4.6% for 2009 and this is good news at a time when a majority of OECD countries are in recession. Whilst it will not be evenly spread across the continent, CDC is hopeful that this level of growth will indeed be achieved, notwithstanding the unparalleled economic gloom in developed markets.

Fund managers who succeeded in closing their funds in the first part of the year were operating in a reasonably favourable environment and many met their fund-raising targets. However, it was a significantly tougher experience for those managers whose funds closed later.

In contrast, investment activity was strong and broadly based throughout the year. CDC-backed managers were able to invest at a steady pace in Africa this year. Nonetheless, there were significant corrections in valuations, particularly affecting the resource sector and the Nigerian financial services sector.

Sub-Saharan Africa is a core destination for CDC's capital. Many of Africa's poorer nations remain at the bottom of the rankings in the World Bank's 'Doing Business' report and businesses face serious difficulties in attracting the capital they need to grow and expand. CDC is the biggest private equity fund of funds player in Africa, having committed US$1.9bn to 44 funds in the past five years.

1 Prospects for the Global Economy, Forecast Summary, March 2009.

ECP invested in a start-up salt business in Djibouti. This manager also made investments in insurance companies and other financial services businesses in West Africa: Financial BC, a banking group present in five countries, and NSIA, a leading insurance group based in Côte d'Ivoire, with operations spanning eight countries.

During the year Aureos Africa Fund invested in a Kenyan IT business and a Nigerian biscuit company.

Exits were good in the first part of the year but slowed somewhat later. In Nigeria, Actis exited its investment in Starcomms, a telecommunications business, through a private placement. This fund manager also had a partial exit from a Nigerian consumer goods company, UAC. The sub-Saharan Africa fund manager Helios had two partial exits: First City Monument Bank of Nigeria and Africatel, a regional telecommunications business.

In the important small and medium size enterprise (SME) space Aureos exited Shelys, a pharmaceutical business in Tanzania, through a trade sale, as well as Uganda Microfinance Ltd, also through a trade sale. Aureos also exited Voltic, a mineral water company in West Africa, and merged Ghana Leasafric with C&I Leasing, another portfolio company which was partially realised.

MTN Nigeria Communications Limited

Fund manager: ACA Manager Limited
Investing fund: Capital Alliance Private Equity I and II
CDC fund commitment: US$22m
Investment size: US$115m

The Nigerian telecoms industry is growing at 15-20% a year and the Nigerian government has made the growth in teledensity a major policy objective. Competition is expected to intensify with the auction of GSM licences and network quality will become a key competitive advantage.

When MTN Nigeria began business in 2001, Nigeria had a total telephone penetration rate of 0.5%. MTN Nigeria has invested US$1.8bn in mobile telecoms infrastructure throughout Nigeria. The company now provides services in 223 Nigerian cities and towns and more than 10,000 villages and communities.

The company has enjoyed impressive growth over the past few years, with over 20 million subscribers and market share of some 40%. As part of its plans to cover the entire country, MTN Nigeria is undergoing a systematic upgrade programme to improve network performance and call quality. There is also a new site acquisition programme.

MTN Nigeria now employs around 1,900 people and the company's management includes professionals recruited from the Nigerian, African and international markets.

Revenues grew from US$0.6bn in 2003 to US$3.1bn in 2007. The company paid company income tax of US$0.6bn.

The company's extensive corporate social responsibility programme is implemented through the MTN Foundation. The focus is on three key areas: education, economic empowerment and health. Education initiatives include a secondary school information technology centre supporting over 5,000 teachers in 49 schools. Under the economic empowerment category, the Foundation runs a rural telephone project focused on women, helping them to begin their own small businesses with microfinance loans. The Foundation also implements HIV/AIDS awareness programmes, including counselling and testing services.

Business Review Africa
continued

Equatoria Teak Company Limited

Fund manager: Actis
Investing fund: Actis Africa Agribusiness Fund
CDC fund commitment: US$93m
Investment size: US$8m

Plantations were established in Southern Sudan from the 1940s onwards but various wars and periods of civil unrest interrupted their development. Since 2005, when an independent government was set up in Juba, there has been a major focus on rebuilding infrastructure, particularly in the large rural states of Southern Sudan where the forest resources form a key part of the programme.

Equatoria Teak Company (ETC) was the first company to sign a 'Plantation Management and Development' agreement with the new government. ETC is fully committed to operating on principles of sustainability and local community involvement.

ETC, a greenfield operation, acquired a concession of over 18,640ha of teak forest in Western Equatoria. Work is now under way to develop a sustainable hardwood plantation based on international environmental, social and governance standards. The company draws on the experience of the Tanzanian Kilombero Valley Teak Company, another Actis investment.

Teak has unique properties of strength, hardness and consumer appeal. As most teak in the world market comes from South East Asia, Southern Sudan is an alternative source of this versatile wood. The teak is of a very high quality for plantation teak because of its slow growth. It is therefore a good substitute for natural forest teak where exploitation can create environmental concerns.

Initial work at ETC includes an environmental assessment and commencement of Forestry Stewardship Council processes as well as the purchase of a sawmill and wood processing equipment.

ETC is the first employer of any scale in Western Equatoria, where there has been almost no formal employment opportunities for decades.

Capital Alliance had two full exits: a trade sale of GS Telecoms, a pan-African telecommunications business, and an IPO of ABC Transport on the Lagos Stock Exchange. Partial exits included MTN Nigeria via a private placement, and Resourcery, an IT business, via an IPO.

In Zambia there were successful exits of the agribusinesses managed by Actis, including the sale of Nanga Farms to Zambeef.

Some important commitments were made in 2008, primarily with successor funds with established teams. There were, however, commitments made to first-time teams. Travant, a West African first-time team, achieved a first close in May 2008 assisted by CDC's commitment of US$30m. The fund is targeting investments in Nigeria, Cameroun, Angola, Democratic Republic of Congo, Ghana and Côte d'Ivoire but will also look for opportunities in Senegal and Sierra Leone. CDC also committed US$15m to the Atlantic Coast Regional Fund, managed by a first-time team, featured on page 9. In South Africa CDC's US$8m first close commitment was important in giving momentum to Medu's fund-raising efforts, which reached US$94m by final close.

Two North African funds closed in 2008. We committed €20m to the SGAM Al Kantara Fund, which raised a total €115m, including parallel local vehicles. This fund was raised by a wholly-owned subsidiary of Société Générale Asset Management and is managed by a dedicated and autonomous team operating from offices in Paris, Casablanca, Tunis and Cairo, giving it one of the most on the ground presences of any private equity team in the region. We also committed €20m to the €124m Maghreb Private Equity Fund II managed by Tuninvest, one of the oldest and most experienced private equity firms in the SME space in the region.

CDC was also a cornerstone investor in GroFin's US$125m Africa Fund, where it committed US$30m. GroFin specialises in SME investments, providing finance to companies which fall above the microfinance sector but below the private equity sector, sometimes referred to as 'the missing middle'. There were further commitments of US$75m in the important SME sector through Aureos' US$400m Africa Fund. Aureos is looking to expand its office network in Africa whilst investing this fund. We committed US$30m to Capital Alliance's West African real estate fund at first close. We also committed US$15m to an early stage mining fund, Africa Lion Fund III.

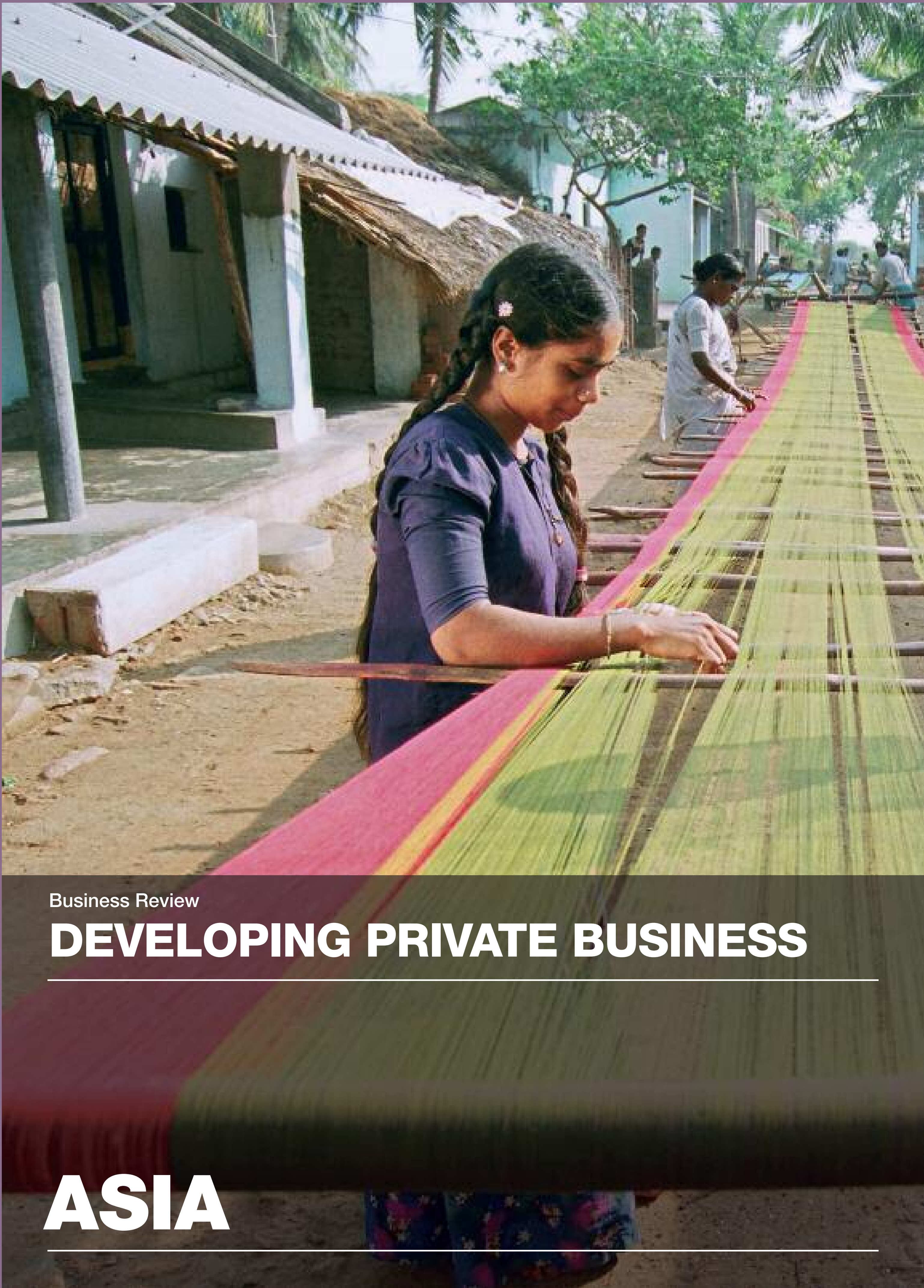
Our largest commitment during the year was US$100m to ECP's successor Africa Fund III. ECP is a leader in private equity in Africa, with on the ground presence in several African countries. The fund expects to make equity investments with an average size of US$50–60m in a diversified portfolio of companies, primarily within the telecommunications, financial services, energy and agribusiness sectors.

New investments by funds include

Company Country	Fund Description
Deli Foods Ltd Nigeria	Aureos Africa Fund Biscuit manufacturing
Newpack Madagascar	I&P Capital II Carton production
Scaw Limited Zambia	Aureos Southern Africa Manufacturing mill balls
Reclam South Africa	Vantage Mezzanine Fund Recycling
Salt Investment Djibouti	ECP Africa Fund II Salt harvesting

Five largest African investee companies

Company	Country/Description
Songas	Tanzania Power
Orascom	Algeria Mobile telecommunications
DFCU	Uganda Development finance
Empower	Pan-Africa Power
Diamond Bank	Nigeria Financial services


Business Review
DEVELOPING PRIVATE BUSINESS
ASIA

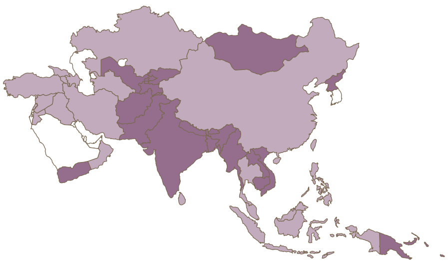
Arch Pharmalabs

ICICI Venture's Arch Pharmalabs investment has become a producer of choice for supplying key intermediates for Pfizer's blockbuster drug 'Lipitor' by adopting the highest production standards in the pharmaceutical industry.

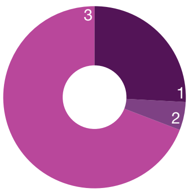
Apollo Hospitals Dhaka

Aureos investment Apollo Hospitals Dhaka delivers advanced tertiary care to international standards to the people of Bangladesh through a 300-bed state of the art facility, with plans for further expansion up to 450 beds.

Business Review
ASIA

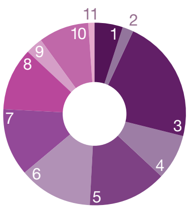


Portfolio by fund manager



1 Actis **26%**
2 Aureos **5%**
3 Others **69%**

Portfolio by sector



1 Agribusiness **5%**
2 Cleantech **2%**
3 Consumer **22%**
4 Energy and utilities **8%**
5 Financials **14%**
6 Healthcare **13%**
7 Industrials **12%**
8 Infrastructure **11%**
9 IT **3%**
10 Materials **9%**
11 Telecommunications **1%**

Portfolio value

£363m

New commitments in 2008

£314m

SOUTH ASIAN ECONOMIES WITNESSED A TURBULENT 2008 ON THE BACK OF GLOBAL MARKET CONDITIONS, EXACERBATED BY THE ECONOMIC EFFECTS OF TERRORIST ATTACKS IN INDIA AND PAKISTAN.

South Asia
India, the regional powerhouse, experienced its lowest annual GDP growth rate in six years in 2008. The figure according to the World Bank[1] was 6.3%. Its government's focus is now on spurring large-scale demand by injecting liquidity into the system and increasing government spending on sectors such as infrastructure.

CDC has committed over US$1bn to South Asia, including new commitments totalling US$303m in 2008. CDC's South Asia portfolio is invested across a wide range of sectors including domestic consumer driven sectors, life sciences, manufacturing and engineering, infrastructure and real estate. In these volatile times, CDC has a vital role to play in the region through actively monitoring and supporting its fund managers. Very few fund managers in the region will have managed a fund through an economic slowdown of this degree.

The Indian government remains committed to its infrastructure spending, particularly with the use of Public Private Partnerships (PPPs). Several large Indian infrastructure funds were raised in 2008:

- During the year the India Infrastructure Fund, managed by IDFC Project Equity, had its initial closings, raising US$880m with CDC committing US$100m. Further details of this are given on page 9. The fund will focus on energy, telecommunications and transport together with commercial and industrial property, investing at the project level; and
- IDFC Private Equity raised its third fund with commitments of US$700m with CDC committing US$25m. The fund will focus on growth opportunities in the infrastructure sector, including auxiliary and social infrastructure companies.

In the year, CDC fund managers made several investments in the infrastructure sector:

- India Infrastructure Fund invested in Jijayawada Tollway for the construction of a six-lane road between the important industrial cities of Chilakaluripet and Vijayawada in Andhra Pradesh;
- IDFC Private Equity invested in Emergent Venture India Pvt. Ltd (EVI), the second-largest clean development mechanism (CDM) company in India which is providing solutions under the United Nations CDM programme; and
- Avigo Capital Managers increased its investment in Tecpro Systems Limited, a business making good headway in the engineering, procurement and construction segment of the infrastructure sector.

India's domestic demand for basic needs remains healthy, particularly in rural areas, and continues to be an important contributor to India's GDP growth. Small and medium size enterprises (SMEs) continue to play an important part in these segments and SMEs remain a key focus of Indian private equity fund managers.

1 Prospects for the Global Economy, Forecast Summary, March 2009.

In 2008 CDC's SME commitments included:

- US$20m to the US$90m Ventureast Proactive Fund, a new fund relationship whose focus is on early stage and SME companies;
- US$20m to the US$50m Ambit Pragma Fund, another new relationship managed by a first-time team and focused on growth capital investments; and
- US$20m to Avigo Fund III which invests in industrial SMEs.

CDC's fund managers made a number of SME investments. Ventureast invested in Ad2Pro Media solutions, an SME providing short lead-time advertisement design services for newspapers and the web.

- A US$35m commitment to Kotak Private Equity Fund, a new manager for CDC;
- US$50m to US$563m Baring India Fund III; and
- Actis Emerging Markets Fund 3 made an additional investment into Paras Pharmaceuticals, an Actis India Fund 2 investment with a diversified portfolio of health and personal care brands.

In these difficult times, CDC fund managers are adding value to investee companies by concentrating on prudent balance sheet management, the implementation of industry best practices and active participation at the company board level where possible.

GET Power Limited

Fund manager: Avigo Capital Partners
Investing fund: Avigo SME Fund II
CDC fund commitment: US$20m
Investment size: US$16m

The Indian government has estimated that an investment of US$100bn in power is needed to develop generation, transmission, distribution and rural electrification. The private sector is playing a vital role here, following reforms allowing foreign direct investment in all segments of the power sector.

GET is a turnkey service provider in transmission and distribution. The company's expertise is in design, engineering and construction of high-capacity substations. It also undertakes renovation and modernisation of existing substations with the least power outage to consumers.

The company has a major focus on rural electrification. This is one of the most important pillars of the government's 'Power for All' programme. GET is responsible for setting up distribution substations through to cabling connections to individual rural households. It has 14 completed rural electrification projects, representing an investment of US$145m and providing electricity to nearly half a million households living below the poverty line.

Wind energy is an important source of power generation in India and GET has substantial experience in the transmission of power generated by wind farms to the utility grid.

GET has also established a division of the company to advise on ways to reduce energy consumption. In one instance, a client company's electricity usage was reduced by almost half.

The company has grown exponentially over the past two years and in the coming years GET aims to increase its scale through both organic and acquisition growth options.

The company has obtained ISO certification.

Business Review Asia
continued

Bhartiya Samruddhi Finance Limited

Fund manager: ShoreCap Management Ltd.
Investing fund: ShoreCap International Ltd.
CDC fund commitment: US$4m
Investment size: US$0.5m

Bhartiya Samruddhi Finance Limited (BSFL) is a non-banking finance company regulated by the Reserve Bank of India. It is the flagship of the BASIX Group, an India-based microfinance institution, and one of the industry leaders in institutional development and mainstream financial sector linkages.

Through its ‘Livelihood Triad’ strategy, BSFL provides microfinance, institutional development, agricultural and business development services. In its microfinance operations, BSFL works in rural areas, offering individual and group-based microcredit and insurance products. It also makes general purpose loans to self-help groups, which deliver credit and other services to poor women.

Since beginning operations in the mid 1990s, BSFL as of 31 December 2008 has a loan portfolio of just over US$87m serving borrowers with crop, livestock and non-farm loans. BSFL serves over 535,000 borrowers, 54% of whom are women, through a network of 96 units/branches covering ten states, while employing over 1,200 people.

BSFL’s agricultural and business development services include providing the agricultural sector with soil testing, seed treatment and nutrient and pest management, while providing the non-farm sector with book keeping, marketing support and trade-related techniques. BSFL’s institutional development services focus on providing consulting services to self-help groups in the farm, dairy and non-farm sectors.

Through its non-profit affiliate, ShoreCap Exchange, ShoreCap has provided BSFL capacity-building support in the areas of risk management, internal audit, human resource management and leadership training.

Pakistan, on the other hand, remains in a sensitive political situation. Instability during the year led to a loss of business confidence. Depletion of foreign exchange reserves has led to a US$7.6bn IMF Standby Agreement. Given the inflation figure of 20.5% (January 2009), the economy does not have the monetary policy flexibility of India, for example.

Despite the turmoil, JS Private Equity Fund I, in which CDC has a US$40m commitment, continued to make investments in the country. The manager made an investment in Sachal Radio Group, one of the few groups to hold an FM Radio Licence, to serve less developed provinces in regions such as the North-West Frontier Province and Baluchistan.

China

China saw a lower GDP growth rate of 9% in 2008, down from 13% in 2007. However, China overtook Germany to become the third largest economy in the world. The announcement of a US$586bn fiscal spending package in November 2008 shows the government’s resolve in dealing with the effects in China of a global slowdown. During December 2008, exports dropped by 2.8% and the manufacturing index hit its second lowest level ever.

CDC has committed over US$591m to China, including new commitments totalling US$116m in 2008. CDC’s capital is playing a catalytic role in the provision of growth finance across the spectrum but with a focus on small and medium size businesses. CDC looks for disciplined managers who add value to investee companies and help them grow.

CDC committed US$81m to three first-time fund managers:

- US$41m in FountainVest China Growth Fund, a spin-off from the Temasek China team. The focus is on large-sized growth capital investment;
- US$30m in Tripod Capital China Fund II, where the emphasis is on privatisation of state-owned SMEs in second and third tier cities; and
- US$10m in Keytone Venture, a spin-off from Kleiner Perkins Caufield and Byers China's Beijing team, with a focus on early-stage and early-growth stage companies with a technology aspect.

In addition, CDC committed to two established fund managers:

- US$10m was committed to Legend Capital Fund IV, where the emphasis is on venture capital and growth capital investments; and
- US$25m to Qiming Venture Partners II, which focuses on early-stage companies in consumer-driven sectors.

South East Asia

Political instability in Thailand was a prominent feature in the region in 2008. A slowdown in growth is expected due to a cooling of commodity prices. Nevertheless, the general macroeconomic picture is one of stability.

CDC committed US$30m to Kendall Court Mezzanine Bristol Fund, which will continue Kendall Court's strategy of mezzanine investments in the region, albeit with a greater emphasis on China in this fund. Navis has been active in South East Asia during the year with its sale of Europcar's franchisor in Asia Pacific back to the parent company.

Vietnam has traditionally shown some of the highest GDP growth rates in the region, and pan-Asian funds have been increasingly active there. Examples include Navis Asia Fund V's investment in PMI/Theodore Alexander, a home furnishings manufacturer, Lombard Asia III's investment in Lasta Multimedia, a privately run TV station that is owned by one of Vietnam's leading TV production houses and Aureos South East Asia Fund's investment in Truong Thanh, a mid-end furniture producer.

Central Asia

Complementing our US$20m commitment to Aureos Central Asia Fund in 2007, we committed US$10m to Centras Private Equity Fund in 2008. Centras has raised US$43m and will focus on SMEs requiring growth capital in Central Asia, particularly in Kazakhstan.

CDC's portfolio in Asia

Under the new Investment Policy described on page 12, CDC will no longer make new investments outside South Asia and the Mekong region.

