CDC Group plc Annual Review 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

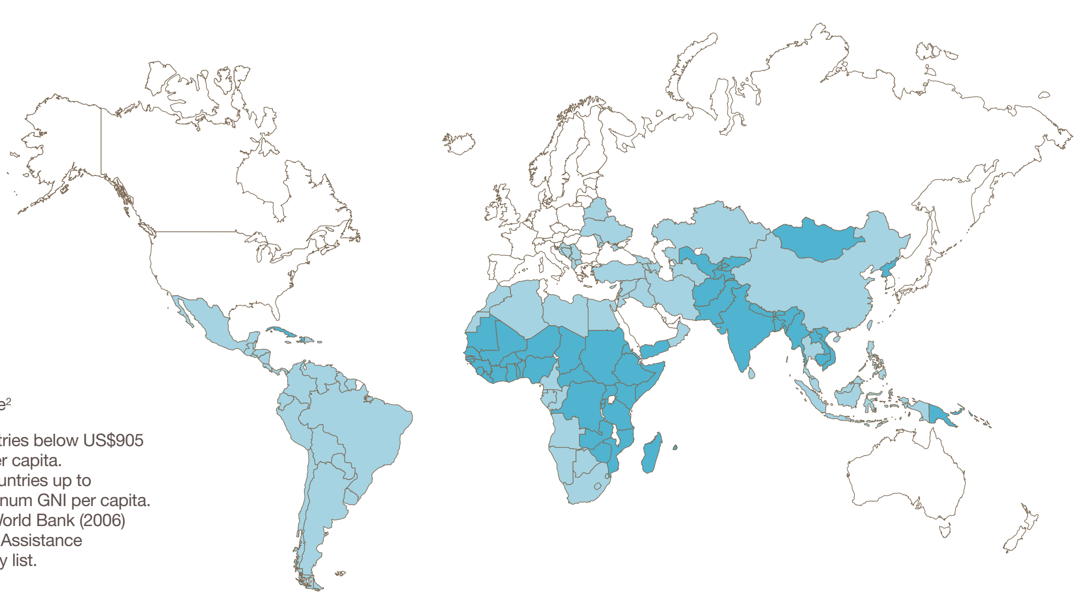
ASIA

- 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]

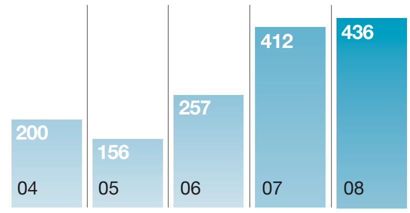
1 Low income countries below US$905 per annum GNI per capita.
2 Middle income countries up to US$11,115 per annum GNI per capita. All above as per World Bank (2006) and Development Assistance Committee country list.

New Investments

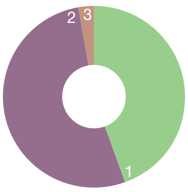
New investments in 2008 (£)

436m

New investments over 5 years (£m)

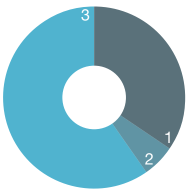


New investments by region in 2008



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

New investments by fund manager in 2008



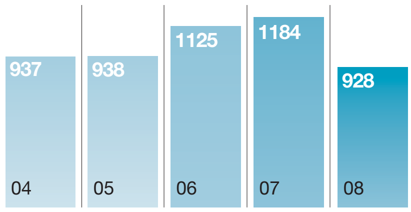
1	Actis	£151m
2	Aureos	£25m
3	Others	£260m

Portfolio

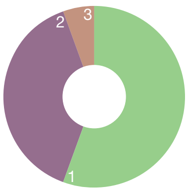
Portfolio value in 2008 (£)

928m

Portfolio value over 5 years (£m)

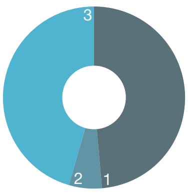


Portfolio by region at end 2008



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

Portfolio by fund manager at end 2008



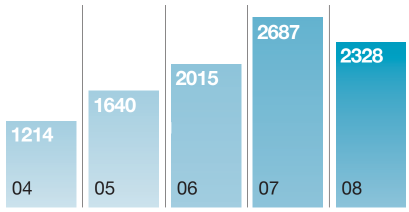
1	Actis	£453m
2	Aureos	£54m
3	Others	£421m

Performance

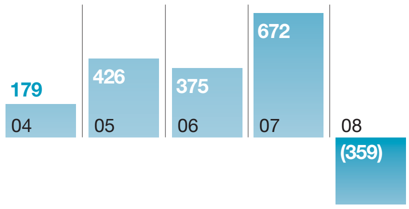
Net assets in 2008 (£)

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%.

