CDC Group plc Annual Report and Accounts 2009

Our mission
is to foster growth in sustainable businesses, helping to raise living standards in developing countries.

Our investment policy
is to make more than 75% of new investments in low income countries* and more than 50% of new investments in sub-Saharan Africa.

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

2009 Highlights

£359m

New investments in developing countries, 61% in Africa

£207m

Total return after tax

£742m[1]

Other capital mobilised

£162m

Portfolio cash generated for re-investment in companies in developing countries

£1,411m

Value of investment fund portfolio

£207m

New commitments to funds in a difficult period for fundraising

£1,561m

Outstanding commitments to funds

794

Underlying portfolio companies located in 71 countries

CDC's Investment Code

Processes externally audited for the first time

[1] See page 8 for an explanation of how mobilisation is measured

Statement from the Chairman
Richard Gillingwater CBE

In the deepest recession that we've had in many decades in developed markets, the emerging markets in which CDC invests its capital showed some positive growth and a steady return to financial stability in 2009.

The poorer countries of Africa and Asia that are at the heart of CDC's investment focus rebounded from the lows of 2008 much more strongly than developed markets of the West and have experienced a year of unexpected resilience. While there remain concerns over what are still fragile developing economies, there are grounds for optimism based on their fundamental strengths: lower debt and higher growth rates than in the developed economies. These strengths mean that, despite lower levels of economic activity last year and accompanying investor restraint, CDC is cautiously optimistic that in 2010 emerging markets will strengthen and begin to attract the capital that is vital to their economic development.

The high levels of uncertainty in early 2009 meant that trading conditions were still weak, with fund managers and businesses reluctant to undertake new business. As the year went on, business and consumer confidence in many developing countries returned and enabled CDC to achieve positive returns of £207m this year, increasing the company's net value to £2.5bn.

2009 also saw the first year of CDC's new investment policy, which the organisation has fully embraced. The new policy, which takes us through to the end of 2013, targets 75% of CDC's new investments over a five year rolling basis in low income countries with a particular focus on sub-Saharan Africa and South Asia. It is in these countries that a shortage of investment for promising businesses is still a major obstacle to economic growth and development. In 2009, 59% of CDC's total of £359m invested went into low income countries with 53% going to sub-Saharan Africa. Our pioneering commitment this year to Sierra Investment Fund, the first ever private equity fund in Sierra Leone, provides an example of the innovative and imaginative ways in which we are implementing our new investment policy.

A major highlight of my first year as Chairman of CDC was the publication of our first ever development impact report, 'Growth for Development'. A huge amount of work and effort went into its production and it signifies that CDC is determined to look at the wider development impact of what we do. Understanding the impact of our work in supporting economic development means we will need to evaluate continually and learn from our experiences. This year's updated development impact report will build on the lessons we have learnt.

As well as providing the capital for investment in promising businesses in poorer countries, CDC has been at the cutting edge of some of the thinking around supporting the private sector in the developing world. The Royal African Society's speech series that CDC sponsors has prompted considerable debate and support, as did the seminar and launch event for our development impact report. Putting innovative thinking into practice saw the CDC Board visiting Bangladesh in November to meet investors, businesses and policy-makers in order to evaluate conditions for investment in the country and to make the case for private equity and its developmental benefits. The Board visited women benefiting from CDC-supported microfinance schemes as well as seeing businesses that will benefit from the commitment CDC plans to make to Frontier Fund Private Equity, the first ever Bangladeshi private equity fund.

I was also lucky enough to visit Nigeria this year and I was struck by the incredible progress that its private sector investment infrastructure has made. From very few funds providing business with risk capital in the late 1990s, the West African nation's market has become competitive and now provides many opportunities for entrepreneurs to benefit from the added value of private equity investment. In this regard there are striking parallels with Bangladesh as that South Asian economy looks to expand its nascent investment network and build on its economic resurgence.

I am very privileged to have taken over the role of Chairman from Sir Malcolm Williamson in April last year. I am indebted to him for the excellent job he did in chairing the Board for five years and the leadership that he gave in overseeing the remarkable development of CDC during that period. This year has also seen the appointment of one new Non-executive Director, Ian Goldin. He will replace Jonathan Kydd who has given 12 years of dedicated contribution to CDC, during a period of immense change. We are extremely grateful to him and thank him for his hard work.