New investments by funds include

Company Country	Fund Description
Duoyuan Global Water China	Global Environment Emerging Market Fund III Water treatment equipment
Parabolic Drugs India	BTS India Private Equity Pharmaceuticals
Kings Safety Wear Indonesia	Navis Asia Fund V Industrial footwear manufacturer
A Little World Private India	India Financial Inclusion Fund Banking technology in rural areas
Kashf Financial Services Pakistan	Shorecap International Consumer finance

Five largest Asian investee companies

Company	Country/Description
Paras Pharmaceuticals	India Healthcare
Bharti Infratel Indus	India Wireless telecom infrastructure provider
Teknicast	Malaysia Aluminium die-casting
National Stock Exchange of India	India India's leading stock exchange
Xiabu Xiabu	China Restaurant chain

Business Review

MOBILISING INVESTMENT

OTHER INVESTMENTS

Credi Equipos

Credi Equipos, an investee company in Nexxus Capital Private Equity Fund III, offers loans through microlending in Mexico.

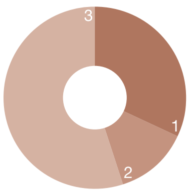
Conica

Constructora e Inmobiliaria Centroamericana, an investment by Emerge Central America Growth Fund, is a Salvadorean construction company building housing projects in the east of the country.

Business Review
OTHER INVESTMENTS

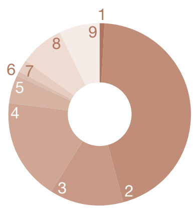
UNDER THE INVESTMENT POLICY WHICH CAME TO AN END IN 2008, CDC INVESTED IN LATIN AMERICA. WE ALSO APPROACH SOME FUNDS FROM A REGIONAL PERSPECTIVE AND ADDRESS IMPORTANT AREAS SUCH AS MICROFINANCE AND INFRASTRUCTURE.

Portfolio by fund manager



1 Actis **32%**
2 Aureos **13%**
3 Others **55%**

Portfolio by sector



1 Agribusiness **1%**
2 Consumer **45%**
3 Energy and utilities **13%**
4 Financials **18%**
5 Industrials **5%**
6 Infrastructure **1%**
7 IT **2%**
8 Materials **8%**
9 Telecommunications **7%**

Portfolio value

£49m

New commitments in 2008

£37m

Latin America

The bigger economies of the region had reasonable growth rates in 2008. Mexico grew by 5% in the year and in Brazil, the region's dominant economy, the figure was 3%. Peru and Colombia grew by 8-9%.

Nonetheless, growth in the economies of Latin America did not match the figures enjoyed by China and India, making it more difficult for the region to attract capital.

The belief widely held at the beginning of the year that Latin America could escape the global economic crisis proved optimistic as the latter part of the year brought falling stock markets and lower valuations. Mexico has been particularly affected since the economy is so closely linked to that of the US, which accounts for so much of Mexico's exports. Remittances to the economy from Mexicans abroad also fell as the economic downturn progressed. However, Brazil has weathered the storm reasonably well, supported by huge domestic consumer demand. The economies of Uruguay, Chile, Peru and Colombia benefited from regulatory reform programmes making them more attractive to investors.

The private equity industry in Latin America is dominated by Brazil, where the asset class is maturing well. A boom in the IPO market in the early part of the year evaporated as stock markets and valuations fell. Inevitably, this resulted in a more complicated market for exits.

Private equity in Mexico remains at a low level relative to the size of the economy and although valuations fell in that country, the market is less developed.

Investment within CDC funds was at a modest pace in 2008. Advent performed well and the team is now raising a successor fund. Nexxus made two interesting investments in microfinance and education. Patria, with its 'buy and build' strategy, invested in a logistics business. Aureos Latin America Fund also made two Mexican investments in a leasing business and an office equipment business. CDC has committed US$30m to this fund.

Opportunities for exits were limited in 2008 but most of the funds in which CDC is invested are still at an early stage and not yet in exit mode.

During the year we committed US$10m to Altra, an interesting first-time team aiming to raise a US$100m fund. This is a pioneering mid-market generalist fund focused on Peru and Colombia and investment sizes of between US$10m to US$20m. Following a change in local regulations, Colombian pension funds are now able to invest in private equity funds for the first time. CDC has been in dialogue with the Colombian stock exchange advising on this initiative. This was a welcome opportunity to contribute our experience.

Infrastructure

Economic growth in poor countries is impossible without efficient and modern infrastructure. CDC therefore invests extensively in infrastructure, from power generation and distribution to transport infrastructure and telecommunications.

The Actis Infrastructure Fund invests in these areas. Given the need for improved power and transport infrastructure, CDC's commitment to this fund exceeds US$500m. The fund has a promising pipeline of investments.

Microfinance

There has been growing investor interest in microfinance institutions as progress has been made in tackling the traditional difficulties of building momentum and scale.

Innovative business models are being developed and this is helping to realise the profound development potential of microfinance as an asset class.

Since 2004 CDC has committed US$84m to microfinance, including commitments to Minlam Microfinance Offshore Fund, Catalyst Microfinance Investors, Lok Capital, India Financial Inclusion Fund, ShoreCap International, Advans and Access.

CDC made a €7m co-investment in Advans, a fund building a network of primarily greenfield microfinance institutions in Africa and also Asia. Microfinance is an important area for CDC and this is a welcome opportunity to deepen investment in Africa. Micro-entrepreneurs play a vital role in grassroots economic development and CDC's investment will allow individuals to access credit and other financial services to help stabilise and grow their businesses.

Environment

As economies continue to balance the need for sustainable growth with environmental management, cleantech businesses and funds have begun to attract investor interest.

This is an important area for CDC and we are actively seeking opportunities to build our portfolio in this space. We have a US$40m commitment to the Global Emerging Markets Environment Fund III where there are attractive investment opportunities.

Actis Fund 3s

Actis closed these new global emerging markets funds in 2008 at US$2.9bn.

Investments will be broad-based across sectors including information technology, manufacturing and telecommunications. CDC has US$650m committed to these funds and it was pleasing to see so many investors alongside us who are first-time entrants to emerging markets.

The portfolios of these global and regional funds are included in Africa and Asia where appropriate.

PERFORMANCE REVIEW

Godfrey Davies
Chief Financial Officer

CDC NOW HAS INVESTMENTS IN 127 FUNDS MANAGED BY 59 DIFFERENT FUND MANAGERS.

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 over 60 years. CDC is part of the UK programme for promoting international development and the reduction of poverty. The government has no involvement in 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 objective is to invest in the creation and growth of viable private businesses in poorer developing countries to contribute to economic growth for the benefit of the poor; and to mobilise private investment in these markets both directly and by demonstrating profitable investments. No country has succeeded in reducing poverty in a sustainable manner in the absence of economic growth. Commercially sustainable private sector businesses are critical to such growth: they employ and train people, pay taxes, invest in research and development, and build and operate infrastructure and services. Scarcity and unequal access to long-term risk capital constrain the establishment and growth of viable businesses in CDC's target markets.

CDC's investment strategy is to align its activities with its shareholder's objective of reducing poverty. The CDC universe consists of developing countries which are defined by the World Bank as low or middle income countries. Until the end of 2008 CDC had 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. On 3 November 2008, DFID announced a new investment policy and targets for CDC. For commitments to funds up to the end of December 2008 the above targets should be met, but for new commitments to funds thereafter, new investments must meet two new targets: 50% of new investments in sub-Saharan Africa and 75% in low income countries (defined as countries with an annual GNI per capita below US$905 in 2006). In addition CDC may commit up to £125m in the next five years to SME funds in middle income countries (defined as countries with an annual GNI per capita below US$11,115 in 2006). In making investments CDC:

- targets an appropriate commercial return, which may vary by geography, product or sector;
- requires managers to invest in companies with a commitment to best practice including environmental, social policies and governance; and
- aims to be catalytic and innovative in what it does.

CDC, and the businesses in which its capital is invested, will:

- comply with all applicable laws;
- as appropriate, minimise adverse impacts and enhance positive effects on the environment, workers and all stakeholders;
- commit to continuous improvements with respect to management of the environment, social matters and governance;
- work over time to apply relevant international best practice standards, with appropriate targets and timetables for achieving them; and
- employ management systems which effectively address environmental, social and governance ('ESG') risks and realise ESG opportunities as a fundamental part of a company's value.

Strategies for achieving the objectives 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 its 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 CDC's 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 which 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.

The underlying investee companies of the funds in which CDC invests pay taxes in their country of operation. However, under the CDC Act 1999, CDC Group plc was granted exemption from UK Corporation Tax from May 2003. CDC has not received any new investment from its shareholder for 13 years but recycles portfolio receipts as new investments in developing countries.

Key Performance Indicators

CDC's gross portfolio performance in US$[1] was a loss of 33% (2007: gain of 57%) better than the MSCI Emerging Markets Index by 22% (2007: 20%).

Total loss for the period was £359.0m (2007: gain of £672.0m). The fund net loss was 13% (2007: gain of 33%) and an average annual return of 18% since the beginning of 2003.

New investments on a rolling basis at 75% in poor countries exceeded the rolling five-year target of 70%.

New investments on a rolling basis at 62% 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$1,862.6m (2007: US$653.4m).

Current performance

Portfolio return

The MSCI Emerging Markets Index is designed to measure equity performance in global emerging markets. In 2008 it declined by 55% (2007: rose by 37%). However, index declines of individual countries varied widely in 2008 with South Africa 40%, China 52%, Nigeria 60% and India 65%.

The portfolio generated £21.9m of realised profits (2007: £406.2m) which arose mainly from the realisation of Shunda in China, partly offset by Infrastructure Development Finance Company in India realised at less than the previous year end valuation.

The unrealised valuation loss in the portfolio was £447.1m (2007: £223.0m unrealised gain) driven by the decline in global markets partly offset by growth in earnings of underlying portfolio companies of the funds and currency gains from Sterling's depreciation against the US dollar.

Operating costs

Operating costs for the year of £13.0m (2007: £8.3m) have increased due to the increase in London office employees to 41 (2007: 30) and the need to move to a larger office. Operating costs represent 0.5% of funds under management which compares favourably with industry benchmarks of up to 1%.

Other net income

Other net income of £79.2m (2007: £51.1m), which is mainly interest income, was higher due to the average cash balance in 2008.

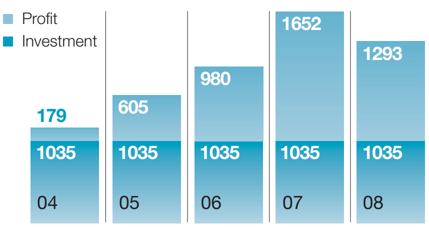
Total return

The overall result is a total loss of £359.0m (2007: gain of £672.0m). As a return on opening total net assets on a valuation basis, this represents a loss for CDC's shareholder of 13% (2007: gain of 33.0%) this year and an average annual return of 18% since the beginning of 2003.

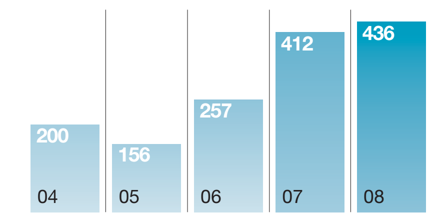
1 Realised and unrealised portfolio return as a % of opening portfolio.

Performance Review
continued

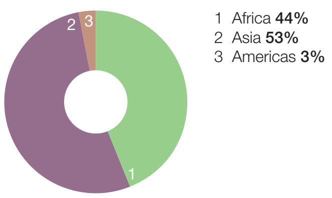
CDC value growth (£m)



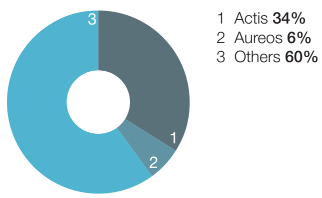
Fund drawdowns (£m)



New investments in 2008 by region



New investments in 2008 by manager



Total return

	2008 £m	2007 £m
Net realised profits	21.9	406.2
Unrealised value movements	(447.1)	223.0
Portfolio return	(425.2)	629.2
Operating costs	(13.0)	(8.3)
Other net income	79.2	51.1
Total return after tax	(359.0)	672.0

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 five-year period to the end of 2008 third-party funds mobilised alongside CDC's capital invested in Actis and Aureos funds have been measured. In 2008 these amounted to US$1,862.6m (2007: US$653.4m) with a successful final close of Actis Fund 3.

Portfolio

	2008 £m	2007 £m
Portfolio at start of year	1,184.1	1,125.3
New investments	436.0	412.0
Realisations	(245.3)	(576.2)
Unrealised gains	(447.1)	223.0
Portfolio at end of year	927.7	1,184.1

Total net assets decreased in the year from £2,686.8m to £2,327.8m, a fall of 13% (2007: rise of 33%). The portfolio, which consists of investments in funds managed by fund managers and the legacy portfolio managed by Actis, decreased from £1,184.1m to £927.7m. This represents a 22% reduction despite the higher level of new investments in the year due to the large valuation losses driven by market conditions. The 20 largest underlying investments are shown on pages 40 and 41.

	2008 £m	2007 £m
Portfolio	927.7	1,184.1
Net cash and deposits	1,268.2	1,405.0
Other net assets	131.9	97.7
Total net assets on a valuation basis	2,327.8	2,686.8

Cash flows

	2008 £m	2007 £m
Fund drawdowns	(436.0)	(412.0)
Fund cash generated	267.7	985.5
Net fund flows	(168.3)	573.5
Other cash flows	31.5	60.4
Net cash flow	(136.8)	633.9

Drawdowns by funds for new investments at £436.0m (2007: £412.0m) were higher than last year with increased drawdowns from non-Actis managed funds.

New investments

With new investments at 75% in poor countries and 62% in sub-Saharan Africa and South Asia, the rolling five-year targets of 70% and 50% respectively, were exceeded.

Fund cash generated

There was a lower level of portfolio cash generated this year at £267.7m (2007: £985.5m). In 2007 cash generated was unusually high from the realisation of Globeleq assets at £620.6m and a number of other exits. The main fund investment realisations in 2008 were as follows: Actis Assets Legacy Fund realised Infrastructure Development Finance Company, India, giving a cash multiple of 11.2 and an IRR of 30%; Actis Agribusiness Fund realised Nanga Farms, Zambia, giving a cash multiple of 62.4 and an IRR of 452%; Actis Africa Fund 2 partially realised UAC (a leading food-centric conglomerate in Nigeria) and Starcomms (the fourth largest telecommunications operator in Nigeria) giving cash multiples of 4.5 and 2.9 and IRRs of 56% and 45% respectively; Actis China Fund 2 realised Shunda giving a cash multiple of 3.1 and an IRR of 138%.

Cash and short-term deposits held

With the higher level of fund drawdowns and lower portfolio realisations, cash and short-term deposits were lower at £1,268.2m (2007: £1,405.1m). 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 127 funds, which stand at £1,971.5m, represent an overcommitment of 55%.

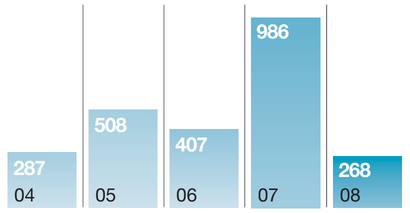
Fund managers

CDC actively reviews fund proposals from private equity fund managers within its investment universe. In 2008, CDC made new fund commitments of US$885m (2007: US$2,103m) of which none was with Actis, 8% was with Aureos and 92% was with other managers. The percentage of funds under management (CDC investment in funds plus outstanding commitments to the funds) by Actis has fallen from 62% at the end of 2007 to 51% at the end of 2008. CDC now has investments in 127 funds managed by 59 different fund managers.

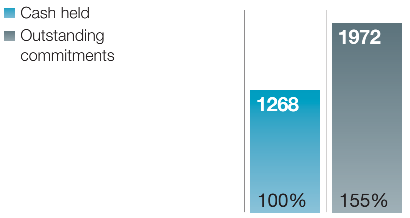
In 2008, CDC committed to 28 funds as follows:

	US$m
Adlevo Capital	15.0
Advans	9.8
African Lion 3	15.0
Altra Private Equity Fund I	10.0
Ambit Pragma Fund	20.0
Atlantic Coast Regional Fund	15.0
Aureos Africa Fund	75.0
Avigo SME Fund III	20.0
Baring India Private Equity Fund III	50.0
Capital Alliance Property Investment Company	30.0
Catalyst Microfinance Fund	15.0
Centras Private Equity Fund	10.0
ECP Africa Fund III	100.0
FountainVest China Growth Fund	41.0
GroFin Africa	30.0
IDFC Private Equity Fund III	25.0
India Financial Inclusion Fund	20.0
India Infrastructure Fund	100.0
Kendall Court Mezzanine (Asia) Bristol Merit Fund	30.0
Keytone Ventures	10.0
Kotak Private Equity Fund	35.0
Legend Capital IV	10.0
Maghreb Private Equity Fund II	27.9
Qiming Venture Partners	25.0
SGAM Al Kantara Fund	27.9
Travant Private Equity Fund I	30.0
Tripod Capital China Fund II	30.0
Ventureast Proactive Fund	20.0
Total funds in 2008	846.6
Co-investments	38.3
Total commitments including co-investments in 2008	884.9

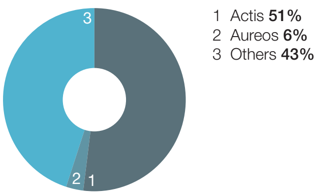
Portfolio cash generated (£m)



Cash and outstanding commitments at 31 December 2008 (£m)



Funds under management by fund manager



Performance Review
continued

CDC fund commitments and investments

	Outstanding commitment £m	CDC investment value £m
Actis 11 Legacy Funds	0.0	211.2
Actis Africa Fund 2	12.9	106.2
Canada Investment Fund for Africa	1.8	6.5
Actis Africa Empowerment Fund	4.4	21.1
Actis Africa Real Estate Fund	71.0	29.1
Actis Agribusiness Fund	19.3	21.1
Actis ASEAN Fund	21.7	15.6
Actis Assets Fund 2	0.0	2.7
Actis China Fund 2	4.2	17.0
Actis India Fund 2	8.1	35.2
Actis India Real Estate Fund	26.7	4.3
Actis South Asia Fund 2	8.1	27.1
Actis Umbrella Fund	4.0	5.9
Actis Infrastructure Fund II	466.2	16.1
Actis Emerging Markets Fund 3	121.2	8.9
Actis Africa Fund 3	77.7	19.3
Actis India Fund 3	61.8	3.9
Actis China Fund 3	65.4	(2.9)
Actis Latin America Fund 3	65.1	0.9
29 Actis managed funds	1,039.6	549.2
Aureos 10 Legacy Funds	0.0	2.9
Aureos Central America Fund	2.1	3.5
Aureos Central Asia Fund	9.7	2.6
Aureos China Fund	7.2	5.4
Aureos East Africa Fund	0.3	5.8
Aureos Latin America Fund	13.5	3.5
Aureos Malaysia Fund	6.5	0.0
Aureos South Asia Fund I [Interim]	0.9	1.8
Aureos South Asia Fund	13.9	7.3
Aureos South East Asia Fund	5.6	3.8
Aureos Southern Africa Fund	1.6	7.6
Aureos West Africa Fund	1.3	10.1
Emerge Central America Growth Fund	2.5	0.7
Kula Fund II	1.5	1.6
Aureos Africa Fund	39.7	10.2
24 Aureos managed funds	106.3	66.8

	Outstanding commitment £m	CDC investment value £m
Access Holdings	1.5	1.9
Adlevo Capital	10.3	0.0
Advans	4.8	3.0
Advent Latin America Private Equity Fund IV	7.9	5.1
African Lion	0.0	0.7
African Lion 2	0.0	1.4
African Lion 3	9.4	0.7
AIF Capital Asia III	15.9	10.5
Altra Private Equity Fund I	6.8	0.0
Ambit Pragma Fund	13.3	0.3
Atlantic Coast Regional Fund	10.0	0.1
Avigo SME Fund II	4.1	8.3
Avigo SME Fund III	13.7	0.0
Baring India Private Equity Fund II	12.9	4.6
Baring India Private Equity Fund III	31.3	4.0
BTS India Private Equity Fund	5.9	6.5
Business Partners International Kenya SME	0.7	0.3
Capital Alliance Private Equity I	3.1	12.2
Capital Alliance Private Equity II	1.8	12.0
Capital Alliance Property Investment Company	16.9	3.2
Capital Today China Growth Fund	7.9	10.0
Catalyst Microfinance Fund	7.7	0.8
CDH China Fund III	23.2	22.9
Central Africa Growth	0.0	6.7
Centras Private Equity Fund	6.6	0.0
CITIC Capital China	5.4	13.0
CMIA China Fund III	3.1	17.6
CVCI Africa Fund	36.6	23.8
Dynamic India Fund VII	17.2	22.6
ECP Africa Fund II	3.9	23.1
ECP Africa Fund III	42.2	15.8
Ethos Fund V	8.4	6.9
European Financing Partners	10.5	5.6

	Outstanding commitment £m	CDC investment value £m
FountainVest China Growth Fund	26.3	1.1
Global Environment Emerging Markets Fund III	23.4	2.5
GroFin East Africa SME Fund	0.0	1.9
GroFin Africa	19.0	0.7
Helios Investors	13.6	24.6
Horizon Fund III	4.3	0.8
Horizon Tech Ventures	0.0	0.6
I&P Capital II	5.4	1.0
IDFC Private Equity Fund II	2.1	9.0
IDFC Private Equity Fund III	13.5	3.2
India Financial Inclusion Fund	7.2	5.8
India Infrastructure Fund	63.7	4.4
India Value Fund II	0.0	2.7
India Value Fund III	10.4	4.9
International Finance Participation Trust (2004)	7.6	57.1
JS Private Equity I	21.8	1.9
Kendall Court Mezzanine (Asia) Fund I	1.4	7.1
Kendall Court Mezzanine (Asia) Bristol Merit Fund	13.5	6.7
Keytone Ventures	3.1	3.8
Kotak India Realty Fund	23.9	6.3
Kotak Private Equity Fund	23.9	0.0
Legend Capital IV	6.4	0.3
Lok Capital	1.8	0.7
Lombard Asia III	8.7	3.4
Maghreb Private Equity Fund II	8.1	9.8
Medu Capital Fund II	4.1	1.2
Minlam Microfinance Offshore Fund	0.0	16.7
Navis Asia Fund IV	0.0	6.7
Navis Asia Fund V	20.8	21.6
New Silk Route Fund I	25.5	5.6
Nexxus Capital Private Equity Fund III	9.6	3.0
Patria Brazilian Private Equity Fund III	17.8	1.4
Qiming Venture Partners	13.2	3.6

	Outstanding commitment £m	CDC investment value £m
Saratoga Asia II	24.5	4.6
SGAM AI Kantara Fund	17.2	0.5
Shorecap International	0.5	2.4
Sphere Fund 1	0.4	0.8
Travant Private Equity Fund I	18.0	2.0
Tripod Capital China Fund II	8.5	11.3
Vantage Mezzanine Fund	1.3	6.6
Ventureast Proactive Fund	10.2	3.0
74 Other managed funds	823.7	494.9
6 Co-investments	1.9	47.2
Forward foreign exchange contracts	0.0	(230.4)
Total legal commitment to 127 funds at end 2008	1,971.5	927.7

Performance Review
continued

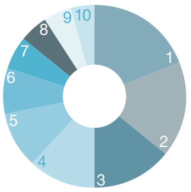
Largest 20 underlying investments of funds

Company	Description
Songas Invested by Actis Energy Fund 1	Songas provides clean energy to the Tanzanian national grid and industrial users in Dar es Salaam. The project includes a gas processing facility, a 225km sub-sea and onshore gas pipeline and the Ubongo power station, which currently supplies 20% of Tanzania's electricity supply.
Orascom Invested by Actis Africa Fund 1	The leading mobile operator in Algeria with over 6 million subscribers.
DFCU Invested by Actis Africa Fund 1	DFCU was founded in 1964 by CDC and the Ugandan government. It is a commercial bank operating in leasing, housing finance and term lending.
Empower Invested by Actis Infrastructure Fund II	Empower seeks to fill an unserved space in the international power generation market, particularly in Africa, while delivering a lower-cost solution than those currently available to state off-takers, utilities (and their customers) and industrial customers. Specifically, Empower aims to be the interim power generation solution provider in emerging markets.
Diamond Bank Invested by Actis Africa Fund 2; Actis Umbrella Fund; Canada Investment Fund for Africa	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.
Paras Pharmaceuticals Invested by Actis Emerging Markets Fund 3; Actis India Fund 2; Actis India Fund 3; Actis South Asia Fund 2; Actis Umbrella Fund; Aureos South Asia Fund	Leading Indian company producing healthcare and personal care products.
Mozal Invested by Actis Assets Fund 1	500,000 tpa aluminium smelter in Maputo, Mozambique.
Alexander Forbes Invested by Actis Africa Empowerment Fund; Actis Africa Fund 2; Actis Umbrella Fund; Canada Investment Fund for Africa; Ethos Fund V	A diversified financial services company that operates as an intermediary in the investment and insurance industries. Alexander Forbes is represented in 30 countries with the majority of its operations in South Africa.
Fuel Logistics Invested by Actis Africa Empowerment Fund; Actis Africa Fund 2; Actis Umbrella Fund; Canada Investment Fund for Africa	A supply chain and logistics services group in South Africa. With a nationwide network, Fuel Logistics provides customised logistics solutions to blue chip local and international customers in a wide range of industry sectors, in particular FMCG and pharmaceuticals.