NON-PRINTABLE GLUE AREA

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

Contents

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.

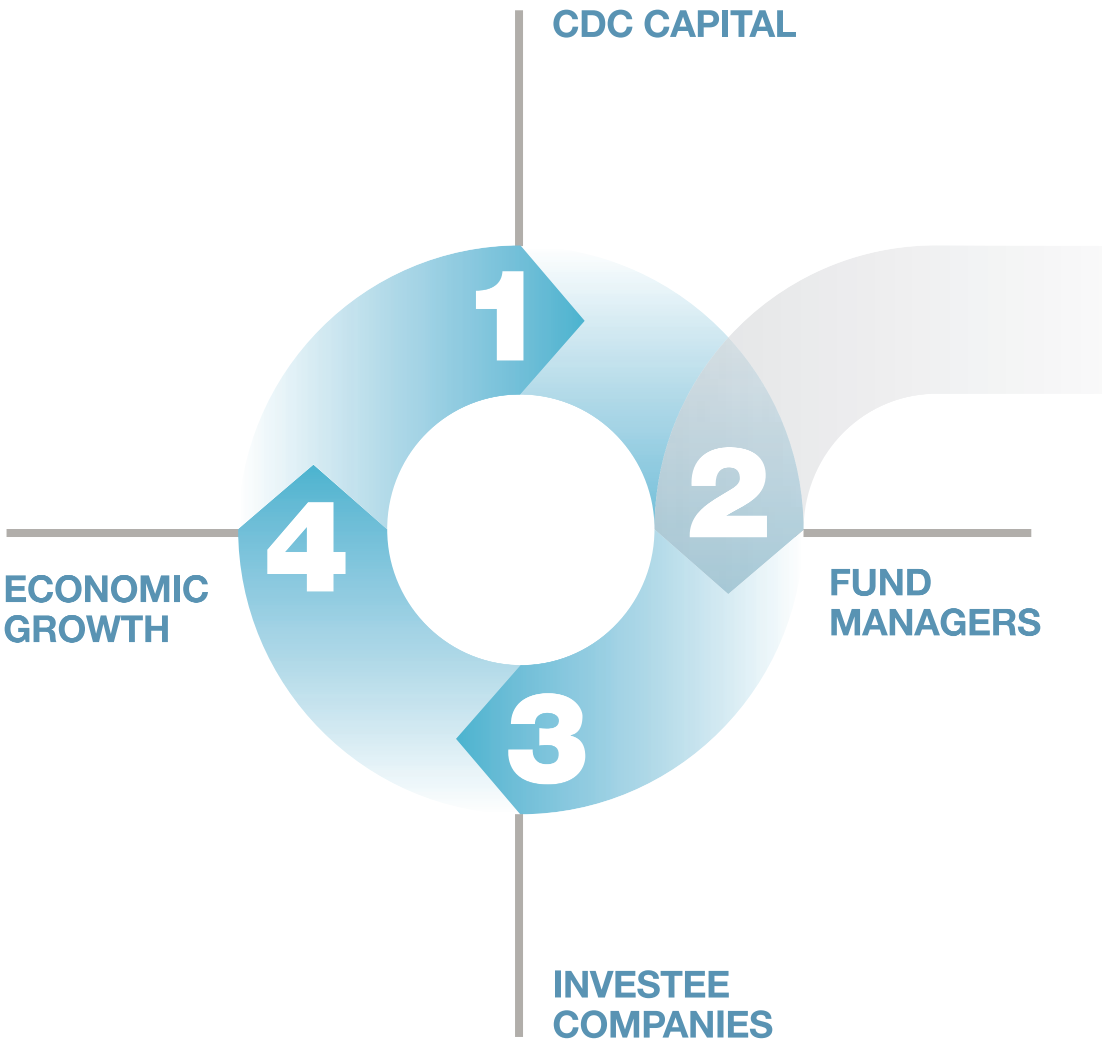
Towards the end of 2008 I announced my retirement as Chairman of the CDC Board. My five years with CDC have been an immense privilege and I would like to thank my fellow Board members for their valuable contributions to CDC. I also extend my thanks to Richard Laing, CDC's Chief Executive, for his unstinting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

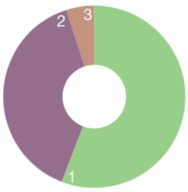
The Development Process

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.