I would like to thank our shareholder DFID for all its support during the year. Finally, thank you to all the staff at CDC who have performed admirably and with great dedication during a challenging year.

Richard Gillingwater CBE
Chairman

Statement from the Chief Executive
Richard Laing

Tough times in our markets

At the start of 2009 CDC was not alone in being apprehensive about the continuing impact of the global recession on the countries in which we operate. In this challenging environment, we had real concerns over the opportunities for our fund managers to make fresh investments and secure exits. However, activity picked up and the levels were higher than we had initially feared at the beginning of the year.

Our fund managers worked well to find opportunities in challenging market conditions and as a consequence CDC invested £359m in promising businesses in poor countries. This significant level of investment at a time when many investors have pulled back from our markets demonstrates CDC's vital role in supporting private sector development in developing countries during the toughest times. CDC has invested just short of £2bn in the last five years and CDC's capital is now backing nearly 800 sustainable private sector businesses, a major impact on development in the poorest countries of the world.

With the economic climate in our markets remaining fragile we were encouraged by the improving situation on the ground in the latter part of the year. As the year ended, a sense of optimism was starting to return as economic growth began to accelerate. For example, 2009 GDP growth in India was 5.4% and 1.7% for African nations. Towards the end of the year we also began to see businesses recovering well from the effects of the global recession. This played a key role in our positive returns of £207m and the accompanying increase in net assets to £2.5bn. CDC's ongoing success means that in the last five years it has continued to beat the MSCI index and has generated profits of £1.3bn. All profits are recycled to invest in yet more businesses.

Lower liquidity and fewer exits in our portfolio mean that we have had to cut back on new commitments, with US$335m committed to funds in 2009 compared with over US$800m in 2008. Global economic conditions mean that it is difficult to predict cash flows and we have to watch our cash balances carefully, ensuring we have sufficient cash reserves in place to meet our fund commitments. In the absence of a borrowing facility, our programme of new commitments has therefore had to be significantly reduced. This is a frustration at a time when there is strong demand and need for capital in the countries where we operate.

Investment activities: meeting the needs of our markets

CDC has a long history of pioneering investment and in 2009 we looked at new ways of meeting the needs of our markets in the current economic crisis.

Our US$75m commitment to the IFC's Global Trade Liquidity Programme helped to facilitate trade at a time when trade finance for developing countries was in short supply. It reflected both our desire to provide solutions to the changing investment needs of our markets and, as part of a broader strategic direction, to begin building an exposure to debt financing in addition to equity risk capital.

Similarly, we continue to strike a balance across a range of investment activities and sectors. This approach is an essential part of our commitment to supporting broad-based economic development in the poorer countries of the world. For example, this year has seen CDC commit to Berkeley Energy's Renewable Energy Asia Fund, a first-time fund that will support private sector companies aiming to tap into the growing demand for clean energy infrastructure in Asia. We also committed capital to Rabo Equity Advisor's India Agribusiness Fund, the first private equity fund in India focused solely on this important sector. Shortly we expect to finalise a US$10m commitment to Frontier Fund Private Equity, the first fund of its kind in Bangladesh.

Our investment focus

2009 saw the first year of CDC's new investment policy in operation. The new targets mean that more than 75% of CDC's investments will be made in low income countries and more than 50% in sub-Saharan Africa. In a difficult fundraising environment in Africa, CDC and other development finance institutions (DFIs) have played a vital role in supporting private sector development when other investors have been reluctant to do so. In his statement on page 2, our new Chairman mentions the Sierra Investment Fund based in Sierra Leone. By supporting this and other first-time funds, CDC is playing a central additional role in developing the investment capacity and private equity industries in developing countries.

As well as supporting first-time funds, we continue to back managers who are now raising successor funds and proving that

it is possible to invest successfully and responsibly in Africa. Although attracting increasing amounts of private sector capital, DFIs such as CDC play a vital role in continuing to provide much needed capital for successor funds until the time when DFI capital is no longer required. Our relationship with Helios Investment Partners, a fund manager that started investing in West Africa but which has subsequently expanded to other parts of sub-Saharan Africa, is a case in point. As far back as 2004, CDC worked closely with Helios in the fund manager's earliest days offering advice as well as providing 20% of the capital for their first fund, Helios I. Their second fund was launched in 2009 and CDC committed US$75m to their first close which was required to make the fund a sound proposition. Their success in attracting greater investor interest means that they can make a real difference and support companies that would otherwise miss out on the capital and expertise that private equity investment provides.