Company	Description
MTN Nigeria Invested by Capital Alliance Private Equity I: Capital Alliance Private Equity II	Provision of telecommunication services in Nigeria.
Regal Forest Invested by Actis Latin America Fund 1	Retail of consumer durables (white goods, brown goods, furniture) in Latin America.
Alstom Electrical Industries Invested by Actis Africa Fund 3; Actis Emerging Markets Fund 3	Major South African electrical engineering, manufacturing, distributing and contracting company for the power sector.
African Banking Corporation CVCI Africa Fund	Banking group with operations in Botswana, Zimbabwe, Zambia, Mozambique and Tanzania.
Capital Properties Holdings Invested by Actis Africa Real Estate Fund	Tanzanian property development business.
Savcio Invested by Actis Africa Empowerment Fund; Actis Africa Fund 2; Actis Umbrella Fund; Canada Investment Fund for Africa; Sphere Fund 1	A repairs, services and replacement parts company. Africa's largest private sector repairer of electric motors, transformers and traction drive systems.
Bharti Infratel Indus AIF Capital Asia III	An independent, shared wireless telecom infrastructure provider. Infratel has 50,000 telecom towers and associated facilities, some of which are shared with other operators.
UAC of Nigeria Invested by Actis Africa Fund 2; Actis Umbrella Fund; Canada Investment Fund for Africa	One of the oldest and most respected public companies in Nigeria, focusing on food and food services.
Helios Towers Nigeria Helios Investors	Sole provider of mobile telephone tower sites on a leased basis in Nigeria with additional coverage of Africa.
Teknicast Actis ASEAN Fund; Actis Umbrella Fund	Teknicast is one of the largest aluminium die-casting businesses in Malaysia employing more than 600 people.
Kilombero Valley Teak Actis Agribusiness Fund	Kilombero Valley Teak was set up by CDC in 1992 to develop a high quality teak plantation in Tanzania, to be maintained and harvested on a sustainable basis.

Performance Review
continued

Underlying portfolio by sector



Capital structure

Since 2004 CDC as a fund of funds invests in illiquid private equity funds and is funded by equity with no external borrowing.

Cash flow forecasting

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

Risks and risk management

CDC's operations are managed within limits defined by the Board. The Board regularly reviews the overall risks inherent in CDC's business and the actions taken to mitigate those risks where appropriate. The Board reserves to itself the approval of commitments to new funds. The principal risks are considered to be as follows:

General risks associated with investment in private equity

Investment in private equity involves a high degree of risk. Such investments are illiquid and might be difficult to realise, particularly within a short timeframe. The Directors seek to maintain a diversified portfolio of investments to mitigate these risks, although the portfolio does remain concentrated with respect to the private equity fund manager Actis.

Risk of loss of investment value

One of the main risks facing CDC is the loss of portfolio value due to a catastrophic event. Values have decreased as well as increased in the past. Whilst the MSCI Emerging Markets Index rose by 37% in 2007 it fell by 55% in 2008.

Concentration risk

CDC has direct investments in 127 private equity funds providing it with a portfolio of nearly 700 underlying companies that are diversified by vintage year, size, geography and industry sector. Portfolio exposure targets for each country and sector in which CDC invests help to mitigate the portfolio risk. CDC's highest country exposures are 18% in India, 12% in Nigeria, 11% in China and 10% in South Africa. CDC's highest sector exposure is 19% in financials. The top 20 underlying investments represent 51% of the portfolio with the largest individual investment representing 8%.

Future commitment/funding risk

At 31 December 2008, CDC had significant uncalled commitments of £1,971.5m (2007: £1,600.8m) representing 155% of cash held. The Board regularly considers cash flow forecasts at Board meetings and expects to meet a substantial portion of its uncalled commitments, as well as commitments to future funds, from distributions received from its investments and the current cash balance held of £1,268.2m.

Investment holding period

Investment in private equity requires a long-term commitment, usually ten years, with no certainty of return. CDC's investments are illiquid holdings in private equity funds and, in some cases, may not be capable of being realised in a timely manner or at all. The timing of cash distributions from funds is uncertain and unpredictable. The sale of funds may require a lengthy time period since there is only a limited market for secondary sales of private equity investments. Further, sales usually require the written consent of the general partner of the fund, the granting of which is at its discretion. Accordingly, CDC may not be able to sell its investments at their net asset value or even at discounted prices below the net asset value. However, the Directors believe that the investment process employed when initially selecting investments helps to ensure that CDC's investments would normally be attractive to buyers in the secondary market.

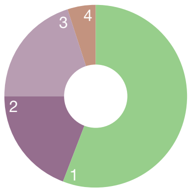
Currency risk

CDC has treasury policies to manage its cash resources and currency exposure. To mitigate currency risks, CDC enters into derivative type currency exchange transactions to hedge currency risk in accordance with a currency hedging policy agreed by the Audit Compliance and Risk Committee. CDC does not trade in derivatives, nor does it enter into currency transactions of a speculative nature. Subsidiaries within the group engaged in the purchase or supply of commodities choose whether and how to hedge commodity price risk. More details on derivatives are given in note 18 to the accounts.

Pension funding risk

The defined benefits section of the CDC Pensions Scheme is very mature and is mainly invested in bonds and cash. Only two actuarial assumptions have a material impact on the current surplus in the scheme of £98.5m (2007: £61.6m) being the discount rate and longevity assumptions. An increase in the discount rate of 0.25% decreases the scheme liability by 4.2%. An increase in longevity by one year increases scheme liabilities by 2.8%. With reduced interest rates, an inverted yield curve and changed assumptions on longevity from the actuarial profession, the scheme valuation as at 31 March 2006 showed a deficit of £48.0m, on a basis which took into account the current investment strategy of the scheme. A contribution schedule was agreed

Underlying portfolio by region



1 Africa **56%**
2 South Asia **19%**
3 Asia Pacific **20%**
4 Americas **5%**

Performance Review
continued

under which CDC has paid £11.7m in 2008 (2007: £11.6m) to the CDC Pensions Scheme. The estimated deficit if the scheme had been wound up on 31 March 2006, on a buy out basis, was some £150.0m. CDC therefore funded a contingent asset to provide additional assurance to the Pension Scheme Trustees. Accordingly, in 2006 CDC paid £74.0m into a contingent asset trust. The terms of the Trust allows funds to be drawn by the CDC Pensions Scheme to fund any deficit, but funds can be returned to CDC if they are not required by the CDC Pensions Scheme.

Valuation risk
CDC is now in its tenth year of valuing its portfolio according to CDC valuation methodology. CDC valuation guidelines have been developed in accordance with the International Private Equity and Venture Capital Valuation Guidelines issued jointly by the British and European Venture Capital Associations. Investments are valued at fair value, which is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The detailed valuation methodology sets out best practice with respect to valuing investments. Valuation risks are mitigated by comprehensive reviews of underlying investments in the private equity funds carried out by the managers of the private equity funds at least twice each year. These valuations are reviewed by CDC management and then considered by the Audit Committee. CDC's auditor also reviews the valuations as part of its audit and agrees any changes with the Audit Committee. The details of the valuation methodology are given in note 2 to the accounts under the Investments heading on page 66.

Presentation of results

CDC's financial results are presented in two ways. Firstly, following International Financial Reporting Standards, CDC consolidates all businesses where it has a controlling interest. These audited consolidated accounts can be found in full from page 57 onwards. The Directors' Report gives a summary of those results. Secondly, in order to explain more fully CDC's investment activities as a fund of funds, CDC has valued all its investments at fair value, consolidating only subsidiaries that are investment holding companies. The main effects of this are:

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

The results of this valuation are shown in the statement of total return and summarised balance sheet. These valuation results are shown on page 45. Ernst & Young LLP has examined these statements and its report is also shown.

GV Davies

Godfrey Davies
Chief Financial Officer

The financial statements

Summary statement of total return (for the year ended 31 December)	2008 £m	2007 £m
Realised profits	21.9	406.2
Unrealised value movements	(447.1)	223.0
Portfolio return	(425.2)	629.2
Operating costs	(13.0)	(8.3)
Other net income	79.2	51.1
Total return after tax	(359.0)	672.0

Summarised balance sheet on a valuation basis (at 31 December)		
Portfolio	927.7	1,184.1
Net cash and short-term deposits	1,268.2	1,405.0
Other net assets	131.9	97.7
Total net assets on a valuation basis	2,327.8	2,686.8

Basis of preparation

The summary statement of total return and the summarised balance sheet on a valuation basis has been prepared in accordance with valuation guidelines to comply with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines are detailed on page 66 under the Investments heading. In addition, they have been compiled to include the following items for the parent company and investment holding subsidiaries.

Revenue account

Portfolio return comprises three items: first, portfolio yield, which includes dividend income in the equity portfolio and interest income on the loan portfolio, net of investment deal costs and management fees. Second, net realised profits, which represent gains and losses calculated by reference to cash proceeds less valuations at the last balance sheet date. Finally, portfolio return includes net unrealised profits which represent valuation gains and losses arising since the last balance sheet date, in accordance with the guidelines set out on page 66. Other revenue account items include operating costs, interest and other items (which comprise bank deposit interest, net of interest payable on external borrowings and other income that is not portfolio related) and tax.

Balance sheet

This comprises the portfolio at valuation on the basis outlined on page 66, net cash (which includes all cash and cash equivalents and is net of overdrafts), short term deposits over 90 days at initiation and other net assets/liabilities. Other net assets/liabilities include property, plant and equipment, employment benefits assets/liabilities, trade receivables and payables, short and long term external borrowings and other provisions and charges.

Review report to the shareholders of CDC Group plc

We have reviewed the accompanying Summary Statement of Total Return for the year ended 31 December 2008 and the Summarised Balance Sheet as at 31 December 2008 of CDC Group plc, which are prepared on the basis of accounting set out above and in accordance with the valuation methodology set out on page 66. These statements are the responsibility of the Company's management. Our responsibility is to issue a report on these statements based on our review.

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

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

Based on our review of the statements above, nothing has come to our attention that causes us to believe that the summary statement of total return and the summarised balance sheet above are not presented fairly, in all material respects, in accordance with the basis of accounting set out above and in accordance with the valuation methodology set out on page 66.

Ernst & Young LLP
Registered Auditor
London
2 April 2009

BOARD OF DIRECTORS

Sir Malcolm Williamson
Chairman

Appointed in January 2004.

Sir Malcolm is Chairman of National Australia Group Europe, Clydesdale Bank, Signet Group, The Prince's Youth Business International and Cass Business School's Strategy and Development Board. He is also a Non-executive Director of National Australia Bank and JP Morgan Cazenove Holdings and a member of the Board of Trustees of The Prince of Wales International Business Leaders Forum.

Until February 2004, he was President and Chief Executive of Visa International having 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 Director in January 2000 and Chief Executive in July 2004.

Richard joined CDC in January 2000 as Finance Director. He is a Trustee of the Overseas Development Institute, the UK's leading independent think-tank on international development, and a Non-executive Director of Aureos Capital, the leading emerging markets private equity fund manager for small and medium enterprises.

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. He previously worked in agribusiness in developing countries, and at PricewaterhouseCoopers.

Richard Gillingwater CBE
Chairman Designate

Richard has been Dean of Cass Business School since April 2007. He has previously held senior appointments in the City and government and most recently was Chairman of the Shareholder Executive, the body created in September 2003 to improve fundamentally the government's performance as a shareholder in government-owned businesses. After studying law and qualifying at Lovells, he began his career as a banker with Kleinwort Benson. He completed an MBA at IMD, Lausanne while at Kleinwort Benson before moving to BZW, where he rose to be Joint Head of Global Corporate Finance. After BZW's takeover by CSFB he became Chairman of European Investment Banking. In this role he acted as an adviser to the UK Government, which ultimately led to his appointment as Chief Executive of the Shareholder Executive.

He is currently a Non-executive Director of Debenhams (retiring April 2009), Tomkins and Scottish and Southern Energy and Chairman Designate of CDC. He was awarded a CBE in the Queen's Birthday Honours List 2008 in recognition of his services to the financial services industry.

Board Committees

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

The terms and conditions of appointment of Non-executive Directors are available for inspection at CDC's offices during normal working hours.

Arnab Banerji
Non-executive Director

Appointed in July 2004.

From November 2005 until October 2008, Arnab was responsible for emerging markets at Lansdowne Partners. From October 2001 to April 2005, he was the Prime Minister's Senior Policy Adviser on Financial and City Affairs having also been appointed the Prime Minister's Economic Adviser in January 2004. Prior to that, he was Investment Chairman of the Foreign & Colonial Group and 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 February 1997.

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 and Chairman of the Advisory Council of the UK's Export Credit Guarantee Department.

Andrew Williams
Non-executive Director

Appointed in July 2003.

Andrew was director of SVG Capital and Chief Executive Officer of its fund advisory business, SVG Advisers, until March 2009.

He was formerly Managing Director of Schroder Ventures (London), having previously worked for Schroders as co-head of equity capital markets and as head of corporate finance in Japan. He was also head of the Schroders Securities Asian divisions, with operations in Indonesia, Hong Kong, Korea and Singapore. Andrew is also a Non-executive Director of Macquarie Bank International.

Fields Wicker-Miurin OBE
Non-executive Director

Appointed in November 2004.

Fields is co-founder and partner of Leaders' Quest, an international organisation which inspires leaders to be more effective. Fields is a Non-executive Director of Savills and is 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. She has advised the European Union on financial sector reform, and was a member of the NASDAQ Technology Council for many years.

Fields was awarded an Order of the British Empire in 2007 for services to international business.

Directors' Report

The Directors submit their report and the audited financial statements of CDC Group plc ('CDC' or 'the Company') and its subsidiaries ('the Group') for the year ended 31 December 2008. The Directors' Remuneration Report on pages 53 to 55 details Directors' interests and Director and employee incentive arrangements during the year.

Principal activities

CDC is a leading emerging market investor. Its principal activity is intermediated risk capital investment in developing countries through investment funds and other investment vehicles managed by third-party fund managers. It has also acquired direct majority holdings in companies in a range of sectors, including agriculture, finance, manufacturing and power.

On 17 December 2008 CDC adopted a new investment policy for the period 2009 to 2013 with a focus on investment in low income countries.

Business review

The information that fulfils the requirements of the Business Review may be found in the Performance Review on pages 34 to 45, which is incorporated into this report by reference.

Best practice

CDC's investments are underpinned by a firm commitment to international best practice. CDC's Investment Code (formerly, its best practice policy) includes procedures to ensure that business integrity, environmental, health and safety and social issues are assessed as a key part of its investment and monitoring processes. CDC requires its fund managers to ensure that companies in which CDC's capital is invested are themselves committed to international best practice in these areas and that any shortfalls are addressed through effective action plans.

Emerging markets remain characterised by poor labour standards, inadequate environmental protection and weak corporate governance. Employee representation and legislation may be weak or poorly enforced.

In addition, official and public pressure to improve regulation and performance in these areas may not be as strong as in more developed markets. CDC seeks to apply principles of responsible investment in developing countries and requires its fund managers to encourage their investee companies to adopt higher standards.

Financial statements

Basis of preparation

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

Income

Income from continuing operations was £265.5m (2007: £417.1m).

The decrease resulted from lower dividend income and profits on disposal of fair value financial assets, which were higher in the prior year due to the disposal of Globeleq.

Loss from operations

The loss from continuing operations before tax and finance costs of £510.5m compares with a profit of £369.0m for 2007, with the significant decrease driven by unrealised valuation losses.

Taxation

The tax charge for continuing operations in 2008 was £7.9m compared with £7.3m in 2007. CDC is exempt from corporation tax in the UK. However, the Group is still subject to corporate taxes outside the UK.

Changes in equity

The loss for the year attributable to equity holders of CDC was £312.6m (2007: profit of £608.5m). Currency translation losses on retranslation of net assets of subsidiaries were £23.5m (2007: loss of £12.5m).

Cash flow

Cash outflow before financing and tax was £510.5m (2007: inflow of £576.8m).

Balance sheet

Total assets decreased from £3,059.3m to £3,047.1m.

Pensions

CDC operates a single pension scheme in the UK. The defined benefits section of this scheme has been closed to new entrants since 1 April 2000. On the advice of the pension scheme actuary, CDC resumed contributions to the defined benefits section in 2003. Disclosures required under IAS 19 show a surplus of assets over liabilities of £98.5m (2007: £61.6m). Further details are shown in note 15 to the audited financial statements.

Dividend recommended

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

Post balance sheet events

There are no material post balance sheet events.

Corporate governance

CDC supports established best practice in corporate governance and has complied with the Combined Code on Corporate Governance throughout 2008, so far as is practicable for a company that is wholly owned by the UK government.

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

Directors

Statement of Directors' responsibilities in relation to the financial statements

The Directors are responsible for preparing the Annual Report and the Company and Group financial statements in accordance with applicable UK law and IFRS as adopted by the European Union.

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

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

CDC's objectives, business activities, performance, financial position, cash flows and liquidity position are described in the Performance Review on pages 34 to 45. In addition, note 19 to the financial statements includes the Group's policies and processes for managing its financial risk, details of its financial instruments and hedging activities and its exposures to credit and liquidity risk. The Group has considerable financial resources. As a consequence the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Company and Group financial statements.

Disclosure of information to auditors

So far as each person, currently serving as a Director of the Company at the date this report is approved, is aware, there is no relevant audit information of which the Company's auditors are unaware and each Director hereby confirms that he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Role of Chairman and Chief Executive

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

Role of the Board and processes

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

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

Board membership

The Board structure ensures that no single individual or group dominates. CDC has procedures for planning, investing, reporting and measuring performance. The Company's Articles of Association provide for one third of the Directors to retire by rotation at each annual general meeting. The Directors retiring by rotation at the forthcoming annual general meeting are Arnab Banerji and Fields Wicker-Miurin. Being eligible, they offer themselves for re-election.

The Board met 14 times during 2008 and has scheduled 12 meetings for 2009. The Chairman and the Chief Executive agree the agenda for Board meetings, but all Board members are entitled to raise other issues. The Chairman ensures that the Board is properly briefed on all issues arising at Board meetings. The Chief Executive supplies the Board with information which is timely and of a quality that enables it to carry out its duties. Training, where appropriate, is provided to the Board and employees. All Directors have access to the advice and services of the Company Secretary and they may obtain independent professional advice at CDC's expense, if necessary. All Board meetings are appropriately minuted.

Directors' Report
continued

The Board has not appointed a senior independent director from the Non-executive Directors as it did not regard this to be appropriate for a company that is wholly owned by the UK government.

The Non-executive Directors are regarded as independent and are from varied business and other backgrounds. The UK Department for International Development ('DFID') has appointed two Non-executive Directors who are deemed to be independent. They exercise judgement and carry substantial weight in Board decisions. They contribute to strategy and policy formation, and monitor CDC's financial and managerial performance.

Board Directors
The table below gives the attendance of all the Board Directors, whose biographies are on pages 46 and 47, during the year ended 31 December 2008:

Number of meetings during the year	14
Sir Malcolm Williamson (Chairman)	14
Richard Laing (Chief Executive)	14
Jonathan Kydd	12
Fields Wicker-Miurin OBE	11
Andrew Williams	11
Arnab Banerji	10

An evaluation of the performance of the Board, the various committees of the Board and individual Directors has been carried out by way of an anonymous survey of the Directors. The results of the survey were duly considered by the Board.

At the end of 2008, Sir Malcolm Williamson held seven directorships excluding his CDC directorship. Five of these directorships were as chairman and two as independent director. The Board considers that Sir Malcolm Williamson has sufficient time to undertake his duties at CDC.

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

Audit, Compliance and Risk
The table below indicates the members and their attendance at scheduled meetings during the year. The committee has a required quorum of two members. The Chairman, the Chief Executive and the Chief Financial Officer attend by invitation.

Number of meetings during the year	2
Arnab Banerji (Chairman)	2
Jonathan Kydd	1
Fields Wicker-Miurin OBE	1

The Audit, Compliance and Risk Committee's main duties are to oversee the affairs of CDC, in particular: review the financial statements; review the findings of the external auditors; review the continued independence of the external auditors; direct the internal audit function; monitor the management accounting and valuations procedures and policies; investigate any irregularities; oversee the Company's regulated activities and compliance function; and monitor the Company's risk management function.

The Audit, Compliance and Risk Committee also reviews CDC's system of internal control, further details of which are set out below.

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

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

The Audit, Compliance and Risk Committee has established policies determining the non-audit services that the external auditor can provide and the procedures required for pre-approval of any such engagement. These policies provide for the auditors to be engaged only for work that is not prohibited by professional or other regulatory requirements.