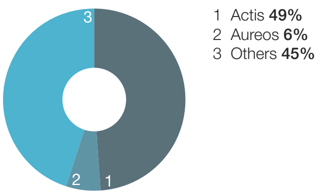
The Development Process

2 >>

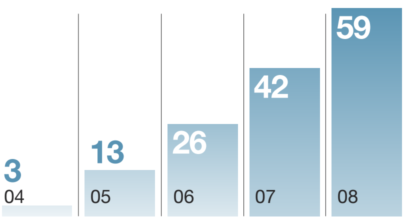
FUND MANAGERS

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

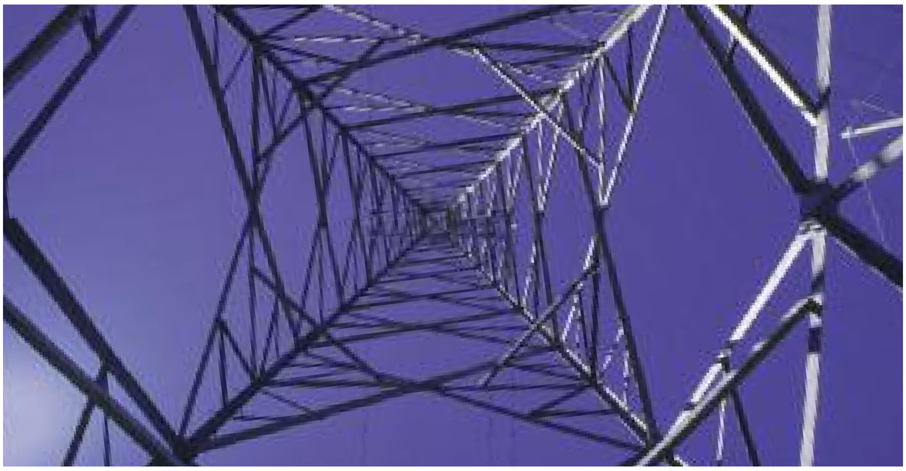
www.aureos.com

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

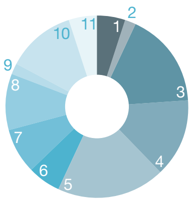
The Development Process

3 >>

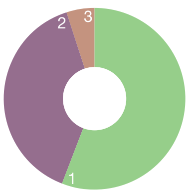
INVESTEE COMPANIES

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

Portfolio by sector



Portfolio by region



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.

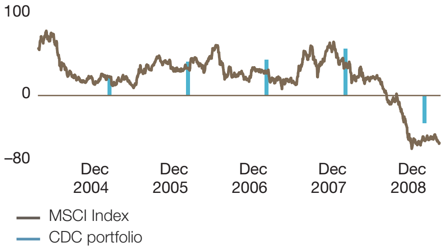
The Development Process

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.

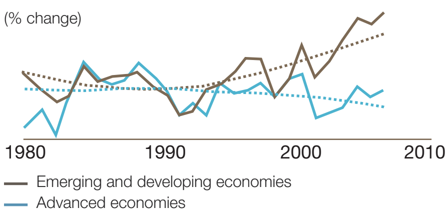
MSCI Index return versus CDC portfolio return (%)



CDC outperformed MSCI Emerging Markets Index in 2008

22%*

Real GDP growth and trend (%)



Source: IMF staff estimates.

* MSCI: –55%; CDC: –33%.

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

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.

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.

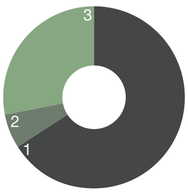
Accra Mall

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

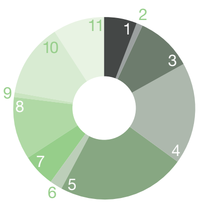
Business Review
AFRICA

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.