CDC's mandate for pioneering investment was further demonstrated by an initiative to create the first ever sub-Saharan sustainable forestry fund. Sustainable forestry can bring major economic and climate change benefits, especially in rural areas that lack employment opportunities. CDC has been instrumental in this fund's genesis. We identified the absence of capital for sustainable forestry in the continent and in December 2008 published a request for proposals for a fund, with an indication that CDC would seed it with between US$50m and US$100m of capital. We received 11 proposals which were analysed and thoroughly reviewed. A shortlist was drawn up with fund managers asked to present to CDC. A final choice was made of GEF Management who manage a series of other funds under the Global Environment Fund banner. The fund manager is now seeking other investors and expects to start investing in 2010.

Measuring our impact
Last year's development impact report, entitled 'Growth for Development', was the first of its kind for CDC and was well received by the investment and development communities. We are producing a new report to be published alongside this report building on the feedback and lessons we have learnt.

Good progress was also made in developing our own processes, particularly those concerned with the assessment of our development effects. In a challenging year for investment we have worked closely with our fund managers to help them understand the value in providing good data and information. CDC has stepped up its efforts to collect high quality reporting from all fund managers so that we are both in a better position to understand and make the case for the vital financial and developmental impact our investment has. As CDC now invests in 134 funds with 65 fund managers, we have expanded the team that evaluates and measures our impact on the ground. In addition we brought in an independent consultant, Triple Value, to undertake more than a third of the detailed evaluations we do on our funds. Full details will be provided in the 2009 development impact report.

Corporate issues
We spent considerable time during 2009 with our shareholder, the UK government's Department for International Development (DFID), reviewing the level of information flowing to them to ensure we strike the right balance between providing our shareholder with an appropriate level of useful and relevant information, whilst preserving the strengths of the company's corporate governance structure put in place by DFID.

During the year, the material obligations of the CDC Pensions Scheme were mitigated when the Trustees, with CDC's consent, purchased a £380m bulk annuity in an innovative and ground breaking contract. The contract covers all members of the defined benefit scheme and removes longevity and investment risk from the scheme, thereby protecting CDC from unforeseen future obligations and providing improved protection of the pensions.

Prospects for 2010
The worldwide economic recovery, although still fragile, now appears to have momentum. This should result in an increased level of confidence within our fund managers in making exits and new investments. Although it is still difficult to predict with any degree of certainty, in 2010 we expect to see an increase in both cash receipts and new investments, given the high level of outstanding commitments at £1,561m. In light of this, our programme of commitments to new funds for 2010 will remain lower than previous years.

Finally, I would like to extend my thanks to the Board and our new Chairman, Richard Gillingwater for their valuable advice and support. As always, I am immensely appreciative of CDC's staff, whose hard work and expertise, in a tough economic climate, has seen CDC make a major contribution to raising living standards in poor countries around the world.

Richard Laing
Chief Executive

Performance Review

Godfrey Davies
Chief Financial Officer

CDC now has investments in 134 funds managed by 65 different fund managers.

Description of the business and objectives

CDC is a UK 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: 70% of new investments 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); and 50% in sub-Saharan Africa and South Asia. 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. For new commitments to funds thereafter, new investments must meet two new targets: 75% in low income countries (defined as countries with an annual GNI per capita below US$905 in 2006); and 50% in sub-Saharan Africa. 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 fund 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;
- minimise adverse impacts and enhance positive effects on the environment, workers and all stakeholders as appropriate;
- commit to continuous improvements with respect to management of the environment, social policies and governance;
- work 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 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;
- prospective returns which are commensurate with the potential risk; and
- a management team that 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, have a positive impact on the private sectors in which they operate and seek to minimise environmental damage.

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. This allows CDC to recycle more portfolio receipts as new investments in developing countries. CDC has not received any new investment from its shareholder for 14 years.

Market conditions

The MSCI Emerging Markets Index is designed to measure quoted equity performance in global emerging markets. In 2009, it rose by 75% (2008: declined by 55%). However, index increases of individual countries varied widely in 2009 with rises from South Africa of 53%, China of 59% and India of 95%, but with Nigeria falling by 25%.