This essentially limits work to tax services and assurance services that are of an audit nature, but excludes internal audit services. Even where the policy allows for the external auditor to be engaged to provide non-audit services, prior approval is required from the Chief Financial Officer.

Remuneration

The table below indicates the members and their attendance at scheduled meetings during the year.

The quorum is two members. The Chief Executive attends by invitation.

Number of meetings during the year	3
Andrew Williams (Chairman)	3
Fields Wicker-Miurin OBE	3
Sir Malcolm Williamson	3
Arnab Banerji	1

The Remuneration Committee's remit includes determining remuneration packages for the Chief Executive and senior management and making recommendations to the Board on the Company's policy on executive remuneration. Details are set out in the Directors' Remuneration Report on pages 53 to 55.

Best Practice and Development

The table below indicates the members and their attendance at scheduled meetings during the year. The quorum is two members, which must include those nominated by DFID, currently Jonathan Kydd and Andrew Williams. The Chief Executive attends by invitation.

Number of meetings during the year	4
Jonathan Kydd (Chairman)	4
Sir Malcolm Williamson	4
Andrew Williams	4
Fields Wicker-Miurin OBE	3

The Best Practice and Development Committee's remit includes monitoring the operation and application of CDC's Investment Code, ensuring that CDC and those with whom CDC deals adhere to best practice and reviewing reports on health and safety, social, environmental and governance issues and making recommendations in respect of the same.

Nominations

The table below indicates the members and their attendance at scheduled meetings during the year. The Nominations Committee meets as required, with a minimum quorum of two members who are Non-executive Directors. Its remit includes appointing new Board members and reviewing the Board's independence, structure, size and composition. It also considers Board refreshment and succession planning (having regard to the rights of the Secretary of State for International Development ('The Secretary of State') as holder of a special share in the Company). The Nominations Committee recommended that Richard Gillingwater CBE be invited to join the Board as Non-executive Director and Chairman Designate in 2009.

Number of meetings during the year	1
Jonathan Kydd (Chairman)	1
Sir Malcolm Williamson	1
Fields Wicker-Miurin OBE	1
Andrew Williams	0

The terms of reference of the Nominations Committee are available for inspection at CDC's offices during normal working hours.

Co-Investment

The table below indicates the members and their attendance at scheduled meetings during the year. The Co-Investment Committee met two times in 2008. The Co-Investment Committee meets as required, with a minimum quorum of three Directors, one of whom must be the Chairman or the Chief Executive. It is authorised to approve direct co-investments (of up to US$50m) alongside investment funds to which CDC has committed capital.

Number of meetings during the year	2
Sir Malcolm Williamson (Chairman)	2
Richard Laing (Chief Executive)	2
Jonathan Kydd	2

Internal control

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

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

Directors' Report
continued

The most substantial risk to CDC is a significant realised reduction in the value of its portfolio and the subsequent impact on cash flows. This can be affected considerably by external factors beyond CDC's control. However, the Board is satisfied that the valuation process, described in note 2 to the financial statements, is rigorous and effective. It is also satisfied that CDC has robust cash forecasting and management techniques. CDC has an outsourced internal audit function, which operates to a programme approved by the Audit, Compliance and Risk Committee, concentrating on areas of higher risk. In addition, CDC's external auditors review the system of internal controls and their description in CDC's annual report and accounts to the extent necessary in forming their opinion. CDC's executive management team operates a continuous process, agreed with the Audit, Compliance and Risk Committee, of identifying, evaluating and managing any significant risk, financial or non-financial, faced by the Company. This process also ensures that appropriate internal control mechanisms are in place. The team provides regular reports to the Audit, Compliance and Risk Committee.

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

Political and charitable contributions
In 2008, CDC made a charitable donation of £2,000 to L'Association Parrainage de l'Ecole de Yâ, a charity based in France which raises funds for the benefit of schools in Burkina Faso (2007: £2,000 Tony Waite Foundation, Kariba, Zimbabwe), in lieu of Christmas cards. CDC makes no political contributions.

Policy for paying creditors
CDC's policy is to pay its creditors promptly, as encouraged by UK government initiatives. At 31 December 2008 the Company had an average of 11 days' purchases outstanding in trade creditors (2007: six days).

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

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

Employees
CDC's policy on employment is one of equal opportunity in the recruitment, training, career development and promotion of employees, whether disabled or otherwise. Formal employee appraisals and informal discussions are CDC's principal means of updating itself on the views and opinions of its employees. In addition, CDC's managers are responsible for keeping their employees up to date with developments at and performance of the business, which is achieved by way of regularly scheduled meetings.

Web site
The maintenance and integrity of the CDC Group plc web site is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Mark Kenderdine-Davies
General Counsel and Company Secretary
CDC Group plc
On behalf of the Board of Directors
2 April 2009

Directors' Remuneration Report

Remuneration Committee and advisers

The Company's Remuneration Committee makes recommendations to the Board on the overall remuneration package for Executive Directors and other senior executives. The Remuneration Committee during 2008 comprised Andrew Williams (Chairman), Arnab Banerji, Fields Wicker-Miurin and Sir Malcolm Williamson.

CDC appointed MM&K Ltd, Towers Perrin and Peter Newhouse & Co to advise on remuneration and to assess comparability to the marketplace. Other advisers to CDC included Simmons & Simmons for procedural and employment law matters, Watson Wyatt Ltd for retirement and other benefits, Sacker & Partners for the legal aspects of retirement benefits and Charles Russell for advice on the legal documentation of the Contingent Asset Arrangement, as described in note 15 to the financial statement, between CDC and the CDC Pensions Scheme, as described on page 83.

Remuneration policy for Executive Directors and senior executives

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

Elements of remuneration

Base salary

Individual base salaries reflect job responsibilities, market rates and the sustained level of individual performance. CDC sets base salaries taking account of market data derived from appropriate salary surveys, especially those covering the private equity industry, and aims to pay around the median. All salaries are reviewed annually with effect from 1 January. The Chief Executive's salary for 2009 will be the same as for 2008.

Annual bonus

In addition to salary, all employees are eligible for an annual performance-related bonus, which is non-pensionable. The Board believes that it is important that executives have an element of their annual remuneration 'at risk' and based on individual contribution. The bonus is a short-term reward which reflects the individual's performance in the context of the overall performance of CDC, taking account of adherence to the Investment Policy and Investment Code.

For each employee, including the Chief Executive, Richard Laing, a set of measurable objectives is agreed at the start of each year and monitored throughout the year. Annual bonuses are assessed against each individual's objectives as well as the overall performance of the business. Richard Laing's objectives for 2008 included the implementation of a programme to invest CDC's capital, strengthening the management and investment team, and revising the Investment Policy and Investment Code for CDC. These objectives were met but, in the light of the current economic climate and the valuation losses reported by CDC in 2008, it has been agreed between the Chief Executive and the Company that he would not be paid an annual bonus in respect of 2008.

Long term incentive plan ('LTIP')

The LTIP provides all employees, including the Chief Executive, with the opportunity to share in the success of the Company over the longer term. The plan was originally devised in 2004, after consultation with DFID, HM Treasury, government and CDC's advisors.

The LTIP awards give the contractual right to receive a cash payment subject to the rules of the plan and the satisfaction of corporate performance targets set by the Remuneration Committee. The amount of any payment depends on the extent to which the performance targets have been satisfied or exceeded at the end of a three year performance period. These three year cycles start at the beginning of each January and payments, if due, are typically made within three months of the end of the three-year LTIP period.

For years prior to 2008, there are three elements to the performance targets: financial performance of the funds in which CDC invests, the amount of third-party capital raised for funds managed by Actis and Aureos, and the development impact of CDC. The three elements of the 2006 LTIP, which covers the three years from 2006 to 2008 inclusive, have weightings of 55%, 25% and 20% respectively. If performance levels set by the Remuneration Committee are not met, then no payment is due. If target levels for all of the performance elements are met in full, participants are entitled to a cash payment of between 12.5% and 120% of their basic annual salary at the end of the performance period depending on seniority. If performance levels exceed the targets then these percentages increase on a sliding scale but are capped at double the amounts.

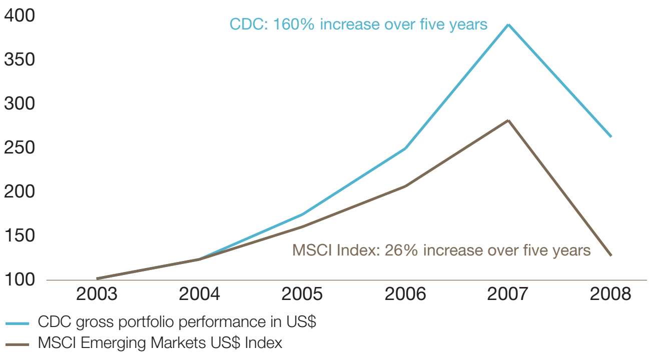
During the three years of the 2006 LTIP (2006 to 2008 inclusive), CDC has been extremely successful and consequently performance targets have been exceeded on all elements of the plan. Over the three years, most of CDC's funds exceeded their target returns such that CDC generated a total return of £688m outperforming the MSCI Index by 70%, third-party capital alongside CDC in the Actis and Aureos funds totalled US$2.8bn which is over four times the target, and the development impact of the funds in which CDC has invested has been high. At a meeting held on 26 March 2009, the Remuneration Committee approved payments to all eligible staff under the 2006 LTIP. The 2006 LTIP pool is £1.375m. Richard Laing will receive a payment of £347,490 (2007: £470,712). The LTIP entitlements are reviewed by Ernst & Young LLP.

Directors' Remuneration Report
continued

Peter Newhouse & Co was retained to undertake a review of the LTIP scheme for 2008 onwards. Discussions have taken place between representatives of the Remuneration Committee, DFID and the Shareholder Executive with a view to implementing, with effect from 1 January 2008, an appropriate LTIP scheme, in line with the future strategy of CDC. The basic design of LTIP awards covering three year periods will remain. For each LTIP three-year cycle, a pool of one third of 1% of the annual portfolio return is available subject to the achievement of a hurdle rate return of 7% pa compounded over the three years. The LTIP pool will be shared out between all employees on the basis of pre-allocated proportions of the total pool for each employee, with 25% of the pool being reserved for discretionary awards.

The shares of CDC are not publicly traded. The performance graph therefore shows CDC's US$ portfolio performance against its benchmark, the MSCI Emerging Markets US$ index.

Performance graph



Benefits in kind

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

- life assurance cover, which will pay a lump sum equivalent to four times base salary in the event of death;
- permanent health insurance, which provides cover in the event that they are unable, through ill health, to continue to work for the Company;
- private medical insurance, which can include cover for family members; and
- medical check-ups for all staff who frequently travel overseas on business.

Pension arrangements

Richard Laing is a member of CDC's non-contributory defined benefit pension scheme, and receives a contribution to a defined contribution scheme of his choice. Details of his pension contributions are shown in the table on page 55.

Service agreements

Richard Laing, the only Executive Director, has a service agreement which is terminable on both sides by 12 months' notice or on reaching retirement age. It contains no further termination provisions. However, any compensation award to a departing Director would be approved by the Remuneration Committee.

The Non-executive Directors have letters of appointment. The appointments of Non-executive Directors have no contractual termination date, but each Non-executive Director will be subject to re-election at an annual general meeting in accordance with the provisions for retirement of directors by rotation contained in the Company's Articles of Association.

The remuneration of the Non-executive Directors takes the form solely of fees which have been agreed with DFID. The basic fee for all Non-executive Directors (except for the Chairman) is £22,000 per annum (2007: £22,000). The basic fee for the Chairman is £40,000 per annum (2007: £40,000). Non-executive Directors, except the Chairman, receive an additional £2,000 per annum (2007: £2,000) for each committee membership and £4,000 per annum (2007: £4,000) for each committee which they chair. The fees paid to Non-executive Directors in 2008 are set out in the table below. The Non-executive Directors do not participate in any of the incentive or benefit schemes of the Company.

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

	Date	Notice period (months)
Executive Directors		
Richard Laing	24 January 2000	12
Non-executive Directors		
Sir Malcolm Williamson	5 January 2004	n/a
Jonathan Kydd	1 February 1997	n/a
Andrew Williams	2 July 2003	n/a
Arnab Banerji	9 July 2004	n/a
Fields Wicker-Miurin OBE	7 November 2004	n/a
Richard Gillingwater CBE	22 January 2009	n/a

Outside directorships

The Company believes that it can benefit from Executive Directors holding non-executive appointments. It also believes that such appointments provide a valuable opportunity for personal and professional development. Such appointments are subject to the approval of the Board. Richard Laing is a Trustee of the Overseas Development Institute and is a Director of Aureos Advisors Ltd.

Directors' remuneration

The remuneration of the Directors who held office during the year is shown in the table below, which has been audited by Ernst & Young LLP:

	Base salary/fee £	Benefits £	Total 2008 £	Total 2007 £
Executive Directors				
Richard Laing	225,000	4,576	**229,576**	499,266
Non-executive Directors				
Sir Malcolm Williamson	40,000	–	**40,000**	40,000
Jonathan Kydd	30,000	–	**30,000**	30,000
Andrew Williams	30,000	–	**30,000**	30,000
Arnab Banerji	28,000	–	**28,000**	28,000
Fields Wicker-Miurin OBE	28,000	–	**28,000**	28,000

Pension entitlements (audited by Ernst & Young LLP)

The pension entitlements for the Executive Director, Richard Laing, are as follows:

	2008 £	2007 £
Contributions to defined contribution schemes	**77,490**	76,072

	Accumulated total accrued pension at 31 December 2008 £	Accumulated total accrued pension at 31 December 2007 £	Increase in accrued pension during year £	Transfer value at 31 December 2008 £	Transfer value at 31 December 2007 £	Increase in transfer value during year £
Defined benefit scheme	**26,215**	22,325	3,890	**393,417**	352,798	40,019

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

Auditors' Report

We have audited the group and parent company financial statements (the 'financial statements') of CDC Group plc for the year ended 31 December 2008 which comprise Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statement of Changes in Equity and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Operating and Financial Review that is cross-referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions are not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information is comprised of only the statement from the Chairman, the statement from the Chief Executive, the Development Process, the Development Impact, the Business Review, the Performance Review, Board of Directors' and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;

the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008;

the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985;

the information given in the Directors' report is consistent with the financial statements.

Ernst & Young LLP
Registered auditor
London
2 April 2009

Consolidated Income Statement
For the 12 months to 31 December

	Notes	2008 £m	2007 £m
Income	3a	**265.5**	417.1
Cost of sales		**(91.4)**	(133.7)
Gross profit		**174.1**	283.4
Fair value losses and gains		**(502.6)**	220.5
Other income	3b	**27.1**	11.8
Selling and distribution costs		**(0.7)**	(9.2)
Administrative expenses	3c	**(132.1)**	(122.8)
Other expenses	3d	**(76.3)**	(14.7)
		(684.6)	85.6
(Loss)/profit from operations before tax and finance costs		**(510.5)**	369.0
Finance costs	4a	**(13.5)**	(15.9)
Finance income	4a	**68.0**	62.0
Net foreign exchange differences	4b	**153.1**	10.3
(Loss)/profit before tax from continuing operations		**(302.9)**	425.4
Tax charge for continuing operations	5	**(7.9)**	(7.3)
(Loss)/profit for the year from continuing operations		**(310.8)**	418.1
Profit on disposal of discontinued operations, net of exchange losses recycled from equity	11	**–**	163.0
Profit before tax from discontinued operations	11	**–**	45.2
Tax charge for discontinued operations	5/11	**–**	(7.6)
Profit for the year from discontinued operations		**–**	200.6
(Loss)/profit for the year		**(310.8)**	618.7
Attributable to:			
Equity holders of the parent		**(312.6)**	608.5
Minority interests		**1.8**	10.2
(Loss)/profit for the year		**(310.8)**	618.7

Consolidated Balance Sheet
At 31 December

	Notes	2008 £m	2007 £m
Assets			
Non-current assets			
Property, plant and equipment	6	**195.8**	145.0
Biological assets	7	**12.5**	9.6
Investment property	8	**31.1**	0.2
Intangible assets	9	**75.8**	57.9
Fair value financial assets	10	**938.0**	960.8
Other financial assets	13	**127.1**	114.3
Deferred tax assets	14	**2.4**	0.1
Net pension assets	15	**119.2**	104.8
Derivative financial instruments	18	**10.1**	23.4
		1,512.0	1,416.1
Current assets			
Inventories	16	**12.7**	11.8
Trade and other receivables	17	**82.6**	111.5
Current tax assets		**1.4**	1.5
Prepayments		**11.2**	7.8
Derivative financial instruments	18	**14.3**	14.3
Treasury bills and bonds maturing after more than 90 days	20	**30.9**	25.2
Cash and cash equivalents	20	**1,382.0**	1,471.1
		1,535.1	1,643.2
Total assets		**3,047.1**	3,059.3
Equity and liabilities			
Attributable to the equity holders of the parent			
Issued capital	21	**765.0**	765.0
Net unrealised gains and losses reserve	21	**(2.1)**	(0.7)
Currency translation reserve	21	**(35.8)**	(11.3)
Retained earnings	21	**1,555.9**	1,868.5
		2,283.0	2,621.5
Minority interests		**9.3**	10.0
Total equity		**2,292.3**	2,631.5
Non-current liabilities			
Trade and other payables	23	**12.7**	12.1
Interest-bearing loans and borrowings	24	**236.8**	186.1
Provisions	25	**2.8**	1.6
Deferred tax liabilities	14	**19.1**	9.2
Derivative financial instruments	18	**151.0**	20.4
		422.4	229.4
Current liabilities			
Trade and other payables excluding current tax	22	**195.5**	159.2
Current tax liabilities	22	**1.7**	1.8
Interest-bearing loans and borrowings	24	**31.5**	24.8
Derivative financial instruments	18	**103.7**	12.6
		332.4	198.4
Total liabilities		**754.8**	427.8
Total equity and liabilities		**3,047.1**	3,059.3

The accounts were approved by the members of the Board on 2 April 2009 and were signed on their behalf by:

Malcolm Williamson
Chairman

Richard Laing
Chief Executive

Consolidated Statement of Cash Flows
For the 12 months to 31 December

	Notes	2008 £m	2007 £m
Cash flows from operating activities			
(Loss)/profit from continuing operations before tax and finance costs		(510.5)	369.0
Profit from discontinued operations before tax and finance costs	11	–	207.8
(Loss)/profit from operations before tax and finance costs		(510.5)	576.8
Depreciation and impairment of property, plant and equipment	6	13.0	35.3
Amortisation and impairment of other intangible assets	9	8.1	1.5
Provision release/(charge) on loans and receivables	13	41.9	(3.9)
Provision charges	25	1.3	0.7
Defined benefits pension costs	15	2.0	3.9
Change in value of fair value financial assets	10	502.6	(234.5)
Change in value of biological assets	7	(10.0)	(1.6)
Change in value of investment property	8	(2.5)	2.6
Profit on disposal of fair value financial assets	3a	(26.4)	(70.9)
Profit on disposal of subsidiaries	3a	(9.3)	(202.0)
Loss on disposal of property, plant and equipment	3d	12.0	1.7
Exchange gains		(244.8)	(16.9)
(Loss)/profit from operations before changes in working capital and provisions		(222.6)	92.7
Decrease/(increase) in trade and other receivables		36.1	(15.0)
(Decrease)/increase in other financial assets		(26.7)	15.6
Decrease in derivative financial instruments		235.0	27.2
Decrease/(increase) in inventories		1.1	(17.2)
Increase in treasury bills and bonds maturing after more than 90 days		(1.0)	(13.2)
(Decrease)/increase in trade and other payables		(1.6)	37.3
Utilisation of provisions	25	(0.2)	(0.5)
Cash flows from operations		20.1	126.9
Defined benefit pension contributions paid	15	(11.7)	(11.6)
Bank interest received	4	63.3	61.3
Finance lease income received	4	–	17.2
Interest paid		(6.9)	(38.6)
Interest element of finance lease rentals		(4.8)	–
Taxes paid		(4.7)	(19.2)
Cash flows from operating activities		55.3	136.0
Of which:			
Cash flows from continuing operations		55.3	110.6
Cash flows from discontinued operations	11	–	25.4

Consolidated Statement of Cash Flows
For the 12 months to 31 December
continued

	Notes	2008 £m	2007 £m
Cash flows from investing activities			
Proceeds from sale of fair value financial assets		255.5	262.3
Proceeds from sale of property, plant and equipment		0.7	6.8
Proceeds from sale of biological assets		9.8	3.0
Proceeds from sale of investment property		–	3.0
Disposal of subsidiaries, net of cash disposed	11/12	11.8	604.2
Acquisition of fair value financial assets	10	(420.7)	(367.2)
Acquisition of intangible assets	9	(11.2)	–
Acquisition of property, plant and equipment		(16.4)	(31.8)
Acquisition of investment properties		(7.4)	–
Acquisition of biological assets	7	(1.3)	(1.1)
Loan advances	13	(4.6)	(25.6)
Loan repayments	13	13.0	18.0
Cash flows from investing activities		(170.8)	471.6
Of which:			
Cash flows from investing activities for continuing operations		(170.8)	(28.9)
Cash flows from investing activities for discontinued operations	11	–	500.5
Cash flows from financing activities			
Proceeds from borrowings		10.5	9.7
Repayment of borrowings		(6.5)	(28.8)
Dividends paid to minority interests		(3.5)	(14.1)
Repayment of capital elements of finance leases		–	(3.7)
Cash flows from financing activities		0.5	(36.9)
Of which:			
Cash flows from financing activities for continuing operations		0.5	(24.8)
Cash flows from financing activities for discontinued operations	11	–	(12.1)
Net (decrease)/increase in cash and cash equivalents from continuing operations		(115.0)	56.9
Net increase in cash and cash equivalents from discontinued operations		–	513.8
Net (decrease)/increase in cash and cash equivalents		(115.0)	570.7
Cash and cash equivalents at 1 January		1,470.4	900.9
Effect of exchange rate fluctuations on cash held		26.1	(1.2)
Cash and cash equivalents at 31 December	20	1,381.5	1,470.4