Portfolio by fund manager



Portfolio by sector



Portfolio value

£516m

New commitments in 2008

£254m

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.

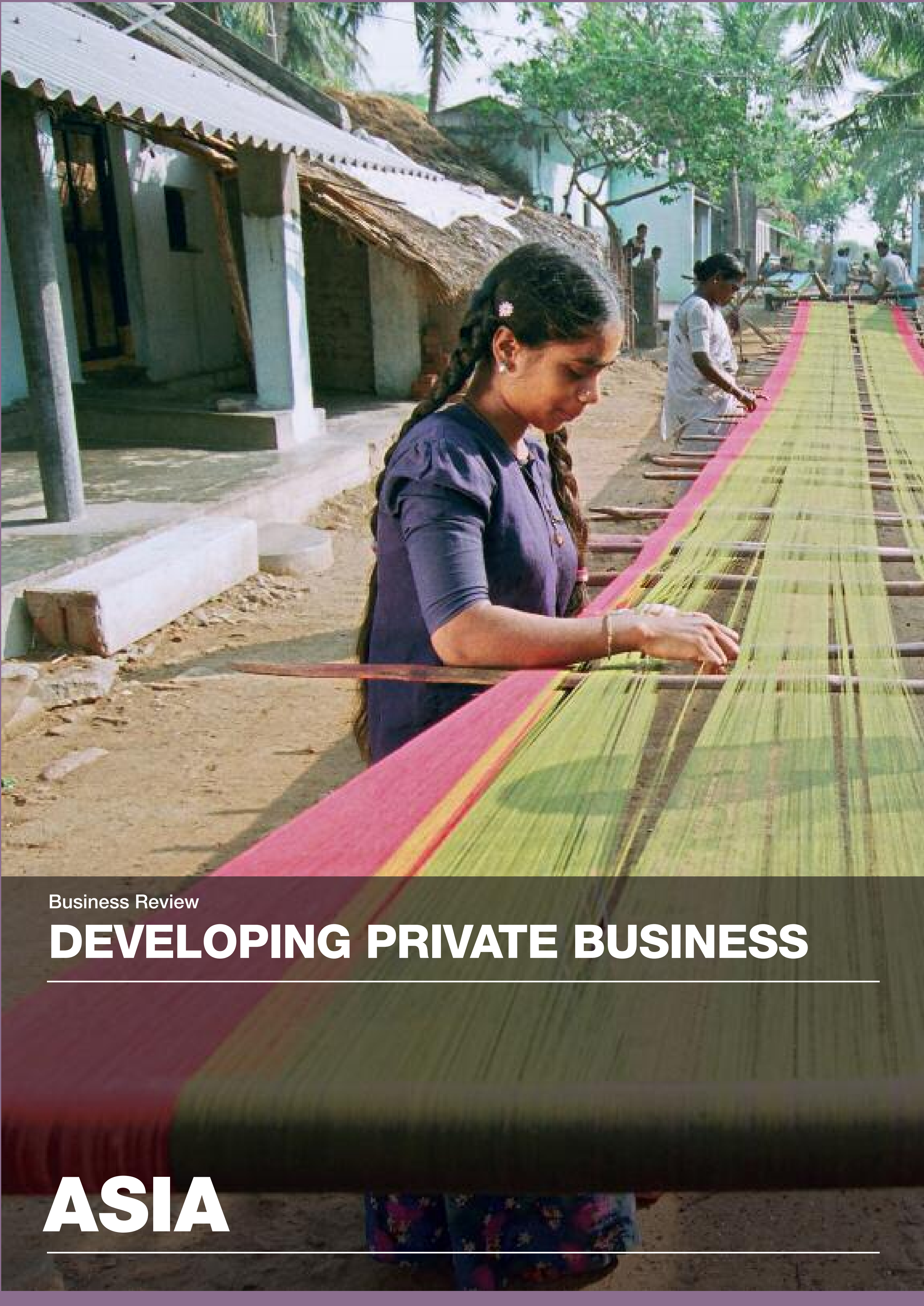
Our largest commitment during the year was US$100m to ECP's successor Africa Fund III. ECP is a leader in private equity in Africa, with on the ground presence in several African countries. The fund expects to make equity investments with an average size of US$50–60m in a diversified portfolio of companies,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