Key Performance Indicators

CDC is managed as a fund of funds investment business and this sectoral performance (see note 3 to the accounts on page 41) is shown below.

Whilst CDC's portfolio performance was less than its MSCI benchmark in 2009, on a three year rolling basis it was 6% ahead of the benchmark.

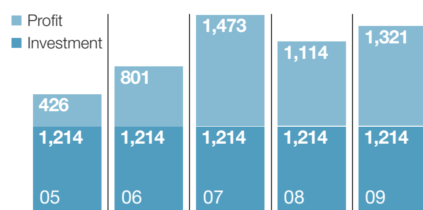
Total return after tax for the period was £207.0m (2008: loss of £359.0m). The fund total return after tax was 9% (2008: loss of 13%) a net return on investment of 16% in the last five years.

Investment Policy new investment targets were exceeded.

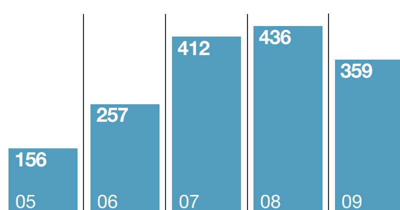
Third-party funds mobilised alongside CDC's capital amounted to US$1,200m (2008: US$2,170m). However, the ratio of capital mobilised to CDC capital rose from 328% in 2008 to 452% in 2009.

Performance Review
continued

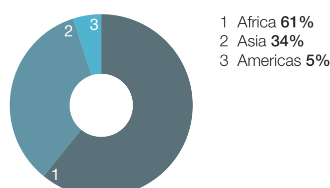
CDC value growth (£m)



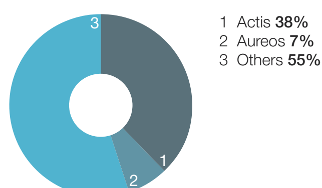
Fund drawdowns (£m)



New investments in 2009 by region



New investments in 2009 by manager



Current performance

Portfolio return

In the past, CDC has measured its portfolio performance against the MSCI Emerging Markets US$ Index. However, the individual country weightings within the index are rather different from the geographical spread of CDC's portfolio. In conjunction with Morgan Stanley, an index weighted by CDC's geographical spread of countries has been developed to form a new MSCI benchmark for performance.

The portfolio generated £61.0m of realised profits (2008: £21.9m) which arose mainly from legacy portfolio yield and exchange gains.

The unrealised valuation gain in the portfolio was £165.5m (2008: £447.1m unrealised loss) driven by the rise in global markets partly offset by currency losses from Sterling's appreciation against the US dollar.

Operating costs

Operating costs for the year of £12.2m (2008: £13.0m) have reduced despite the increase in London office employees to 46 (2008: 41) due to lower spending on consultants and legal fees. Operating costs represent 0.5% of the company's net value which compares favourably with industry benchmarks of up to 1%.

Other net expenses

Other net expenses of £7.3m (2008: £79.2m income) are much lower this year as cash held earned lower interest and there were translation losses on US$ cash held compared with gains in 2008.

Total return after tax

The overall result is a total return after tax of £207.0m (2008: loss of £359.0m). As a return on opening total net assets on a valuation basis, this represents a return for CDC's shareholder of 9% (2008: loss of 13%) this year and an average annual return of 16% over the last five years.

	2009 £m	2008 £m
Net realised profits	**61.0**	21.9
Unrealised value movements	**165.5**	(447.1)
Portfolio return	**226.5**	(425.2)
Operating costs	**(12.2)**	(13.0)
Other net (expenses)/ income	**(7.3)**	79.2
Total return after tax	**207.0**	(359.0)

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 2009 third party funds mobilised alongside CDC's capital invested has been measured as follows. Investments in fund closings prior to the one in which CDC participates are not counted. Investment by others in funds when CDC has made a legal commitment plus all capital committed at subsequent closings is counted as mobilisation once subjected to a tapering factor. The tapering factor applied to a fund's mobilisation value will depend on whether it is a first, second or a subsequent fund as follows: first time funds have no tapering, fund 2s are tapered by 25%, fund 3s are tapered by 50%, and funds 4 onwards are tapered by 75% so that only 25% of investment by others counts as mobilisation. The tapering factor is applied to reflect the growing importance of the fund manager's track record as subsequent funds are raised. The mobilisation target set is on a three year rolling basis at 200%. Actual mobilisations at 278% exceeded the target. In 2009 mobilisation amounted to US$1,200m (2008: US$2,170m). However, the ratio of capital mobilised rose from 328% in 2008 to 452% in 2009.