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company						
	Share capital £m	Net unrealised gains and losses reserve £m	Currency translation reserve £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At 1 January 2007	765.0	(0.7)	(31.4)	1,260.0	1,992.9	50.1	2,043.0
Changes in equity for 2007							
Exchange differences on translating foreign operations	–	–	(12.5)	–	(12.5)	(0.1)	(12.6)
Exchange losses on disposed subsidiaries recycled through income statement	–	–	32.6	–	32.6	2.4	35.0
Net income recognised directly in equity	–	–	20.1	–	20.1	2.3	22.4
Profit for the year	–	–	–	608.5	608.5	10.2	618.7
Total recognised income and expense for the year	–	–	20.1	608.5	628.6	12.5	641.1
Arising on disposals in the year	–	–	–	–	–	(38.5)	(38.5)
Dividends paid to minority shareholders	–	–	–	–	–	(14.1)	(14.1)
At 31 December 2007	765.0	(0.7)	(11.3)	1,868.5	2,621.5	10.0	2,631.5
Changes in equity for 2008							
Exchange differences on translating foreign operations	–	–	(23.5)	–	(23.5)	1.0	(22.5)
Exchange gains on disposed subsidiaries recycled through income statement	–	–	(1.0)	–	(1.0)	–	(1.0)
Cash flow hedges	–	(1.4)	–	–	(1.4)	–	(1.4)
Net income recognised directly in equity	–	(1.4)	(24.5)	–	(25.9)	1.0	(24.9)
(Loss)/profit for the year	–	–	–	(312.6)	(312.6)	1.8	(310.8)
Total recognised income and expense for the year	–	(1.4)	(24.5)	(312.6)	(338.5)	2.8	(335.7)
Dividends paid to minority shareholders	–	–	–	–	–	(3.5)	(3.5)
At 31 December 2008	765.0	(2.1)	(35.8)	1,555.9	2,283.0	9.3	2,292.3

Company Statement of Changes in Equity

	Share capital £m	Net unrealised gains and losses reserve £m	Retained earnings £m	Total £m
At 1 January 2007	765.0	(0.7)	1,251.2	2,015.5
Cash flow hedges:				
Profit for the year	–	–	815.0	815.0
Total recognised income and expense for the year	–	–	815.0	815.0
At 31 December 2007	765.0	(0.7)	2,066.2	2,830.5
Cash flow hedges	–	(1.4)	–	(1.4)
Loss for the year	–	–	(313.4)	(313.4)
Total recognised income and expense for the year	–	(1.4)	(313.4)	(314.8)
At 31 December 2008	765.0	(2.1)	1,752.8	2,515.7

Company Balance Sheet
At 31 December

	Notes	2008 £m	2007 £m
Assets			
Non-current assets			
Property, plant and equipment	6	**1.2**	0.1
Fair value financial assets	10	**1,622.5**	1,509.1
Other financial assets	13	**186.8**	171.5
Retirement benefit assets	15	**119.2**	104.8
Derivative financial instruments	18	**9.1**	23.4
		1,938.8	1,808.9
Current assets			
Trade and other receivables	17	**63.2**	37.7
Prepayments		**0.7**	0.8
Derivative financial instruments	18	**14.3**	13.9
Cash and cash equivalents	20	**1,251.7**	1,371.4
		1,329.9	1,423.8
Total assets		**3,268.7**	3,232.7
Equity and liabilities			
Issued capital	21	**765.0**	765.0
Net unrealised gains and losses reserve	21	**(2.1)**	(0.7)
Retained earnings	21	**1,752.8**	2,066.2
Total equity		**2,515.7**	2,830.5
Non-current liabilities			
Provisions	25	**2.4**	1.2
Derivative financial instruments	18	**146.0**	16.4
		148.4	17.6
Current liabilities			
Trade and other payables	22	**501.5**	371.6
Current tax liabilities	22	**0.2**	0.2
Interest-bearing loans and borrowings		**–**	0.2
Derivative financial instruments	18	**102.9**	12.6
		604.6	384.6
Total liabilities		**753.0**	402.2
Total equity and liabilities		**3,268.7**	3,232.7

The accounts were approved by the members of the Board on 2 April 2009 and were signed on their behalf by:

Malcolm Williamson
Chairman

Richard Laing
Chief Executive

Company Statement of Cash Flows
For the 12 months to 31 December

	Notes	2008 £m	2007 £m
Cash flows from operating activities			
Profit from operations before tax and finance costs		(416.5)	759.3
Depreciation and impairment of property, plant and equipment	6	0.3	0.1
Impairment of loans and receivables	13	54.8	(5.9)
Provision charges	25	1.3	–
Defined benefit pension costs	15	2.0	3.9
Change in value of fair value financial assets	10	466.5	(310.6)
Profit on disposal of fair value financial assets		(41.2)	(48.1)
Profit on disposal of property, plant and equipment		–	(0.2)
Exchange (gains)/losses		(328.2)	3.5
Profit from operations before changes in working capital and provisions		(261.0)	402.0
(Increase)/decrease in trade and other receivables		(26.6)	3.1
Decrease in other financial assets		0.5	0.4
Decrease in derivative financial instruments		233.9	22.2
Increase in trade and other payables		128.3	123.9
Utilisation of provisions	25	(0.1)	(0.1)
Cash flows from operations		75.0	551.5
Defined benefit pension contributions paid		(11.7)	(11.6)
Bank interest received		62.5	56.1
Interest paid		(4.1)	(5.6)
Taxes paid		(0.1)	(0.3)
Cash flows from operating activities		121.6	590.1
Cash flows from investing activities			
Proceeds from sale of fair value financial assets		177.9	272.4
Proceeds from sale of property, plant and equipment		0.1	0.2
Acquisition of fair value financial assets	10	(426.5)	(339.8)
Acquisition of property, plant and equipment	6	(1.4)	–
Loan advances	13	(5.8)	(83.9)
Loan repayments	13	14.6	184.0
Cash flows from investing activities		(241.1)	32.9
Cash flows from financing activities			
Repayment of borrowings		(0.2)	(10.0)
Cash flows from financing activities		(0.2)	(10.0)
Net (decrease)/increase in cash and cash equivalents		(119.7)	613.0
Cash and cash equivalents at 1 January		1,371.4	758.4
Cash and cash equivalents at 31 December	20	1,251.7	1,371.4

Notes to the Accounts

1. Corporate information

The financial statements of CDC Group plc ('CDC' or the 'Company') for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the Directors on 2 April 2009. CDC is a limited company incorporated in England and Wales whose shares are not publicly traded.

The Group's primary activity is investing in funds in emerging markets. Both the Company and some of the Group's subsidiaries invest in such funds. As a result of its past investment activities, CDC has taken majority stakes in some operating companies in emerging markets. Since CDC's shares are not publicly traded, and the presentation of financial information by strategic business unit would be unhelpful in assisting the user of accounts to understand CDC's business, segmental information is not presented. However, fund information is presented in the performance review.

2. Summary of significant accounting policies

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

(a) Statement of compliance

The financial statements of the Group and Company have been prepared in accordance with International Financial Reporting Standards ('IFRS') and its interpretations adopted by the International Accounting Standards Board ('IASB') and as adopted by the European Union.

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

(b) Basis of preparation

The financial statements have been prepared on a historical cost basis, except for biological assets, investment property, derivative financial instruments and other financial instruments that have been presented and measured at fair value in accordance with relevant accounting standards. The financial statements are presented in Pounds Sterling and all values are rounded to the nearest one hundred thousand pounds except where otherwise indicated.

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

Certain comparative figures have been restated for consistency with current year presentation.

Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2008. The financial statements of subsidiaries are prepared for the same reporting year as the Company. Consistent accounting policies are applied, with adjustments being made to bring into line any dissimilar accounting policies.

Subsidiaries are all entities over which the Company has control. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This generally results from a shareholding of more than one half of voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are also considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control passes to the Company and consolidation ceases from the date that control ends. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated in full on consolidation.

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

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

2. Summary of significant accounting policies (continued)

Associates

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

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Pounds Sterling, which is the Company's functional currency.

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

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

Assets and liabilities: Closing rate at the date of the balance sheet
Income and expenses: Average rate
Cash flows: Average rate

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

Intangible assets

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

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

Goodwill

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

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

Notes to the Accounts
continued

2. Summary of significant accounting policies (continued)

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

Biological assets

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

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

Investment property

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

Property, plant and equipment

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

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

The following useful lives apply:

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

Investments

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

Financial assets at fair value through profit and loss

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

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

2. Summary of significant accounting policies (continued)

- the enterprise value is determined for the investee company or fund using a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio using reasonable assumptions and estimates;
- the enterprise value is adjusted for surplus assets or liabilities or any other relevant factor;
- higher ranking financial instruments are deducted taking into account any financial structuring that may dilute the investment holding;
- a marketability discount to reflect the return market participants demand may be applied for unquoted equity to derive the net attributable enterprise value;
- the net attributable enterprise value is apportioned between the financial instruments held according to their ranking; and
- the amounts derived are allocated according to the holding in each financial instrument, representing their fair value.

Valuation methodologies used are as follows:

- investments where fair value derives mainly from the underlying assets, such as funds managed by fund managers, are valued at net asset value using appropriate valuation measures for the underlying assets and liabilities;
- quoted equity is valued at the bid price, although discounts are applied for lock-ins;
- realisations in process are valued at the expected realisation proceeds, although discounts are applied to reflect the level of certainty of the transaction completion;
- if there has been a recent investment in the company, the price of the recent investment, less any impairment charge, is used to determine fair value;
- early stage companies without positive cash flow or profit are valued using an appropriate industry benchmark if that gives a reliable estimate of fair value;
- companies with maintainable profits or cash flows are valued on an earnings basis using an appropriate earnings multiple from companies in similar sectors and markets;
- companies in industries with specific valuation metrics are valued using those specific valuation metrics where they provide the most reliable estimate of fair value;
- companies with no maintainable profits or cash flows at present, but whose cash flows can be forecast with confidence, are valued using future cash flows discounted at the appropriate risk-adjusted discount rate; and
- in exceptional cases, where fair value cannot be reliably measured, the investment is valued at the previous carrying value unless there is evidence of value impairment, in which case value is reduced to reflect the extent of estimated impairment.

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

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

Loans and receivables

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

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

Derivative instruments and hedging

The Group and Company use derivative instruments as part of their asset management activities to manage exposures to foreign currency risk. The Company does not use derivative financial instruments for speculative purposes. The Group and Company apply cash flow hedge accounting, and the Group applies hedging of net investments in foreign operations, when the specified criteria are met to obtain hedge accounting treatment.

Notes to the Accounts
continued

2. Summary of significant accounting policies (continued)

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

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

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

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

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

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

Cash and cash equivalents

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

Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Impairment of assets

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

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

2. Summary of significant accounting policies (continued)

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

Financial liabilities

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

Provisions, contingent liabilities and contingent assets

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

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

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

Revenue

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

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer.

Dividends

Dividend income is recognised when the right to receive payment is established. Where the right to receive a dividend is in doubt, dividends are recorded on the date of receipt.

Interest

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

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

Employee benefits

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

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

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses for the scheme exceed 10% of the higher of the defined benefit obligation and the fair value of the scheme assets. Once the 10% threshold has been exceeded, these excess gains or losses are amortised over five years.

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

Income tax

The CDC Act 1999 provided the Company with exemption from UK corporation tax with effect from 1 May 2003. This does not affect overseas taxation of the Company or of its overseas subsidiaries.

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

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

Notes to the Accounts
continued

2. Summary of significant accounting policies (continued)

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

Deferred tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group financial statements. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

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

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Finance leases

Where the Group transfers substantially all the risks and benefits of ownership of the asset, the arrangement is classified as a finance lease and a receivable is recognised for the initial direct costs of the lease and the present value of the minimum lease payments. As payments fall due, finance income is recognised in the income statement so as to achieve a constant rate of return on the remaining net investment in the lease.

Group as lessee

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

The arrangement at Sidi Krir, an electricity generating company in Egypt, in which CDC held a 100% interest, was reported as a finance lease in accordance with IAS 17 ‘Leases’ up until it was disposed of in November 2007.

Operating leases

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

Assets leased out under operating leases are included in property, plant and equipment and depreciated over their estimated useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

New standards and interpretations adopted

During 2008, the Group changed its accounting policies for service concession arrangements so that they are consistent with IFRIC12, which is mandatory for 2008 but has not yet been adopted by the EU. The impact of this interpretation rule on the results of Umeme Limited (‘Umeme’), a wholly owned electricity distributor in Uganda, is the de-recognition of Umeme’s property, plant and equipment and the recognition of intangible assets.

None of the standards and interpretations not applied is likely to have a material impact on the Company or Group.

3. Income and expenses

3a. Income

	2008 Total £m	2007 Discontinued operations £m	2007 Continuing operations £m	2007 Total £m
Sale of goods	**184.7**	136.4	238.4	374.8
Investment income:				
Interest income	**38.3**	0.1	37.2	37.3
Dividend income	**6.8**	5.2	31.6	36.8
Profit on disposal of fair value financial assets	**26.4**	–	70.9	70.9
Profit on disposal of subsidiaries	**9.3**	163.0	39.0	202.0
Total income	**265.5**	304.7	417.1	721.8

3b. Other income

	2008 Total £m	2007 Discontinued operations £m	2007 Continuing operations £m	2007 Total £m
Increase in value of biological assets	**10.0**	–	1.6	1.6
Loan and guarantee fee income	**2.4**	–	3.1	3.1
Impairment reversals on loans and receivables	**–**	–	3.9	3.9
Government grant income	**–**	–	0.2	0.2
Increase in value of investment property	**2.5**	–	–	–
Income from insurance claim	**4.9**	–	–	–
Other operating income	**7.3**	9.5	3.0	12.5
Total other income	**27.1**	9.5	11.8	21.3

3c. Administrative expenses

	2008 Total £m	2007 Discontinued operations £m	2007 Continuing operations £m	2007 Total £m
Wages and salaries	**(23.5)**	(4.6)	(25.5)	(30.1)
Social security costs	**(2.3)**	(0.1)	(2.3)	(2.4)
Pension costs – defined benefit	**(2.0)**	–	(3.9)	(3.9)
Pension costs – defined contribution	**(0.3)**	–	(0.1)	(0.1)
Total employee benefits expense	**(28.1)**	(4.7)	(31.8)	(36.5)
Fund management expenses	**(37.7)**	–	(32.9)	(32.9)
Provisions against advances to customers	**(2.5)**	–	(0.5)	(0.5)
Provisions against trade receivables	**(12.7)**	–	–	–
Power maintenance costs	**(8.3)**	(1.9)	(6.3)	(8.2)
Insurance costs	**(3.7)**	(0.9)	(3.7)	(4.6)
Staff-related other expenses	**(3.0)**	(0.5)	(3.7)	(4.2)
Consultants' expenses	**(8.9)**	(1.1)	(11.3)	(12.4)
Office premises expenses	**(4.0)**	(0.1)	(2.9)	(3.0)
Travel expenses	**(4.2)**	(0.1)	(4.9)	(5.0)
Deal transaction costs	**(1.4)**	(0.5)	(5.8)	(6.3)
Operating lease rentals on property	**(1.5)**	–	(1.1)	(1.1)
Operating lease rentals on plant and equipment	**(0.1)**	–	–	–
Communications costs	**(2.2)**	(0.1)	(2.1)	(2.2)
Auditors' remuneration (see 3e)	**(1.3)**	(0.1)	(1.7)	(1.8)
Other administrative expenses	**(12.5)**	(2.9)	(14.6)	(17.5)
Total administrative expenses	**(132.1)**	(12.9)	(122.8)	(135.7)

The average monthly number of employees during the year was 2,468 (2007: 6,785).

Notes to the Accounts
continued

3. Income and expenses (continued)

3d. Other expenses	2008 Total £m	2007 Discontinued operations £m	2007 Continuing operations £m	2007 Total £m
Impairment of goodwill	–	–	(0.2)	(0.2)
Amortisation of other intangible assets	(8.1)	(0.9)	(0.4)	(1.3)
Loss on disposal of property, plant and equipment	(12.0)	(0.3)	(1.4)	(1.7)
Depreciation and impairment of property, plant and equipment	(13.0)	(10.4)	(24.9)	(35.3)
Provision charges	(1.3)	–	(0.7)	(0.7)
Loans and receivables impairment charge	(41.9)	–	–	–
Fall in value of investment property	–	–	(2.6)	(2.6)
Other expenses	–	(0.1)	(0.4)	(0.5)
Decrease in value of fair value financial assets – intragroup	–	(15.9)	15.9	–
Total other expenses	(76.3)	(27.6)	(14.7)	(42.3)
3e. Auditors' remuneration				
Audit of the financial statements*	(0.3)	(0.1)	(0.2)	(0.3)
Other fees to auditors				
Local statutory audits for subsidiaries	(0.7)	–	(1.2)	(1.2)
Taxation services	(0.1)	–	(0.1)	(0.1)
Other services	(0.2)	–	(0.2)	(0.2)
Total auditors' remuneration	(1.3)	(0.1)	(1.7)	(1.8)

* Audit fees for the Company amounted to £0.3m (2007: £0.3m).

4a. Finance costs and income

	2008 Total £m	2007 Discontinued operations £m	2007 Continuing operations £m	2007 Total £m
Interest payable on bank loans and overdrafts	(0.4)	(6.6)	(3.2)	(9.8)
Interest payable on other loans	(8.3)	(14.0)	(8.2)	(22.2)
Fall in value of interest rate swaps	–	(0.2)	–	(0.2)
Finance charges payable under finance leases and hire purchase contracts	(4.8)	–	(4.5)	(4.5)
Total finance costs	(13.5)	(20.8)	(15.9)	(36.7)
Pension credit	4.7	–	4.0	4.0
Bank interest received	63.3	3.3	58.0	61.3
Finance lease income	–	17.2	–	17.2
Total finance income	68.0	20.5	62.0	82.5
Net finance income/(costs)	54.5	(0.3)	46.1	45.8

4b. Net foreign exchange differences

	2008 Total £m	2007 Discontinued operations £m	2007 Continuing operations £m	2007 Total £m
Unrealised exchange gains arising on fair value financial assets	377.5	–	4.4	4.4
Unrealised exchange (losses)/gains arising on forward foreign exchange contracts	(227.2)	–	5.2	5.2
Other foreign exchange gains	2.8	0.7	0.7	1.4
Total net foreign exchange differences	153.1	0.7	10.3	11.0

5. Tax

The major components of the tax charge are as follows:

	2008 Total £m	2007 Discontinued operations £m	2007 Continuing operations £m	2007 Total £m
Current tax				
Current UK tax charge	**(0.1)**	–	(0.3)	(0.3)
Current overseas tax charge	**(4.6)**	(6.4)	(6.4)	(12.8)
Tax charge in respect of current tax of previous years	**–**	–	(0.1)	(0.1)
Deferred tax				
Tax charge relating to origination and reversal of temporary differences	**(3.2)**	(1.2)	(0.5)	(1.7)
Tax charge reported in consolidated income statement	**(7.9)**	(7.6)	(7.3)	(14.9)

The tax charge, as above, is reconciled to the tax charge on the accounting (loss)/profit at the full UK tax rate as follows:

	2008 Total £m	2007 Discontinued operations £m	2007 Continuing operations £m	2007 Total £m
Accounting (loss)/profit before tax	**(302.9)**	208.2	425.4	633.6
Tax credit/(charge) on the accounting (loss)/profit at the UK tax rate of 28.5% (2007: 30%)	**86.3**	(62.5)	(127.6)	(190.1)
(Increase)/decrease in charge due to:				
Effect of UK tax exemption*	**(84.0)**	–	244.5	244.5
Effect of overseas taxation	**(2.4)**	55.6	(126.0)	(70.4)
Tax over provided in earlier years	**(0.7)**	–	(0.1)	(0.1)
Deferred tax assets not recognised	**(0.6)**	(1.2)	(1.2)	(2.4)
Non-taxable income	**0.6**	–	–	–
Expenses not deductible for tax purposes	**(6.8)**	0.5	1.6	2.1
Utilisation of previously unrecognised losses brought forward	**(0.3)**	–	1.5	1.5
Tax charge at an effective tax rate of 2.6% (2007: 2.4%)	**(7.9)**	(7.6)	(7.3)	(14.9)

* The UK tax exemption figure above is the expected tax credit/(charge) on the accounting (loss)/profit of CDC Group plc on a company basis at the UK tax rate of 28.5% (2007: 30%).

UK tax exemption

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

Notes to the Accounts
continued

6. Property, plant and equipment

	Group					
	2008 Land and buildings £m	2008 Plant and equipment £m	2008 Total £m	2007 Land and buildings £m	2007 Plant and equipment £m	2007 Total £m
At 1 January	4.6	140.4	145.0	18.2	430.6	448.8
Additions	1.8	19.0	20.8	3.1	36.8	39.9
Disposals	(0.2)	(2.8)	(3.0)	(1.4)	(7.0)	(8.4)
Disposed with subsidiaries	(2.2)	(3.9)	(6.1)	(14.4)	(274.0)	(288.4)
Impairment	–	(0.4)	(0.4)	–	(1.7)	(1.7)
Depreciation charge for the year	–	(12.6)	(12.6)	(0.9)	(32.7)	(33.6)
Exchange adjustment	2.6	49.5	52.1	–	(11.6)	(11.6)
At 31 December	6.6	189.2	195.8	4.6	140.4	145.0
At 1 January						
Cost	11.6	253.4	265.0	27.0	545.8	572.8
Accumulated depreciation and impairment	(7.0)	(113.0)	(120.0)	(8.8)	(115.2)	(124.0)
Net carrying amount at 1 January	4.6	140.4	145.0	18.2	430.6	448.8
At 31 December						
Cost	8.2	255.3	263.5	11.6	253.4	265.0
Accumulated depreciation and impairment	(1.6)	(66.1)	(67.7)	(7.0)	(113.0)	(120.0)
Net carrying amount at 31 December	6.6	189.2	195.8	4.6	140.4	145.0

Land and buildings with a carrying amount of £2.6m (2007: £1.4m) are subject to a first charge to secure loans due to the Group's lenders.

The £0.4m impairment loss in 2008 relates to Equatoria Teak Company Limited. The £1.7m impairment loss in 2007 related to Cenergica SA and Songas Limited.

Capital expenditure contracted for but not provided for in the accounts amounted to £2.0m (2007: £0.9m).