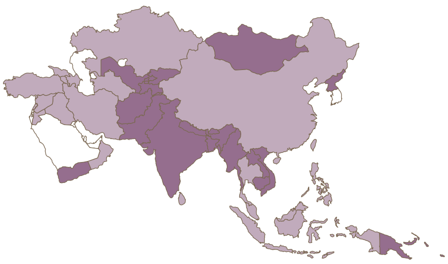
ICICI Venture's Arch Pharmalabs investment has become a producer of choice for supplying key intermediates for Pfizer's blockbuster drug 'Lipitor' by adopting the highest production standards in the pharmaceutical industry.

Apollo Hospitals Dhaka

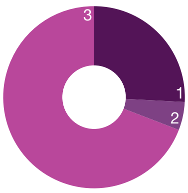
Aureos investment Apollo Hospitals Dhaka delivers advanced tertiary care to international standards to the people of Bangladesh through a 300-bed state of the art facility, with plans for further expansion up to 450 beds.

Business Review

ASIA

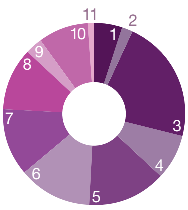


Portfolio by fund manager



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

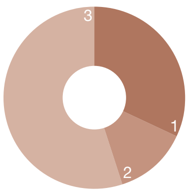
Credi Equipos, an investee company in Nexxus Capital Private Equity Fund III, offers loans through microlending in Mexico.

Conica

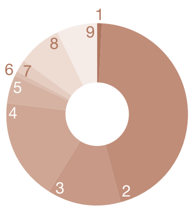
Constructora e Inmobiliaria Centroamericana, an investment by Emerge Central America Growth Fund, is a Salvadorean construction company building housing projects in the east of the country.

Business Review
OTHER INVESTMENTS

Portfolio by fund manager



Portfolio by sector



Portfolio value

£49m

New commitments in 2008

£37m

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.

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.

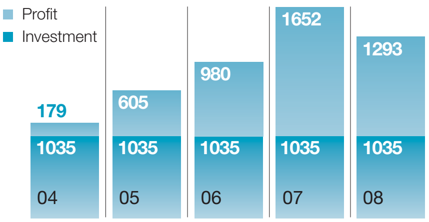
Total return

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.

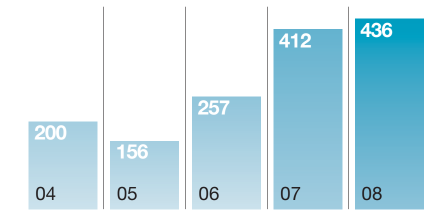
1 Realised and unrealised portfolio return as a % of opening portfolio.

Performance Review
continued

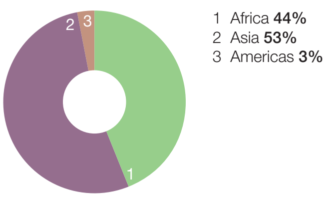
CDC value growth (£m)



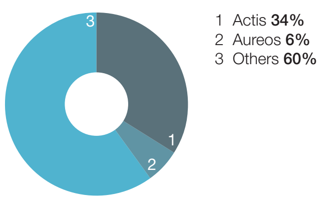
Fund drawdowns (£m)



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%.

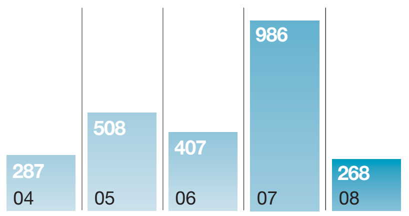
Fund managers

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.

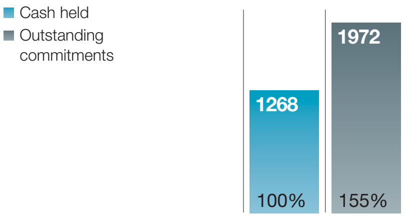
In 2008, CDC committed to 28 funds as follows:

	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

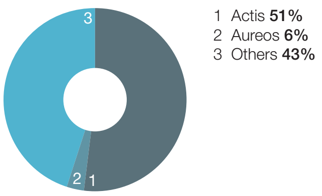
Portfolio cash generated (£m)



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.

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.

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