	2009 £m	2008 £m
Portfolio	**1,410.9**	927.7
Net cash and short-term deposits	**977.9**	1,268.2
Other net assets	**146.0**	131.9
Total net assets on a valuation basis	**2,534.8**	2,327.8

Total net assets increased in the year from £2,327.8m to £2,534.8m, a rise of 9% (2008: fall of 13%).

	2009 £m	2008 £m
Portfolio at start of year	**927.7**	1,184.1
New investments	**359.3**	436.0
Realisations	**(48.0)**	(245.3)
Unrealised value movements	**171.9**	(447.1)
Portfolio at end of year	**1,410.9**	927.7

The portfolio, which consists of investments in funds managed by fund managers and the legacy portfolio managed by Actis, increased from £927.7m to £1,410.9m, a 52% increase. The increase came from new investments and valuation gains driven by market conditions. The 20 largest underlying investments are shown on pages 12 and 13.

	2009 £m	2008 £m
Fund drawdowns	**(359.3)**	(436.0)
Fund cash generated	**161.6**	267.7
Net fund flows	**(197.7)**	(168.3)
Hedging	**(52.9)**	–
Other cash flows	**(39.7)**	31.5
Net cash flow	**(290.3)**	(136.8)

Drawdowns by funds for new investments at £359.3m (2008: £436.0m) were lower than last year with reduced drawdowns from Asia.

New investments

With new investments at 75% in poor countries and 64% in sub-Saharan Africa and South Asia, the rolling five-year targets of 70% and 50% respectively for the old book were exceeded.

During 2009 new investments from commitments made after 1 January 2009 were 96% in sub-Saharan Africa and 100% in low income countries, exceeding the targets of 50% and 75% respectively. Also during 2009, new investments from commitments made prior to 2009 were 46% in sub-Saharan Africa and 53% in low income countries exceeding the targets of 27% and 40% respectively.

Fund cash generated

There was a lower level of portfolio cash generated this year at £161.6m (2008: £267.7m). The main fund receipts in 2009 were from Actis Infrastructure Fund II, legacy portfolio yields and repayments.

Net cash and short-term deposits held

With the level of fund drawdowns and portfolio realisations, cash and short-term deposits were lower at £977.9m (2008: £1,268.2m). A substantial portion 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 which stand at £1,561.0m, representing an overcommitment of 60%.

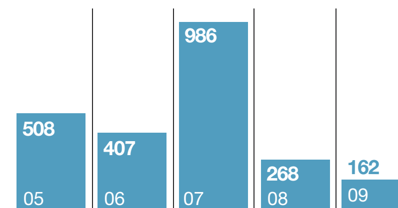
Fund managers

CDC actively reviews fund proposals from private equity fund managers within its investment universe. In 2009, CDC made 11 new fund commitments of US$335m (2008: US$885m) as follows:

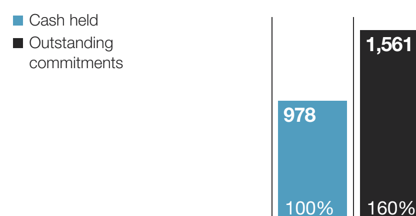
	US$m
Capital Alliance Private Equity III	**50**
African Development Partners I	**25**
Ascent India Fund III	**25**
European Financing Partners III	**7**
Global Trade Liquidity Programme	**75**
Helios II	**75**
India Agribusiness Fund	**10**
India Value Fund IV	**40**
Renewable Energy Asia Fund	**13**
Shorecap II	**10**
Sierra Investment Fund	**5**
Total commitments in 2009	**335**

CDC now has investments in 134 funds managed by 65 different fund managers.