	Company			
	2008 Plant and equipment £m	2008 Total £m	2007 Plant and equipment £m	2007 Total £m
At 1 January	0.1	0.1	0.3	0.3
Additions	1.4	1.4	–	–
Disposals	–	–	(0.1)	(0.1)
Depreciation charge for the year	(0.3)	(0.3)	(0.1)	(0.1)
At 31 December	1.2	1.2	0.1	0.1
At 1 January				
Cost	8.5	8.5	8.5	8.5
Accumulated depreciation and impairment	(8.4)	(8.4)	(8.2)	(8.2)
Net carrying amount at 1 January	0.1	0.1	0.3	0.3
At 31 December				
Cost	9.4	9.4	8.5	8.5
Accumulated depreciation and impairment	(8.2)	(8.2)	(8.4)	(8.4)
Net carrying amount at 31 December	1.2	1.2	0.1	0.1

7. Biological assets

	Group 2008 £m	Group 2007 £m
At 1 January, at fair value	**9.6**	29.8
Additions	**1.3**	1.1
Harvested	**–**	(0.1)
Disposals	**(9.8)**	(3.0)
Disposed with subsidiaries	**(1.9)**	(20.6)
Increase in fair value for the period	**10.0**	1.6
Exchange adjustment	**3.3**	0.8
At 31 December, at fair value	**12.5**	9.6

Biological assets consist of tea plantations, forests, an arable farm, livestock and sugarcane plantations. CDC sold subsidiaries holding orange groves and a rubber plantation during 2007 and an arable farm in 2008. The fair values of the remaining assets have been determined using the following methods and using the following significant assumptions:

	Valuation methodology	Significant assumptions
Tea plantations	Net present value of future cash flows	Forecast sales volume, price and discount rate
Forests	Net present value of future cash flows	Forecast sales volume, price and discount rate
Sugarcane plantations	Net present value of future cash flows	Constant climate conditions, estimated inflation
Livestock	Market prices	Livestock of similar age, breed, genetic merit

The split of these assets between mature and immature assets is disclosed below:

	2008 Mature £m	2008 Immature £m	2008 Total £m	2007 Mature £m	2007 Immature £m	2007 Total £m
Tea plantations	**0.3**	**0.1**	**0.4**	0.4	–	0.4
Forests	**9.5**	**–**	**9.5**	0.1	6.4	6.5
Sugarcane plantations	**1.3**	**1.0**	**2.3**	0.4	1.2	1.6
Livestock	**0.2**	**0.1**	**0.3**	0.2	0.1	0.3
Other	**–**	**–**	**–**	0.1	0.7	0.8
	11.3	**1.2**	**12.5**	1.2	8.4	9.6

Biological assets with a carrying value of £12.1m (2007: £8.9m) were pledged as security for liabilities.

Certain subsidiaries used forward sales contracts to manage financial risks in relation to the sales price of their agricultural produce. These subsidiaries were disposed of in 2007. Prior to disposal, these were held at fair value as derivative financial instruments, with fair value gains and losses being recognised in the income statement.

Output of agricultural produce in the period was as follows:

	2008 Tonnes	2007 Tonnes
Tea leaves	**551**	2,605
Timber	**276**	1,750
Oranges	**–**	74,522
Latex	**–**	7,081
Cereals	**–**	50,860
Sugarcane	**26,067**	162,114
Livestock	**10**	450

Notes to the Accounts
continued

8. Investment property

	Group 2008 £m	Group 2007 £m
At 1 January, at fair value	0.2	6.0
Additions	7.4	–
Transfers from fair value financial assets	15.0	–
Disposals	–	(3.0)
Disposed with subsidiaries	–	(0.1)
Increase/(decrease) in fair value for the period	2.5	(2.6)
Exchange adjustment	6.0	(0.1)
At 31 December, at fair value	31.1	0.2

Investment properties are stated at fair value, which has been determined based on valuations performed by Directors of the Group's property subsidiaries as at 31 December 2008 and the prior year. All officials involved in the valuation process are industry specialists in valuing these types of investment properties. The valuations undertaken were based on open market value, supported by market evidence in which assets could be exchanged by willing buyers and sellers on an arm's length basis.

9. Intangible assets

	Group					
	2008 Brands, patents and copyrights £m	2008 Goodwill £m	2008 Total £m	2007 Brands, patents and copyrights £m	2007 Goodwill £m	2007 Total £m
At 1 January	57.9	–	57.9	78.9	33.5	112.4
Additions	11.2	–	11.2	–	–	–
Disposals	–	–	–	(19.3)	(32.7)	(52.0)
Impairment	–	–	–	–	(0.2)	(0.2)
Amortisation charge for the year	(8.1)	–	(8.1)	(1.3)	–	(1.3)
Exchange adjustment	14.8	–	14.8	(0.4)	(0.6)	(1.0)
At 31 December	75.8	–	75.8	57.9	–	57.9
At 1 January						
Cost	64.8	0.8	65.6	28.7	34.4	63.1
Accumulated amortisation and impairment	(6.9)	(0.8)	(7.7)	(5.6)	(0.9)	(6.5)
Net carrying amount at 1 January	57.9	–	57.9	23.1	33.5	56.6
At 31 December						
Cost	90.8	0.8	91.6	64.8	0.8	65.6
Accumulated amortisation and impairment	(15.0)	(0.8)	(15.8)	(6.9)	(0.8)	(7.7)
Net carrying amount at 31 December	75.8	–	75.8	57.9	–	57.9

The carrying value of assets held under finance leases and hire purchase contracts at 31 December 2008 was £70.5m (2007: £50.3m). Additions of assets held under finance leases were £11.2m (2007: £8.1m).

10. Fair value financial assets

Group

	2008 Shares – listed £m	2008 Shares – unlisted £m	2008 Total £m	2007 Shares – listed £m	2007 Shares – unlisted £m	2007 Total £m
At 1 January, at fair value	6.5	954.3	960.8	78.9	600.6	679.5
Additions	–	420.7	420.7	0.2	367.0	367.2
Disposals	–	(229.1)	(229.1)	(9.7)	(158.3)	(168.0)
Disposed with subsidiaries	–	–	–	(61.8)	(116.6)	(178.4)
Transfers to investment properties	–	(15.0)	(15.0)	–	–	–
(Decrease)/increase in fair value for the period	(2.6)	(500.0)	(502.6)	0.5	234.0	234.5
Transfers	(0.2)	0.2	–	–	25.6	25.6
Exchange adjustment	(3.1)	306.3	303.2	(1.6)	2.0	0.4
At 31 December, at fair value	0.6	937.4	938.0	6.5	954.3	960.8

Company

	2008 Shares – listed £m	2008 Shares – unlisted £m	2008 Shares held in Group companies £m	2008 Total £m	2007 Shares – listed £m	2007 Shares – unlisted £m	2007 Shares held in Group companies £m	2007 Total £m
At 1 January, at fair value	2.4	732.0	774.7	1,509.1	7.9	320.0	721.4	1,049.3
Additions	–	422.1	4.4	426.5	–	339.8	–	339.8
Disposals	–	(129.3)	(7.7)	(137.0)	(5.8)	(117.2)	(126.9)	(249.9)
(Decrease)/increase in fair value for the period	(1.8)	(441.6)	(23.1)	(466.5)	0.3	157.9	152.4	310.6
Transfers	–	–	–	–	–	26.0	27.8	53.8
Exchange adjustment	–	290.4	–	290.4	–	5.5	–	5.5
At 31 December, at fair value	0.6	873.6	748.3	1,622.5	2.4	732.0	774.7	1,509.1

11. Discontinued operations

There was no significant divestment in 2008.

On 28 May 2007, the intention to divest of CDC's investments in power subsidiaries was announced by the fund manager of Actis Energy Fund, Actis Capital LLP. CDC invested in these businesses as part of its legacy portfolio and held majority stakes in a number of major power subsidiaries. The decision to divest was driven by the opportunity to achieve value from the underlying operating assets.

The subsidiaries were disposed in two tranches, with the Americas businesses being disposed in June 2007 and the Asia/Africa assets being disposed in November 2007.

The results of the Globeleq subsidiaries disposed in 2007 are presented below:

	Notes	2007 To date of disposal £m
Income	3a	141.7
Cost of sales		(79.9)
Gross profit		61.8
Other income	3b	23.5
Selling and distribution expenses		–
Administrative expenses	3c	(12.9)
Other expenses	3d	(27.6)
Profit from operations before tax and finance costs		44.8
Finance costs	4	(20.8)
Finance income	4	20.5
Net foreign exchange differences		0.7
Profit before tax		45.2
Tax charge	5	(7.6)
Profit for the year		37.6

Notes to the Accounts
continued

11. Discontinued operations (continued)
The net cash flows arising from the disposal of Globeleq were as follows:

	2007 To date of disposal £m
Profit from discontinued operations before tax and finance costs*	207.8
Cash flows from operating activities from discontinued operations	25.4
Cash flows from investing activities from discontinued operations	500.5
Cash flows from financing activities from discontinued operations	(12.1)
Net increase in cash and cash equivalents from discontinued operations	513.8

* Includes profit on disposal of £163.0m.

The assets and liabilities of Globeleq as at the date of disposal were as follows:

	2007 At date of disposal £m
Property, plant and equipment	247.7
Intangible assets	35.0
Fair value financial assets	177.2
Loans and receivables	18.8
Other financial assets	162.1
Non-current assets	640.8
Inventories	28.4
Trade and other receivables	33.0
Prepayments	5.4
Derivative financial instruments	0.1
Cash and cash equivalents	72.6
Total assets	780.3
Trade and other payables within one year	(45.3)
Interest-bearing loans and borrowings within one year	(46.5)
Derivative financial instruments	(13.0)
Current liabilities	(104.8)
Trade and other payables after one year	(6.4)
Interest-bearing loans and borrowings	(255.5)
Provisions for liabilities and charges	(2.3)
Deferred income tax liabilities	(34.3)
Total liabilities	(403.3)
Total net assets at book value	377.0
Minority interests	(32.1)
Goodwill eliminated on disposal	11.7
Net assets disposed	356.6
Cash proceeds	632.9
Direct selling costs	(84.5)
Exchange losses recycled from equity	(28.8)
Profit on disposal	163.0
Total disposal consideration received, net of selling expenses*	586.7
Cash and cash equivalents disposed of	(72.6)
Cash inflow on disposals	514.1

* Cash proceeds of £632.9m less cash costs incurred of £46.2m.

12. Disposals

In July 2008, the Group disposed of its investment in Nanga Farms plc, an arable farming company registered in Zambia.

Nanga Farms plc's net assets disposed of were as follows:

	Total £m
Property, plant and equipment	6.1
Biological assets	1.9
Inventories	0.8
Trade and other receivables	0.7
Cash and cash equivalents	0.1
Total assets	**9.6**
Trade and other payables	(1.9)
Interest-bearing loans and borrowings	(3.5)
Total net assets at book value	**4.2**
Deferred tax liabilities	(0.6)
Net assets disposed	**3.6**
Cash proceeds	11.9
Exchange gains recycled from equity	1.0
Profit on disposal	**9.3**
Total disposal consideration received	11.9
Cash and cash equivalents (including overdrafts) disposed of	(0.1)
Cash inflow on disposals	**11.8**

Nanga Farms plc's summarised income statement for the period from 1 January 2008 to the date of disposal is shown below:

	Total £m
Income	0.5
Cost of sales	(0.7)
Gross loss	**(0.2)**
Other income	0.5
Administrative and other expenses	(0.4)
Net interest payable	(0.1)
Foreign currency gains	0.5
Profit for the period to the date of disposal	**0.3**
Profit for the prior year (to 31 December 2007)	**0.6**

Notes to the Accounts
continued

12. Disposals (continued)
During 2007, the Group disposed of the following subsidiaries:

	Operations	Country/Region	Date	Consideration £m	Percentage disposed
Lenco Investments Limited	Plastics manufacturing	South Africa	June 2007	24.2	56%
Caribbean Finance Investment Company Ltd (Carifin)	Financial Institution	Cuba	June 2007	1.5	60%
Compagnie Heveicole de Cavally	Rubber	Côte d'Ivoire	August 2007	19.7	100%
El Rashidi El Mizan	Food	Egypt	September 2007	28.8	65%
Del Oro SA and Inversiones Guanaranja (IGSA)	Orange juice	Costa Rica	October 2007	4.0	88% and 100%

The net assets disposed of were as follows:

	Lenco £m	Carifin £m	Cavally £m	El Rashidi £m	Del Oro/ IGSA £m	Total £m
Property, plant and equipment	24.9	–	3.8	5.9	6.1	**40.7**
Biological assets	–	–	9.5	–	11.1	**20.6**
Investment property	–	–	–	0.1	–	**0.1**
Intangible assets	2.8	–	–	0.1	–	**2.9**
Fair value financial assets	0.9	0.3	–	–	–	**1.2**
Inventories	7.4	–	1.0	2.0	15.7	**26.1**
Trade and other receivables	9.3	3.2	1.8	2.4	7.0	**23.7**
Cash and cash equivalents	0.6	0.5	0.1	0.1	0.9	**2.2**
Total assets	**45.9**	**4.0**	**16.2**	**10.6**	**40.8**	**117.5**
Trade and other payables	(9.4)	(1.5)	(1.3)	(2.6)	(7.7)	**(22.5)**
Interest-bearing loans and borrowings	(26.7)	–	(4.5)	(4.6)	(19.8)	**(55.6)**
Total net assets at book value	**9.8**	**2.5**	**10.4**	**3.4**	**13.3**	**39.4**
Minority interests	(4.3)	(1.0)	–	(1.1)	–	**(6.4)**
Goodwill eliminated on disposal	0.9	–	–	1.5	–	**2.4**
Net assets disposed	**6.4**	**1.5**	**10.4**	**3.8**	**13.3**	**35.4**
Cash proceeds	24.2	1.5	19.7	28.8	4.0	**78.2**
Exchange losses recycled from equity	(1.0)	(0.7)	(0.3)	(0.2)	(1.6)	**(3.8)**
Profit/(loss) on disposal	**16.8**	**(0.7)**	**9.0**	**24.8**	**(10.9)**	**39.0**
Total disposal consideration received	24.2	1.5	19.7	28.8	4.0	**78.2**
Cash and cash equivalents (including overdrafts) disposed of	(0.5)	(0.5)	1.0	2.3	9.6	**11.9**
Cash inflow on disposals	**23.7**	**1.0**	**20.7**	**31.1**	**13.6**	**90.1**

13. Other financial assets (non-current)

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Loans and receivables due from third parties	46.9	71.4	29.9	53.8
Loans and receivables due from Group undertakings	–	–	154.2	114.5
Advances to customers	77.0	39.1	–	–
Prepayments	0.5	0.3	–	–
Other receivables	2.7	3.5	2.7	3.2
At 31 December	127.1	114.3	186.8	171.5

The movement in loans and receivables was as follows:

	Group 2008 £m	Group 2007 £m	Company 2008 Due from third parties £m	Company 2008 Due from Group undertakings £m	Company 2007 Due from third parties £m	Company 2007 Due from Group undertakings £m
At 1 January	87.7	101.9	70.0	114.6	83.2	226.4
New loans advanced	4.6	25.6	4.6	1.2	24.0	59.9
Loan repayments	(13.0)	(18.0)	(12.1)	(2.5)	(16.6)	(167.4)
Loans and receivables disposed with subsidiaries	–	(0.5)	–	–	–	–
Provision (charge)/release for the year	(41.9)	3.9	(40.2)	(14.6)	6.0	(0.1)
Transfers	0.3	(25.6)	0.2	–	(26.0)	(1.8)
Exchange adjustment	23.5	0.4	19.8	55.5	(0.7)	(2.4)
At 31 December	61.2	87.7	42.3	154.2	69.9	114.6
Less: Loans and receivables due within one year (note 17)	(14.3)	(16.3)	(12.4)	–	(16.1)	(0.1)
At 31 December	46.9	71.4	29.9	154.2	53.8	114.5

14. Deferred tax assets and liabilities

	Group 2008 £m	Group 2007 £m
Deferred tax assets		
Property, plant and equipment	–	(0.1)
Biological assets	1.2	–
Investment property	–	(0.2)
Fair value financial assets	0.4	–
Losses	0.8	–
Other assets	–	0.4
Total deferred tax assets	2.4	0.1
Deferred tax liabilities		
Property, plant and equipment	(17.1)	(9.0)
Biological assets	–	0.8
Investment property	(0.2)	–
Intangible assets	(1.1)	(0.9)
Fair value financial assets	–	0.1
Other financial assets	(0.2)	–
Losses	–	0.6
Other liabilities	(0.5)	(0.8)
Total deferred tax liabilities	(19.1)	(9.2)
Net deferred tax liabilities	(16.7)	(9.1)

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14. Deferred tax assets and liabilities (continued)

Included within deferred tax assets is £0.8m (2007: £0.6m) relating to tax losses, recoverability of which is dependent on future taxable profits in excess of those arising from the reversal of deferred tax liabilities.

At 31 December 2008, the Group had carried forward losses of £4.4m (2007: £2.9m) for which no deferred tax asset was recognised due to the uncertainty of future profits. These unrecognised deferred tax assets amount to £1.2m (2007: £0.9m).

Movement in temporary differences during the year

	At 1 January 2008 £m	Disposed with subsidiaries £m	Utilised during the year £m	(Charge)/ credit for the year £m	Exchange adjustment £m	At 31 December 2008 £m
Property, plant and equipment	(9.1)	0.2	(0.2)	(3.7)	(4.3)	(17.1)
Biological assets	0.8	0.4	(0.1)	–	0.1	1.2
Investment property	(0.2)	–	–	–	–	(0.2)
Intangible assets	(0.9)	–	–	(0.1)	(0.1)	(1.1)
Fair value financial assets	0.1	–	0.3	–	–	0.4
Other financial assets	–	–	(0.2)	–	–	(0.2)
Losses	0.6	–	–	–	0.2	0.8
Other assets/liabilities	(0.4)	–	(0.5)	0.6	(0.2)	(0.5)
Total	(9.1)	0.6	(0.7)	(3.2)	(4.3)	(16.7)

	At 1 January 2007 £m	Disposed with subsidiaries £m	Utilised during the year £m	(Charge)/ credit for the year £m	Exchange adjustment £m	At 31 December 2007 £m
Property, plant and equipment	(44.8)	36.9	0.3	(3.4)	1.9	(9.1)
Biological assets	(1.5)	1.5	0.9	(0.2)	0.1	0.8
Investment property	(0.2)	–	–	–	–	(0.2)
Intangible assets	(2.0)	1.2	–	–	(0.1)	(0.9)
Retirement benefit assets/liabilities	0.1	(0.2)	–	0.1	–	–
Fair value financial assets	0.1	–	–	–	–	0.1
Losses	5.5	(5.4)	(0.2)	0.8	(0.1)	0.6
Other assets/liabilities	0.5	(0.5)	(1.4)	1.0	–	(0.4)
Total	(42.3)	33.5	(0.4)	(1.7)	1.8	(9.1)

15. Pension commitments

The Group operates one funded pension scheme in the UK, called the CDC Pensions Scheme. This provides benefits on a defined benefit basis for staff who entered service prior to 1 April 2000. Subsequent entrants are eligible for membership of a separate, defined contribution section of the scheme. In accordance with statutory requirements, membership of the scheme is voluntary. The pension scheme is funded by the payment of contributions to a separately administered trust fund. A small number of subsidiaries also operate unfunded post retirement benefit schemes outside the UK.

An actuarial valuation of the CDC Pensions Scheme was carried out on 31 March 2006. The valuation showed a deficit of £48m (the Technical Provisions as defined in section 222(2) of the Pensions Act 2004, on an ongoing funding basis, which takes into account the current investment strategy of the scheme, minus the value of the scheme's assets). CDC and the trustees of the scheme agreed a Statutory Funding Objective Recovery Plan whereby CDC paid an additional contribution of £10m into the CDC Pensions Scheme in 2006 and is scheduled to make additional payments of £11.3m per annum in the years 2007 to 2010 inclusive. The estimated deficit if the scheme was wound up on 31 March 2006 on the buy-out basis, was approximately £150m.

Under new powers conferred on them by recent legislation, the trustees of the scheme, as a secondary funding objective to have sufficient assets to cover the scheme's closed fund liabilities, sought additional assurance from the Company. It was agreed that the Company would fund a contingent asset up to a level which assumes no further contributions from the Company and that a low-risk investment policy is adopted by the CDC Pensions Scheme, to provide security to the Pensions Scheme trustees. Accordingly, in 2006 the Company paid £74m into the Contingent Asset Trust 2006, which principally holds bond and cash investments. The terms of the Trust allow funds to be drawn by the CDC Pensions Scheme to fund any deficit, but funds can be returned to the Company if they are not required by the CDC Pensions Scheme. The next periodic valuation of the scheme is planned for 31 March 2009.

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

	2008 %	2007 %	2006 %	2005 %
Main assumptions:				
Discount rate	**6.3**	5.6	4.9	4.7
Inflation assumption	**2.8**	3.4	3.0	2.8
Rate of salary increases	**4.3**	4.9	4.5	4.3
Rate of increase in pension payment:				
Pre 1 May 1996 joiners (for pensions accrued before 1 April 2000)	**5.0**	5.0	5.0	5.0
Pre 1 May 1996 joiners (for pensions accrued after 31 March 2000) and post 30 April 1996 joiners	**3.0**	3.4	3.0	2.8
Rate of increase for deferred pensions	**2.8**	3.4	3.0	2.8
Expected rates of return on scheme assets:				
Equities	**8.1**	8.1	8.0	8.2
Bonds	**5.5**	5.2	4.9	4.3
Property	**7.2**	7.0	6.4	6.3
Cash/net current assets	**3.6**	5.3	4.0	3.8
Contingent Asset Trust 2006	**5.2**	5.0	4.0	–

The 2007 scheme valuation used 80% of the mortality table PA92 (as published by the Institute and Faculty of Actuaries) with medium cohort improvements to 2006. The valuation of liabilities at 31 December 2008 has used the same mortality assumptions except for a revision to future mortality improvement by using long cohort and applying a 0.5% minimum to the annual level of future improvement. The table below summarises the life expectancies for pensioners reaching age 60, both for a single member and also a member and a surviving spouse. The corresponding figures from the 2007 valuation are shown in brackets.

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15. Pension commitments (continued)

Life expectancy of a pensioner reaching age 60	Male	Female	Male joint	Female joint
In 2018	31.0	34.1	36.6	35.7
In 2017	(31.0)	(34.1)	(36.5)	(35.6)
In 2008	30.2	33.4	36.0	35.1
In 2007	(30.3)	(33.5)	(36.0)	(35.1)

The value of scheme liabilities, as the scheme is very mature, is mostly affected by the assumptions on discount rate and life expectancy. An increase in the discount rate assumption of 0.25% decreases scheme liabilities by 4.2%. An increase in life expectancy by one year increases scheme liabilities by 2.8%.

	2008 £m	2007 £m
Assets and liabilities of the scheme at 31 December		
Equities	34.3	77.9
Bonds	170.3	172.7
Property	10.8	14.3
Cash/net current assets	44.1	0.6
Fair value of the CDC Pensions Scheme assets	259.5	265.5
Contingent Asset Trust 2006	80.9	77.4
Pension assets	340.4	342.9
Present value of pension liabilities	(241.9)	(281.3)
Surplus at end of year	98.5	61.6
Unrecognised actuarial loss	20.7	43.2
Net pension asset	119.2	104.8

	2008 £m	2007 £m
Changes in the fair value of plan assets		
At 1 January	342.9	326.3
Expected return on scheme assets	20.3	17.7
Employer contributions	11.7	11.6
Benefits paid	(9.0)	(9.2)
Expected value of plan assets at end of year	365.9	346.4
Actuarial loss on scheme assets	(25.5)	(3.5)
At 31 December	340.4	342.9

	2008 £m	2007 £m
Return on assets for the year		
Expected return on scheme assets	20.3	17.7
Actuarial loss on scheme assets	(25.5)	(3.5)
Actual return on scheme assets	(5.2)	14.2

	2008 £m	2007 £m
Changes in the present value of the defined benefit pension obligations		
At 1 January	(281.3)	(284.0)
Current service cost	(0.3)	(0.3)
Interest cost	(15.6)	(13.7)
Benefits paid	9.0	9.2
Expected defined benefit obligation at end of year	(288.2)	(288.8)
Actuarial gain on defined benefit obligation	46.3	7.5
At 31 December	(241.9)	(281.3)

15. Pension commitments (continued)

	2008 £m	2007 £m
Amortisation of unrecognised net loss in year		
Corridor	**34.0**	34.3
Accumulated unrecognised net loss at end of year	**20.7**	43.2
Accumulated unrecognised net loss at end of year above corridor	**–**	(8.9)
Amount amortised and recognised in next year	**–**	(1.7)

CDC amortises amounts above the corridor over a five-year period.

	2008 £m	2007 £m
Development of unrecognised net loss		
Accumulated unrecognised net loss at start of year	**43.2**	50.8
Amount recognised in year	**(1.7)**	(3.6)
Actuarial gain on defined benefit obligation	**(46.3)**	(7.5)
Actuarial loss on scheme assets	**25.5**	3.5
Accumulated unrecognised net loss at end of year	**20.7**	43.2

	2008 £m	2007 £m
Amounts recognised in the Group's income statement for the year		
Current defined benefit service cost	**(0.3)**	(0.3)
Recognition of net loss from last year	**(1.7)**	(3.6)
Administrative expenses (note 3c)	**(2.0)**	(3.9)
Expected return on scheme assets	**20.3**	17.7
Interest cost on scheme liabilities	**(15.6)**	(13.7)
Finance income (note 4)	**4.7**	4.0
Total defined benefit pension income	**2.7**	0.1

	2008 £m	2007 £m
Reconciliation of net pension asset:		
At 1 January	**104.8**	93.1
Pension income	**2.7**	0.1
Employer contributions to the CDC Pensions Scheme	**11.7**	11.6
At 31 December	**119.2**	104.8

	2008 £m	2007 £m	2006 £m	2005 £m
History of experience gains and losses:				
Fair value of scheme assets	**340.4**	342.9	326.3	237.7
Present value of defined benefit obligation	**(241.9)**	(281.3)	(284.0)	(253.8)
Surplus/(deficit) in the scheme	**98.5**	61.6	42.3	(16.1)
Actuarial (loss)/gain on plan assets	**(25.5)**	(3.5)	(0.7)	16.6
Loss on assets as a percentage of assets at end of year	**(7.5%)**	(1.0%)	(0.2%)	7.0%
Gain/(loss) on defined benefit obligation due to experience	**3.1**	(0.5)	(2.1)	(0.1)
Gain/(loss) on defined benefit obligation due to experience as a percentage of defined benefit obligation at end of year	**1.3%**	(0.2%)	(0.7%)	–

Notes to the Accounts
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16. Inventories

	Group 2008 £m	Group 2007 £m
Raw materials	**0.6**	1.4
Finished goods	**12.1**	10.4
Total inventories	**12.7**	11.8

17. Trade and other receivables

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Trade receivables	**31.0**	27.5	**–**	–
Loans and receivables due from third parties	**14.3**	16.3	**12.4**	16.1
Loans and receivables due from Group undertakings	**–**	–	**–**	0.1
Amounts receivable under finance leases	**0.9**	–	**0.9**	–
Advances to customers	**22.2**	30.7	**–**	–
Amounts owed by Group undertakings	**–**	–	**42.5**	6.7
Deferred consideration on sale of fair value financial assets	**–**	15.1	**–**	–
VAT recoverable	**1.4**	4.9	**1.4**	4.9
Other receivables	**12.8**	17.0	**6.0**	9.9
Total trade and other receivables	**82.6**	111.5	**63.2**	37.7

18. Financial instruments

Derivative financial instruments (current and non-current) comprise:

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Foreign exchange contracts in profit	**24.4**	37.7	**23.4**	37.3
Foreign exchange contracts in loss	**(254.7)**	(29.0)	**(248.9)**	(29.0)
Other derivatives in loss	**–**	(4.0)	**–**	–
	(230.3)	4.7	**(225.5)**	8.3

In the balance sheet, these are analysed as follows:

	Group 2008 £m	Group 2007 £m	Company 2008 £m	Company 2007 £m
Non-current assets	**10.1**	23.4	**9.1**	23.4
Current assets	**14.3**	14.3	**14.3**	13.9
Non-current liabilities	**(151.0)**	(20.4)	**(146.0)**	(16.4)
Current liabilities	**(103.7)**	(12.6)	**(102.9)**	(12.6)
	(230.3)	4.7	**(225.5)**	8.3

18. Financial instruments (continued)

Cash flow hedges

At 31 December 2008, the Company and Group held four (2007: seven) forward foreign exchange contracts (FFECs) designated as cash flow hedges of future interest to protect against adverse fluctuations between Sterling and US dollars in connection with the scheduled receipts of interest in relation to loans advanced by the Company and the Group. These FFECs amounted to US$6.2m (2007: US$13.5m) at an average spot price of 1.76 (2007: 1.62) to sell US dollars for £3.5m (2007: £7.7m) on a range of six-monthly dates to May 2010.

At 31 December 2008, these FFECs had a fair value of £0.7m (2007: £0.8m), of which £0.1m has been included within derivative financial instruments in current liabilities (2007: £nil) and £0.6m has been included within derivative financial instruments in non-current liabilities (2007: £0.8m included within derivative financial instruments in non-current assets).

These cash flow hedges were assessed to be highly effective throughout the year and unrealised losses of £0.7m (2007: gain of £0.6m) were included in equity in respect of these contracts. These contracts have no deferred tax consequences as the Company is exempt from UK corporation tax.

During the year, three FFECs (2007: three FFECs) which were designated as cash flow hedges were settled when their forecast transactions occurred. Consequently, gains of £0.5m (2007: £0.7m) which were previously recognised directly in equity were transferred to the income statement.

Net investment in foreign operations

At 31 December 2008, the Group held 13 FFECs (2007: 21 FFECs) designated as hedges of the net investments in its subsidiaries operating in the power sector, all of which have US dollar functional currencies. These FFECs amounted to US$109.0m (2007: US$109.0m) at an average spot price of 1.7996 (2007: 1.7731) to sell US dollars for £60.6m (2007: £61.2m) on a range of dates to May 2010.

At 31 December 2008, these FFECs had a fair value of £14.0m (2007: £5.1m), of which £20.5m are in loss and £6.5m in profit (2007: £5.1m in profit). Of the £6.5m FFECs in profit, £6.5m (2007: £0.6m) has been included within derivative financial instruments in current assets and £nil (2007: £4.5m) has been included within derivative financial instruments in non-current assets. Of the £20.5m FFECs in loss, £15.3m (2007: £nil) has been included within derivative financial instruments in current liabilities and £5.2m (2007: £nil) has been included within derivative financial instruments in non-current liabilities.

Gains or losses arising from the movement in fair values of FFECs designated as net investments in foreign operations are transferred to equity to offset any gains or losses on translation of the net investment in the subsidiaries. Gains or losses arising from the movement in fair values of FFECs settled following the disposal of a subsidiary are transferred to the income statement. In 2008 £nil was recognised in the income statement following the settlement of these FFECs (2007: £11.6m). These net investments in foreign operations hedges were assessed to be highly effective throughout the year and cumulative unrealised gains of £6.4m and cumulative unrealised losses of £20.5m are included in equity in respect of these contracts (2007: cumulative unrealised gains of £5.1m). These contracts have no deferred tax consequences as the Company is exempt from UK corporation tax.

Derivatives not designated for hedge accounting

At 31 December 2008, the Group held 132 FFECs (2007: 158 FFECs) which were not designated for the purposes of hedge accounting, but were used to mitigate the currency effects on the Group's US dollar, South African rand, Euro and Indian rupee denominated loan and equity investments. These FFECs amounted to US$1,483m (2007: US$1,127m) at an average spot price of 1.8266 (2007: 1.7989) to sell US dollars for £812m (2007: £584.8m) on a range of dates to May 2012, R88.2m (2007: R91.2m) at an average spot price of 15.4017 (2007: 13.03) to sell South African rand for £5.8m (2007: £6.4m) on a range of dates to September 2010, €13.4m (2007: €30.4m) at an average spot price of 1.3573 (2007: 1.454) to sell Euros for £9.9m (2007: £22.1m) on a range of dates to January 2011 and INR0m (2007: INR592m) at an average spot price of 0 (2007: 81.328) to sell Indian rupees for £2.0m (2007: £30.0m) on a range of dates to May 2010.

Notes to the Accounts
continued

18. Financial instruments (continued)

At 31 December 2008, these FFECs had a fair value of £210.8m (2007: £1.2m), of which £12.7m (2007: £31.8m) are in profit. Of the £12.7m FFECs in profit, £7.2m (2007: £13.7m) has been included within derivative financial instruments in current assets and £5.5m has been included within derivative financial instruments in non-current assets. Of the £223.5m (2007: £33.0m) in loss, £86.9m (2007: £12.6m) has been included within derivative financial instruments in current liabilities, and £136.6m (2007: £20.4m) has been included within derivative financial instruments in non-current liabilities.

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

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in managing the risks of the Group can be found in the Performance Review on page 43.

The Group's principal financial assets (as defined in IFRS 7) comprise cash, short-term deposits, treasury bills and bonds, advances to customers, amounts receivable under finance leases, foreign exchange contracts, trade receivables, loans receivable and equity investments. For the purposes of this note, the disclosure on financial assets has been split between these asset classes in order to give more meaningful information. Financial liabilities comprise overdrafts, trade and other payables, deposits due to customers, interest-bearing loans and borrowings, interest rate swaps and foreign exchange contracts. The benchmark rate for floating rate assets and liabilities is based on one-week to six-month LIBOR rates. None of the Group's trade receivables or payables bear interest.

Interest rate exposures – Group

	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
2008 Financial assets: Cash							
Sterling	–	4.6	3.6	8.2	–	–	*
US dollars	–	61.7	2.4	64.1	–	–	*
Other currencies	–	23.9	7.2	31.1	–	–	*
Total	–	90.2	13.2	103.4	–	–	*
2007 Financial assets: Cash							
Sterling	–	19.7	0.1	19.8	–	–	*
US dollars	–	78.5	2.5	81.0	–	–	*
Other currencies	–	12.9	8.1	21.0	–	–	*
Total	–	111.1	10.7	121.8	–	–	*
2008 Financial assets: Short-term deposits receivable within 90 days							
Sterling	–	1,183.9	0.2	1,184.1	–	–	*
US dollars	8.2	59.6	6.1	73.9	2.5	0.1	*
Other currencies	–	4.4	5.1	9.5	–	–	*
Total	8.2	1,247.9	11.4	1,267.5	2.5	0.1	*
2007 Financial assets: Short-term deposits receivable within 90 days							
Sterling	–	1,233.5	0.1	1,233.6	–	–	*
US dollars	3.8	99.4	1.1	104.3	3.5	0.1	*
Other currencies	–	6.5	0.5	7.0	–	–	*
Total	3.8	1,339.4	1.7	1,344.9	3.5	0.1	*

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

18. Financial instruments (continued)
Interest rate exposures – Group (continued)

	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
2008 Financial assets: Treasury bills and bonds							
Other currencies	42.0	–	–	42.0	16.8	–	–
Total	42.0	–	–	42.0	16.8	–	–
2007 Financial assets: Treasury bills and bonds							
Other currencies	29.6	–	–	29.6	11.7	0.1	–
Total	29.6	–	–	29.6	11.7	0.1	–
2008 Financial assets: Advances to customers							
Sterling	–	1.2	–	1.2	–	–	–
US dollars	22.4	0.4	–	22.8	–	–	–
Other currencies	73.0	2.2	–	75.2	–	–	–
Total	95.4	3.8	–	99.2	–	–	–
2007 Financial assets: Advances to customers							
US dollars	1.9	16.4	–	18.3	–	–	–
Other currencies	18.1	33.4	–	51.5	–	–	–
Total	20.0	49.8	–	69.8	–	–	–
2008 Financial assets: Loans and receivables							
Sterling	–	–	0.4	0.4	–	–	–
US dollars	–	37.2	–	37.2	–	–	–
Other currencies	–	23.6	–	23.6	–	–	–
Total	–	60.8	0.4	61.2	–	–	–
2007 Financial assets: Loans and receivables							
Sterling	–	3.0	0.1	3.1	–	–	–
US dollars	–	58.0	9.5	67.5	–	–	5.5
Other currencies	1.8	13.3	2.0	17.1	15.0	5.5	5.5
Total	1.8	74.3	11.6	87.7	15.0	5.5	5.5

Notes to the Accounts
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18. Financial instruments (continued)
Interest rate exposures – Group (continued)

	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
2008 Financial liabilities: Overdrafts							
US dollars	–	(0.5)	–	(0.5)	–	–	–
Other currencies	–	–	–	–	–	–	–
Total	–	(0.5)	–	(0.5)	–	–	–
2007 Financial liabilities: Overdrafts							
US dollars	–	(0.3)	–	(0.3)	–	–	–
Other currencies	–	(0.4)	–	(0.4)	–	–	–
Total	–	(0.7)	–	(0.7)	–	–	–
2008 Financial liabilities: Deposits due to customers							
Sterling	(0.1)	–	–	(0.1)	4.4	–	*
US dollars	(13.8)	–	–	(13.8)	8.6	0.1	*
Other currencies	(75.6)	–	–	(75.6)	9.6	0.1	*
Total	(89.5)	–	–	(89.5)	9.5	0.1	*
2007 Financial liabilities: Deposits due to customers							
Sterling	–	–	(0.1)	(0.1)	–	–	*
US dollars	(1.9)	–	(4.0)	(5.9)	3.8	0.1	*
Other currencies	(19.1)	–	(23.2)	(42.3)	6.4	0.5	*
Total	(21.0)	–	(27.3)	(48.3)	6.2	0.5	*
2008 Financial liabilities: Interest-bearing loans and borrowings (excluding overdrafts)							
Sterling	(3.6)	–	–	(3.6)	6.4	4.3	*
US dollars	(25.0)	(4.6)	(140.9)	(170.5)	0.9	10.3	*
Other currencies	(44.5)	(49.7)	–	(94.2)	6.2	0.5	*
Total	(73.1)	(54.3)	(140.9)	(268.3)	2.1	8.1	*
2007 Financial liabilities: Interest-bearing loans and borrowings (excluding overdrafts)							
Sterling	(5.7)	–	(0.2)	(5.9)	6.2	2.0	1.0
US dollars	(108.8)	(21.0)	–	(129.8)	12.5	15.4	–
Other currencies	(49.7)	(24.8)	–	(74.5)	9.0	15.6	–
Total	(164.2)	(45.8)	(0.2)	(210.2)	11.2	15.0	1.0

* The Group's no interest deposits due to customers are repayable on demand.

18. Financial instruments (continued)
Interest rate exposures – Company

	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
2008 Financial assets: Cash							
Sterling	–	0.5	–	0.5	–	–	–
US dollars	–	6.7	–	6.7	–	–	–
Other currencies	–	1.9	–	1.9	–	–	–
Total	–	9.1	–	9.1	–	–	–
2007 Financial assets: Cash							
Sterling	–	0.4	–	0.4	–	–	–
US dollars	–	41.2	–	41.2	–	–	–
Other currencies	–	0.4	–	0.4	–	–	–
Total	–	42.0	–	42.0	–	–	–
2008 Financial assets: Short-term deposits receivable within 90 days							
Sterling	–	1,183.1	–	1,183.1	–	–	–
US dollars	–	57.9	–	57.9	–	–	–
Other currencies	–	1.6	–	1.6	–	–	–
Total	–	1,242.6	–	1,242.6	–	–	–
2007 Financial assets: Short-term deposits receivable within 90 days							
Sterling	–	1,233.4	–	1,233.4	–	–	–
US dollars	–	93.6	–	93.6	–	–	–
Other currencies	–	2.4	–	2.4	–	–	
Total	–	1,329.4	–	1,329.4	–	–	–
2008 Financial assets: Loans and receivables							
Sterling	–	–	0.4	0.4	–	–	–
US dollars	–	71.9	119.5	191.4	–	–	–
Other currencies	–	4.7	–	4.7	–	–	–
Total	–	76.6	119.9	196.5	–	–	–
2007 Financial assets: Loans and receivables							
Sterling	–	3.1	0.1	3.2	–	–	5.5
US dollars	–	70.7	108.6	179.3	–	–	5.5
Other currencies	–	0.3	1.7	2.0	–	–	5.5
Total	–	74.1	110.4	184.5	–	–	5.5

Notes to the Accounts
continued

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

Functional currency	2008 Sterling £m	2008 US dollars £m	2008 Other £m	2008 Total £m	2007 Sterling £m	2007 US dollars £m	2007 Other £m	2007 Total £m
Sterling	–	(53.3)	3.4	(49.9)	–	(135.0)	2.6	(132.4)
US dollars	6.1	–	7.8	13.9	18.0	–	3.8	21.8
Ugandan shillings	1.3	2.3	2.3	5.9	–	28.5	1.2	29.7
Other currencies	0.1	0.2	(0.1)	0.2	0.1	(2.1)	0.5	(1.5)
Total	7.5	(50.8)	13.4	(29.9)	18.1	(108.6)	8.1	(82.4)

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

	2008 Listed equity at valuation £m	2008 Unlisted equity at valuation £m	2008 Total £m	2007 Listed equity at valuation £m	2007 Unlisted equity at valuation £m	2007 Total £m
US dollars	–	297.2	297.2	–	482.7	482.7
South African rand	–	112.3	112.3	6.1	80.4	86.5
Indian rupees	–	207.2	207.2	–	180.4	180.4
Chinese yuan	–	126.5	126.5	–	38.6	38.6
Nigerian naira	–	138.2	138.2	–	95.5	95.5
Other	0.6	56.0	56.6	0.4	76.7	77.1
Total	0.6	937.4	938.0	6.5	954.3	960.8

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

Functional currency	2008 US dollars £m	2008 Other £m	2008 Total £m	2007 US dollars £m	2007 Other £m	2007 Total £m
Sterling	343.6	3.3	346.9	156.9	2.6	159.5
Total	343.6	3.3	346.9	156.9	2.6	159.5

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

	2008 Listed equity at valuation £m	2008 Unlisted equity at valuation £m	2008 Total £m	2007 Listed equity at valuation £m	2007 Unlisted equity at valuation £m	2007 Total £m
US dollars	–	1,004.3	1,004.3	–	781.8	781.8
Sterling	–	212.4	212.4	–	315.5	315.5
South African rand	–	38.3	38.3	–	80.0	80.0
Indian rupees	–	151.5	151.5	–	111.5	111.5
Chinese yuan	–	103.0	103.0	–	39.3	39.3
Nigerian naira	–	62.7	62.7	–	95.5	95.5
Other	0.6	49.7	50.3	2.4	83.1	85.5
Total	0.6	1,621.9	1,622.5	2.4	1,506.7	1,509.1

18. Financial instruments (continued)

Liquidity risk – Group

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

2008 Financial assets: Maturity profile	Short-term deposits £m	Treasury bills and bonds £m	Advances to customers £m	Loans and receivables £m	Forward foreign exchange contracts £m
Due on demand	–	–	–	–	–
Due within one year, but not on demand	1,267.5	42.0	22.2	14.3	14.3
Due within one to two years	–	–	77.0	9.5	3.3
Due within two to three years	–	–	–	25.3	6.4
Due within three to four years	–	–	–	8.0	0.4
Due within four to five years	–	–	–	1.2	–
Due after five years	–	–	–	2.9	–
Total	1,267.5	42.0	99.2	61.2	24.4

2007 Financial assets: Maturity profile	Short-term deposits £m	Treasury bills and bonds £m	Advances to customers £m	Loans and receivables £m	Forward foreign exchange contracts £m
Due on demand	–	–	4.6	–	0.3
Due within one year, but not on demand	1,344.9	29.6	26.1	16.3	14.0
Due within one to two years	–	–	39.1	8.9	19.6
Due within two to three years	–	–	–	20.9	1.8
Due within three to four years	–	–	–	6.1	1.4
Due within four to five years	–	–	–	3.1	0.6
Due after five years	–	–	–	32.4	–
Total	1,344.9	29.6	69.8	87.7	37.7

2008 Financial liabilities: Maturity profile	Overdrafts £m	Deposits due to customers £m	Interest-bearing loans and borrowings £m	Forward foreign exchange contracts £m	Other derivatives £m
Due on demand	0.5	–	–	–	–
Due within one year, but not on demand	–	89.5	31.0	103.7	–
Due within one to two years	–	–	34.9	85.6	–
Due within two to three years	–	–	38.7	61.4	–
Due within three to four years	–	–	20.2	1.1	–
Due within four to five years	–	–	17.6	2.9	–
Due after five years	–	–	125.4	–	–
Total	0.5	89.5	267.8	254.7	–

2007 Financial liabilities: Maturity profile	Overdrafts £m	Deposits due to customers £m	Interest-bearing loans and borrowings £m	Forward foreign exchange contracts £m	Other derivatives £m
Due on demand	0.7	24.6	–	–	–
Due within one year, but not on demand	–	23.6	24.1	12.6	–
Due within one to two years	–	0.1	27.4	10.3	4.0
Due within two to three years	–	–	28.1	4.8	–
Due within three to four years	–	–	15.2	1.2	–
Due within four to five years	–	–	12.6	0.1	–
Due after five years	–	–	102.8	–	–
Total	0.7	48.3	210.2	29.0	4.0

The Group does not net off contractual amounts of financial liabilities.

Notes to the Accounts
continued

18. Financial instruments (continued)
Liquidity risk – Company
The following tables show the maturity profile of the Company's financial assets and liabilities other than cash and equity investments:

2008 Financial assets: Maturity profile	Short-term deposits £m	Loans receivable £m	Forward foreign exchange contracts £m
Due on demand	–	–	–
Due within one year, but not on demand	1,242.6	12.4	14.3
Due within one to two years	–	9.3	3.3
Due within two to three years	–	8.6	5.4
Due within three to four years	–	8.0	0.4
Due within four to five years	–	1.3	–
Due after five years	–	156.9	–
Total	1,242.6	196.5	23.4

2007 Financial assets: Maturity profile	Short-term deposits £m	Loans receivable £m	Forward foreign exchange contracts £m
Due on demand	–	–	–
Due within one year, but not on demand	1,329.4	16.2	13.9
Due within one to two years	–	8.8	19.7
Due within two to three years	–	8.1	1.8
Due within three to four years	–	8.6	1.4
Due within four to five years	–	3.1	0.5
Due after five years	–	139.7	–
Total	1,329.4	184.5	37.3

2008 Financial liabilities: Maturity profile	Interest-bearing loans and borrowings £m	Forward foreign exchange contracts £m
Due on demand	–	–
Due within one year, but not on demand	–	–
Due within one to two years	–	102.9
Due within two to three years	–	85.6
Due within three to four years	–	60.0
Due within four to five years	–	0.4
Due after five years	–	–
Total	–	248.9

2007 Financial liabilities: Maturity profile	Interest-bearing loans and borrowings £m	Forward foreign exchange contracts £m
Due on demand	–	–
Due within one year, but not on demand	–	12.6
Due within one to two years	–	10.3
Due within two to three years	–	4.8
Due within three to four years	–	1.2
Due within four to five years	0.2	0.1
Due after five years	–	–
Total	0.2	29.0

The Company does not net off contractual amounts of financial liabilities.