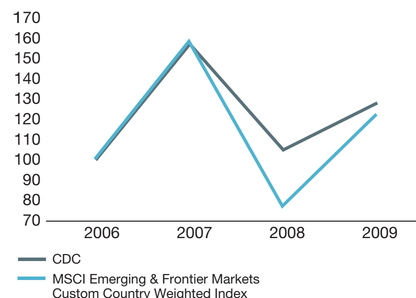
Portfolio cash generated (£m)



Cash and outstanding commitments at 31 December 2009 (£m)



MSCI benchmark



Performance Review
continued

CDC fund commitments and investments

	Outstanding commitment £m	CDC investment value £m
Actis 10 Legacy Funds	–	117.5
Actis Africa Empowerment Fund	1.9	17.0
Actis Africa Fund 2	6.1	123.6
Actis Africa Fund 3	60.7	33.5
Actis Africa Real Estate Fund	46.3	51.5
Actis Agribusiness Fund	11.0	25.5
Actis ASEAN Fund	18.4	7.9
Actis Assets Fund 2	–	2.2
Actis China Fund 2	1.3	18.0
Actis China Fund 3	43.5	19.3
Actis Emerging Markets Fund 3	90.4	32.8
Actis India Fund 2	6.0	51.6
Actis India Fund 3	54.6	7.2
Actis India Real Estate Fund	24.0	3.6
Actis Infrastructure Fund II	282.9	69.7
Actis Latin America Fund 3	57.6	0.9
Actis South Asia Fund 2	5.5	52.6
Actis Umbrella Fund	1.6	9.3
Canada Investment Fund for Africa	0.4	7.4
28 Actis managed funds	712.2	651.1
Aureos 7 Legacy Funds	–	0.6
Aureos Africa Fund	26.5	19.3
Aureos Central America Fund	1.9	2.9
Aureos Central Asia Fund	9.0	2.7
Aureos China Fund	7.9	4.9
Aureos East Africa Fund	0.2	5.2
Aureos Latin America Fund	10.6	7.1
Aureos Malaysia Fund	4.9	0.9
Aureos South Asia Fund I (Interim)	0.7	2.0
Aureos South Asia Fund	9.8	10.7
Aureos South East Asia Fund	4.1	9.2
Aureos Southern Africa Fund	1.1	7.8
Aureos West Africa Fund	0.8	5.7
Emerge Central America Growth Fund	1.6	1.2
Kula Fund II	1.5	1.4
21 Aureos managed funds	80.6	81.6

	Outstanding commitment £m	CDC investment value £m
Access Holdings	0.9	2.2
Adlevo Capital	9.3	–
Advans	4.0	2.6
Advent Latin America Private Equity Fund IV	3.8	10.0
African Development Partners I	14.2	2.8
African Lion	–	0.2
African Lion 2	–	1.4
African Lion 3	8.1	1.0
AIF Capital Asia III	11.0	22.2
Altra Private Equity Fund I	3.8	2.2
Ascent India Fund III	15.5	–
Ambit Pragma Fund	9.0	2.8
Atlantic Coast Regional Fund	7.0	1.9
Avigo SME Fund II	2.5	12.7
Avigo SME Fund III	11.0	1.2
Baring India Private Equity Fund II	1.9	4.3
Baring India Private Equity Fund III	27.6	5.0
BTS India Private Equity Fund	4.8	7.5
Business Partners International Kenya SME	0.4	0.5
Capital Alliance Private Equity I	–	9.7
Capital Alliance Private Equity II	1.6	9.4
Capital Alliance Private Equity III	30.9	–
Capital Alliance Property Investment Company	15.0	4.0
Capital Today China Growth Fund	6.4	15.8
Catalyst Microfinance Fund	6.6	1.9
CDH China Fund III	14.3	30.5
Central Africa Growth	–	5.5
Centras Private Equity Fund	4.5	1.2
CITIC Capital China	2.8	17.4
CVCI Africa Fund	20.0	41.4
Dynamic India Fund VII	14.9	22.1
ECP Africa Fund II	1.4	21.2
ECP Africa Fund III	33.3	29.4