18. Financial instruments (continued)

Fair value of financial assets and liabilities – Group and Company

Financial assets

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

Financial liabilities

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

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

	2008 Book value £m	2008 Fair value £m	2008 Gross cash flow £m	2007 Book value £m	2007 Fair value £m	2007 Gross cash flow £m
Within one year	(67.1)	(70.1)	(70.2)	(33.0)	(40.1)	(40.5)
After one year and not more than five years	(97.1)	(105.2)	(106.0)	(61.1)	(81.7)	(82.9)
After five years	(104.1)	(107.1)	(107.8)	(116.1)	(132.1)	(151.2)
	(268.3)	(282.4)	(284.0)	(210.2)	(253.9)	(274.6)

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

19. Financial risk management

The Group's and Company's activities expose them to a variety of financial risks including market risk, credit risk, liquidity risk and cash flow interest rate risk. Market risk includes foreign currency risk, interest rate risk and price risk. The main financial risks managed by the Group and Company are foreign currency risk, interest rate risk, liquidity risk and credit risk. The Group and Company use derivative financial instruments, in particular forward foreign exchange contracts to manage their financial risks associated with their underlying business activities and the financing of those activities. The Group and Company do not undertake any trading activity in financial instruments.

Liquidity risk

The Group's and Company's policy on liquidity risk is to ensure that they always have sufficient funding to meet all short to medium-term funding requirements. The Group's cash balance at 31 December 2008 was £1,412.9m (2007: £1,496.3m) and its capital commitments including long-term commitment were £1,982.6m (2007: £1,371.4m).

	Group		Company	
Analysis of total cash balance	2008 £m	2007 £m	2008 £m	2007 £m
Cash at bank and in hand	103.4	121.8	9.1	42.0
Short-term deposits receivable within 90 days	1,267.5	1,344.9	1,242.6	1,329.4
Treasury bills and bonds maturing within 90 days	11.1	4.4	–	–
Treasury bills and bonds maturing after more than 90 days	30.9	25.2	–	–
	1,412.9	1,496.3	1,251.7	1,371.4

The Group and Company's contractual maturities of derivatives and non-derivative financial liabilities are disclosed in note 18: Financial instruments.

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19. Financial risk management (continued)
Fund commitments: maturity profile
Fund commitments are generally drawn down over a five-year term although in some cases this may be shorter. Typically, there are restrictions to ensure that there is a ceiling on the proportion of commitment that can be drawn down in one year. In forecasting cash flows, CDC uses an industry standard model of fund drawdown profiles.

The following table shows the vintage year of the outstanding commitments to the Group's funds as at 31 December 2008:

	2008 £m	2007 £m
2003 and prior	**9.0**	20.4
2004	**79.7**	95.2
2005	**37.2**	41.8
2006	**270.3**	262.5
2007	**1,134.5**	951.2
2008	**440.8**	–
Total	**1,971.5**	1,371.1

Credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 December was:

		Group		Company	
	Note	2008 £m	2007 £m	2008 £m	2007 £m
Fair value financial assets	10	**938.0**	960.8	**1,622.5**	1,509.1
Loans and receivables	13	**61.2**	87.7	**196.5**	184.5
Derivative financial instruments	18	**(230.3)**	4.7	**(225.5)**	8.3
Trade and other receivables (excluding loans and advances to customers)	17	**46.1**	64.5	**50.8**	21.5
Advances to customers	13/17	**99.2**	69.8	**–**	–
Short-term deposits	20	**1,267.5**	1,344.9	**1,242.6**	1,329.4
Treasury bills and bonds	20	**42.0**	29.6	**–**	–
Cash and cash equivalents	20	**103.4**	121.8	**9.1**	42.0
		2,327.1	2,683.8	**2,896.0**	3,094.8

The Group's and Company's ageing analysis as at 31 December were as follows:

Group	Loans and receivables 2008 £m	Loans and receivables 2007 £m	Advances to customers 2008 £m	Advances to customers 2007 £m	Trade receivables 2008 £m	Trade receivables 2007 £m
Not past due	**61.2**	87.7	**85.8**	35.5	**38.1**	63.2
Past due	**–**	–	**13.4**	34.3	**8.0**	1.3
	61.2	87.7	**99.2**	69.8	**46.1**	64.5

Company	Loans and receivables 2008 £m	Loans and receivables 2007 £m	Advances to customers 2008 £m	Advances to customers 2007 £m	Trade receivables 2008 £m	Trade receivables 2007 £m
Not past due	**196.5**	184.5	**–**	–	**50.8**	21.5
Past due	**–**	–	**–**	–	**–**	–
	196.5	184.5	**–**	–	**50.8**	21.5

19. Financial risk management (continued)

The movement in the allowance for impairment during the year was:

	Group			
	Loans and receivables		Advances to customers	
	2008 £m	2007 £m	2008 £m	2007 £m
Balance at 1 January	10.1	22.2	2.5	3.9
Impairment loss recognised/(released)	41.9	(3.9)	2.5	0.1
Exchange	(10.6)	(8.2)	(0.6)	(1.5)
Balance at 31 December	41.4	10.1	4.4	2.5

	Company			
	Loans and receivables		Advances to customers	
	2008 £m	2007 £m	2008 £m	2007 £m
Balance at 1 January	10.4	27.9	–	–
Impairment loss recognised/(released)	54.8	(5.9)	–	–
Exchange	(24.6)	(11.6)	–	–
Balance at 31 December	40.6	10.4	–	–

The ageing of financial assets impaired during the year was:

	Group			
	Loans and receivables		Advances to customers	
	2008 £m	2007 £m	2008 £m	2007 £m
Not past due	29.8	–	–	–
Past due	12.1	–	2.5	0.1
	41.9	–	2.5	0.1

The fair value of collateral held on overdue advances to customers was £10.8m (2007: £35.6m).

Credit risk

The Group's and Company's policy is to recognise an impairment loss only when objective evidence exists that an event or combination of events has resulted in the decrease in the estimated future cash flows of the asset and that this decrease can be reliably estimated. Several factors are considered when identifying indicators of impairment including breach of contract or financial difficulties being experienced by the obligor.

Collateral held as securities is comprised mainly of plant and machinery, land, commercial buildings, residential houses, motor vehicles, construction equipment and cash collateral.

The Group and Company's policy for disposing non-cash collateral following default and foreclosure is to ascertain the value of the collateral using independent professional valuers and seek the best way of realising the maximum value of the underlying collateral.

No financial assets were renegotiated during the year (2007: nil).

Notes to the Accounts
continued

19. Financial risk management (continued)
Credit risk on the Company's Sterling cash balance is mitigated as cash not required for day-to-day operations is deposited with the UK Government Debt Management Office. Credit risk on other currency balances and derivative financial instruments is mitigated as the Group and Company transact with institutions with high credit ratings. If possible, cash is deposited with financial institutions that have a long-term credit rating ascribed by Moody's of A2 or above.

There is no recourse to the Company for the debt balances within subsidiaries.

Market risk
Interest rate risk
The Group's and Company's interest rate risk arises primarily from fixed rate deposits (fair value risk) and floating rate deposits (cash flow risk).

As at 31 December 2008, the average interest rate earned on the Group's and Company's bank deposit was 3.6% (2007: 5.38%). A 0.75% (2007: 0.5%) change in all interest rates, with all other variables held constant, would have a 2.6% (£8.0m) impact on the Group's profit or loss before tax (2007: 1.7%, £7.4m). Although this is within the range the Company regards as acceptable, it is envisaged that the Company will use the majority of its cash balance in meeting its capital commitments.

Foreign currency risk
The Group's largest exposure is to the US dollar. As at 31 December 2008, £707.4m (76.3%) of the funds in which the Group and Company invest in are denominated in US dollars (2007: £822.8m (69.5%)). In order to protect the Group's Sterling balance sheet and reduce cash flow risk, the Group uses forward foreign exchange contracts to hedge foreign exposures arising on forecast receipts and payments in foreign currencies.

A 17 cent (10%) movement in the average exchange rate for the US dollar against Sterling with all other variables held constant would impact profit by £199.1m (2007: 20 cent (10%) movement, impact: £75.3m).

Equity price risk
The Group and Company invest in a wide range of funds managed by a variety of fund managers.

As at 31 December 2008, the Group and Company had legal commitments to invest in 127 funds (2007: 100 funds) with 59 fund managers (2007: 42 fund managers). As at 31 December 2008 and 2007, one outstanding balance to Actis Infrastructure Fund II, exceeded 5% of the Company's net assets.

A 10% change in the fair value of the Group's equity investment would impact the Group's profit by £93.8m (2007: 10% change, impact £96.1m).

Capital management
CDC considers its capital to be the total equity shown in note 21. The Company's objectives when managing capital are:

- to comply with the capital requirements set by DFID;
- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns and benefits for stakeholders; and
- to maintain a strong capital base to support the development of the Group's businesses.

20. Cash and cash equivalents

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Cash at bank and in hand	**103.4**	121.8	**9.1**	42.0
Short-term deposits receivable within 90 days	**1,267.5**	1,344.9	**1,242.6**	1,329.4
Treasury bills and bonds maturing within 90 days	**11.1**	4.4	**–**	–
Total cash and cash equivalents	**1,382.0**	1,471.1	**1,251.7**	1,371.4

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and 90 days depending on the immediate requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £1,382.0m (2007: £1,471.1m).

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

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Treasury bills and bonds maturing after more than 90 days	**30.9**	25.2	**–**	–
Total amounts maturing after more than 90 days	**30.9**	25.2	**–**	–

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

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Cash at bank and in hand	**103.4**	121.8	**9.1**	42.0
Short-term deposits receivable within 90 days	**1,267.5**	1,344.9	**1,242.6**	1,329.4
Treasury bills and bonds maturing within 90 days	**11.1**	4.4	**–**	–
Bank overdrafts	**(0.5)**	(0.7)	**–**	–
Total cash and cash equivalents per statement of cash flows	**1,381.5**	1,470.4	**1,251.7**	1,371.4

21. Issued capital and reserves

Authorised	**2008 £m**	2007 £m
765,036,043 Ordinary shares of £1 each	**765.0**	765.0
Allotted, called up and fully paid		
765,036,043 Ordinary shares of £1 each	**765.0**	765.0

Special rights redeemable preference share

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

Notes to the Accounts
continued

21. Issued capital and reserves (continued)
Other reserves

	Group			Company	
	Net unrealised gains and losses reserve £m	Currency translation reserve £m	Retained earnings £m	Net unrealised gains and losses reserve £m	Retained earnings £m
At 1 January 2007	(0.7)	(31.4)	1,260.0	(0.7)	1,251.2
Currency translation differences on retranslation of net assets of subsidiaries	–	(12.5)	–	–	–
Exchange losses on disposed subsidiaries recycled through the income statement	–	32.6	–	–	–
Profit for the year attributable to equity shareholders	–	–	608.5	–	815.0
At 31 December 2007	(0.7)	(11.3)	1,868.5	(0.7)	2,066.2
Losses on cash flow hedges taken to equity	**(1.4)**	–	–	**(1.4)**	–
Currency translation differences on retranslation of net assets of subsidiaries	–	**(16.4)**	–	–	–
Exchange gains on disposed subsidiaries recycled through the income statement	–	**(1.0)**	–	–	–
Hedges on net investment in foreign operations	–	**(7.1)**	–	–	–
Loss for the year attributable to equity shareholders	–	–	**(312.6)**	–	**(313.4)**
At 31 December 2008	**(2.1)**	**(35.8)**	**1,555.9**	**(2.1)**	**1,752.8**

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

Currency translation reserve
The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. When subsidiaries are disposed of, cumulative translation differences arising since 1 January 2004 are recycled through the income statement.

22. Trade and other payables (current)

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Trade payables	**56.9**	43.7	**–**	–
Deposits due to customers	**89.5**	48.2	**–**	–
Amounts owed to Group companies	**–**	–	**490.1**	363.9
Amounts owed to other related parties	**–**	0.1	**–**	–
Other taxes and social security	**1.0**	1.3	**0.1**	0.1
Other payables	**21.4**	17.7	**0.7**	0.5
Accruals and deferred income	**26.7**	48.2	**10.6**	7.1
Total trade and other payables excluding current tax	**195.5**	159.2	**501.5**	371.6
Current tax liabilities	**1.7**	1.8	**0.2**	0.2
Total trade and other payables (current)	**197.2**	161.0	**501.7**	371.8

23. Trade and other payables (non-current)

	Group	
	2008 £m	2007 £m
Deposits due to customers	**–**	0.1
Other payables	**11.4**	11.1
Accruals and deferred income	**1.3**	0.9
Total trade and other payables (non-current)	**12.7**	12.1

24. Interest-bearing loans and borrowings

Details of interest-bearing loans and borrowings are as follows:

	Fixed/ floating rate	Effective interest rate %	Repayment frequency	Maturity	Group Non-current 2008 £m	Group Non-current 2007 £m	Group Current 2008 £m	Group Current 2007 £m
Bank overdrafts	Floating	Various	On demand	On demand	–	–	0.5	0.7
Amounts payable under service concession contracts	Fixed	Various	Annual	2024	57.2	46.4	6.5	3.2
					57.2	46.4	7.0	3.9
Interest-bearing loans (US dollars)								
Government of Tanzania (on-lending arrangement from the World Bank – International Development Association)	Fixed	7.1	Monthly	2021	65.6	49.8	2.6	2.2
Government of Tanzania (on-lending arrangement from European Investment Bank)	Fixed	6.0	Monthly	2021	32.5	25.2	1.7	1.2
Government of Tanzania*	Fixed	7.4	Monthly	2017	11.0	9.0	0.8	0.6
FMO[1] and Tanzania Development Finance Company Limited preference shares (unsecured)	Fixed	18.0	Bi-annual	2014	9.0	6.2	1.9	1.0
Government of Tanzania	Fixed	7.7	Monthly	2016	7.4	5.9	0.6	0.5
IFC[2]*	Floating	4.9	Bi-annual	2016	5.3	4.8	0.9	0.2
Government of Tanzania	Fixed	7.4	Monthly	2016	5.6	4.4	0.5	0.4
PROPARCO[3] (Part of Agence Française de Développement)*	Floating/ Fixed	7.7	Bi-annual	2013	4.5	4.1	1.1	1.1
European Investment Bank*	Fixed	3.0	Bi-annual	2009	–	2.9	2.9	2.8
OPEC[4] Fund for International Development*	Floating	5.0	Bi-annual	2014	2.7	2.8	1.0	0.9
FMO[1]*	Floating	5.2	Bi-annual	2014	4.2	2.1	0.5	0.4
Standard Chartered Bank	Floating	7.0	Annual	2011	–	1.9	–	0.6
CRDB Bank[5]	Floating	8.0	Quarterly	2014	3.1	–	–	–
					150.9	119.1	14.5	11.9
Interest-bearing loans (other currencies)								
European Investment Bank*	Fixed	7.1	Annual	2015	7.2	5.9	0.9	1.9
European Investment Bank Global*	Floating/ Fixed	10.2	Bi-annual	2014	5.2	5.4	1.7	1.0
National Social Security Fund*	Floating	12.5	Annual	2014	1.7	1.8	0.4	0.3
FMO[1]*	Fixed	9.4	Bi-annual	2015	1.4	1.4	1.0	0.8
European Investment Bank*	Floating	12.2	Quarterly	2013	4.4	–	–	–
					19.9	14.5	4.0	4.0
Other loans (all of which are under £2.5m individually)					8.8	6.1	6.0	5.0
					236.8	186.1	31.5	24.8

* The loans are secured by charges on subsidiaries' land and buildings, plant and equipment, amounts receivable under finance lease and biological assets.
[1] FMO: Netherlands Development Finance Company.
[2] IFC: International Finance Corporation.
[3] PROPARCO: Promotion et Participation pour la Coopération Economique.
[4] OPEC: Organisation of the Petroleum Exporting Countries.
[5] CRDB: Cooperative and Rural Development Bank.

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24. Interest-bearing loans and borrowings (continued)

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

As a result of direct investments, CDC still owns a number of operating subsidiaries. It is these subsidiaries which generate the loans detailed in the previous table. None of these loans has any recourse to CDC.

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

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

25. Provisions

	Group					
	2008 Post-retirement benefits £m	2008 Other provisions £m	2008 Total £m	2007 Post-retirement benefits £m	2007 Other £m	2007 Total £m
At 1 January	0.5	1.1	1.6	0.8	3.5	4.3
Charge in the year	0.1	1.2	1.3	0.3	0.4	0.7
Utilised	(0.1)	(0.1)	(0.2)	(0.2)	(0.3)	(0.5)
Disposed with subsidiaries	–	–	–	(0.3)	(2.5)	(2.8)
Exchange adjustment	–	0.1	0.1	(0.1)	–	(0.1)
At 31 December	0.5	2.3	2.8	0.5	1.1	1.6

	Company					
	2008 Post-retirement benefits £m	2008 Other provisions £m	2008 Total £m	2007 Post-retirement benefits £m	2007 Other £m	2007 Total £m
At 1 January	0.5	0.7	1.2	0.5	0.8	1.3
Charge/(release) in the year	–	1.3	1.3	0.1	(0.1)	–
Utilised	(0.1)	–	(0.1)	(0.1)	–	(0.1)
At 31 December	0.4	2.0	2.4	0.5	0.7	1.2

Other provisions consist mainly of provisions for legal costs. Amounts provided reflect management's best estimate of the expenditure required to settle the obligations at the balance sheet date. It is possible that these and further contingent liabilities may give rise to expenditure above that provided. Further details are not provided to avoid the potential of seriously prejudicing the Group's stance in law.

26. Capital commitments

Amounts contracted for but not provided for in the accounts amounted to £1,971.5m (2007: £1,371.1m) for subscriptions to debentures, loans and shares. Capital commitments contracted for by subsidiaries for subscriptions to debentures, loans and shares but not provided for in their accounts amounted to £11.1m (2007: £nil).

The Group owns 100% of Umeme Limited, an electricity distribution business in Uganda. Under the terms of the Lease Concession Agreement Umeme Limited is obliged to make a minimum capital investment of US$65.0m within five years of taking over the power distribution networks once operated by the Uganda Electricity Distribution Company Limited (UEDCL). As at 31 December 2008, the minimum capital investment outstanding was US$64.9m.

27. Obligations under service concession contracts, hire purchase and operating leases

Amounts payable under service concession contracts and hire purchase – Group as lessee

Future minimum payments under service concession contracts and hire purchase contracts together with the present value of the net minimum payments are as follows:

	Group			
	2008 Gross investment/ payments receivable £m	**2008 Present value of payments receivable £m**	2007 Gross investment/ payments receivable £m	2007 Present value of payments receivable £m
Within one year	**10.3**	**6.5**	3.3	3.2
After one year but not more than five years	**41.1**	**32.5**	36.6	20.5
After five years	**52.1**	**24.7**	40.9	25.8
Total minimum payments	**103.5**	**63.7**	80.8	49.5
Less finance charges allocated to future periods	**(39.8)**	**–**	(31.2)	–
Present value of minimum payments	**63.7**	**63.7**	49.6	49.5

Operating lease commitments – Group and Company as lessee

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		Company	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Within one year	**1.3**	1.3	**1.3**	1.3
After one year but not more than five years	**5.2**	6.1	**5.2**	6.1
After five years	**4.8**	4.9	**4.8**	4.9
Total	**11.3**	12.3	**11.3**	12.3

28. Contingent liabilities

The Group and the Company had the following contingent liabilities:

- in support of the borrowings of third parties which had a principal value of £2.4m (2007: £4.4m);
- in respect of undertakings to power distributors and governments in connection with the operation of power generating subsidiaries with a maximum legal liability of £8.2m (2007: £5.7m);
- in respect of warranties under a sale and purchase agreement for a power company of £16.0m (2007: £nil);
- in respect of possible liabilities due under a claim by a former employee of a subsidiary of £1.2m (2007: nil); and
- in respect of contingent tax liabilities for two power companies of £11.9m and £6.8m respectively (2007: £8.8m and nil).

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

The Company, in addition to the above, had contingent liabilities in support of the facilities of subsidiaries which had a limit value of £0.3m (2007: £0.2m). This support may, but probably will not, require an outflow of resources.

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29. Related party transactions
During the year, the Company entered into transactions with its subsidiary companies and other related parties. The transactions entered into, and trading balances outstanding, at 31 December were as follows:

	2008 £m	2007 £m
Income statement		
Interest income	3.9	5.8
Interest earned on deposit with Debt Management Office*	57.5	50.2
Dividend income	104.4	420.3
Profit/(loss) on disposal of fair value financial assets	12.0	(2.6)
Loan and guarantee fee income	–	0.2
Management fee income	(0.1)	2.9
Interest payable	(5.5)	(6.8)
Balance sheet		
Fair value financial assets	748.3	774.7
Loans and receivables	154.2	114.6
Deposit with Debt Management Office*	1,170.0	1,200.0
Trade and other receivables	42.3	6.7
Trade and other payables	(490.1)	(363.9)

* Debt Management Office is an executive agency of Her Majesty's Treasury which manages debt and cash for the UK government, lends to local authorities and manages certain public sector funds.

30. Principal subsidiaries
The principal subsidiaries of CDC Group plc during the year to 31 December 2008 and the percentage of equity capital are set out below. The Company has taken advantage of section 231(5) of the Companies Act 1985 in not detailing all subsidiaries due to the length of the disclosure. A complete list of investments in subsidiaries will be attached to the Company's annual return made to the Registrar of Companies.

Region/country of incorporation	Company	Class of share	Percentage held by CDC	Principal activities
Africa				
Mauritius	CDC Financial Services (Mauritius) Ltd*	Ordinary	100	Investment holding
		Preference	100	
Mauritius	CDC Investment Holdings Ltd*	Ordinary	100	Investment holding
Mauritius	Pan African Holdings Ltd*	Ordinary	100	Investment holding
Mauritius	Nandi Investments Ltd*	Ordinary	100	Private equity fund
Tanzania	Songas Ltd	Common shares	54	Power generation
		A shares	100	and transmission
		B shares	83	
Uganda	DFCU Ltd*	Ordinary	60	Financial institution
Uganda	Umeme Ltd	Ordinary	100	Power distribution
Zambia	Mpongwe Development Company Ltd*	Ordinary	100	Milling and farming
Americas				
Barbados	CDC (Euro) Ltd*	Ordinary	100	Investment holding
Barbados	CDC Holdings (Barbados) Ltd*	Ordinary	100	Investment holding
		Preference	100	

* Subsidiaries held directly by the Company.

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