	Outstanding commitment £m	CDC investment value £m
Ethos Fund V	6.1	8.9
European Financing Partners	6.9	6.3
European Financing Partners III	4.5	–
FountainVest China Growth Fund	20.1	8.4
Global Environment Emerging Markets Fund III	12.5	15.7
Global Trade Liquidity Programme	–	46.1
GroFin East Africa SME Fund	–	1.1
GroFin Africa Fund	15.8	1.8
Helios Investors	2.2	33.3
Helios Investors II	46.4	–
Horizon Fund III	4.8	1.1
Horizon Tech Ventures	–	1.1
I&P Capital II	3.6	3.3
IDFC Private Equity Fund II	1.5	12.5
IDFC Private Equity Fund III	9.8	5.3
India Agribusiness Fund	4.3	1.9
India Financial Inclusion Fund	8.6	4.4
India Infrastructure Fund	45.8	15.1
India Value Fund II	0.4	1.9
India Value Fund III	6.7	7.4
India Value Fund IV	24.8	–
International Finance Participation Trust (2004)	9.8	52.1
JS Private Equity I	19.1	2.2
Kendall Court Mezzanine (Asia) Fund I	1.0	9.1
Kendall Court Mezzanine (Asia) Bristol Merit Fund	10.3	9.2
Keytone Ventures	2.7	2.0
Kotak India Realty Fund	21.7	5.5
Kotak Private Equity Fund	19.3	1.9
Legend Capital IV	5.1	1.1
Lok Capital	0.8	3.0
Lombard Asia III	7.2	5.1
Maghreb Private Equity Fund II	5.7	10.7
Medu Capital Fund II	2.7	3.3

	Outstanding commitment £m	CDC investment value £m
Minlam Microfinance Offshore Fund	–	17.1
Navis Asia Fund IV	–	7.5
Navis Asia Fund V	12.1	29.3
New Silk Route Fund I	20.3	8.1
Nexxus Capital Private Equity Fund III	5.8	7.9
Patria-Brazilian Private Equity Fund III	14.3	5.5
Qiming Venture Partners	9.2	6.5
Renewable Energy Asia Fund	8.0	–
Saratoga Asia II	21.0	11.7
SGAM AI Kantara Fund	14.3	2.0
Shorecap International	0.4	1.8
Shorecap II	6.2	–
Sierra Investment Fund	3.1	–
Sphere Fund 1	0.4	0.9
Travant Private Equity Fund I	16.1	1.6
Tripod Capital China Fund II	8.4	11.9
Vantage Mezzanine Fund	0.2	8.2
Venture East Proactive Fund	8.7	3.1
Zana Capital Fund (formerly CMIA China Fund III)	2.8	16.1
85 Other managed funds	768.0	710.0
6 Co-investments	0.2	42.5
Forward foreign exchange contracts	–	(74.3)
Total legal commitment to 134 funds at end 2009	1,561.0	1,410.9

Performance Review
continued

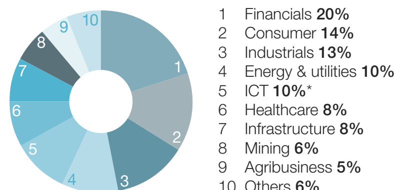
Largest 20 underlying investments of funds

Company	Description
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	A leading Indian company producing over the counter healthcare and personal care products. Successes for Paras include the painkiller Moov which has taken market share from multi-national companies and further innovative products in new markets for hair and skin care.
Globeleq Generation Limited Invested by Actis Infrastructure Fund II	Globeleq develops, owns and operates power generation facilities across emerging markets. Globeleq currently owns Songas (a 190MW gas-fired generation project located in Tanzania) and has interests in two other power projects: Tsavo (a 74MW heavy fuel oil-fired power station in Kenya); and Azito (a 288MW gas-fired power project in Côte d'Ivoire).
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.
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.
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.
ACTOM (formerly Alstom Electrical Industries) Invested by Actis Africa Fund 3; Actis Emerging Markets Fund 3	A major South African electrical engineering, manufacturing, distributing and contracting company for the power sector. The business has 22 production facilities, 26 operating units and 21 distribution centres employing over 5,000 people.
Seven Energy Invested by Actis Africa Fund 2; Canada Investment Fund for Africa; Actis Umbrella Fund	An upstream oil and gas company initially focused on Nigeria but with the ambition to expand in West Africa. The company has rights to a 40% interest in the undeveloped onshore Uquo Field to the east of the Niger Delta.
Orascom Invested by Actis Africa Fund 1	The market leading mobile operator in Algeria with over 14m subscribers (as at November 2009). The company provides a range of prepaid and post paid voice, data and multimedia telecommunication services.
Commercial International Bank Invested by Actis Emerging Markets Fund 3; Actis Africa Fund 3	The largest private sector commercial bank in Egypt. It has over 150 branches, over 450 ATMs and over 4,000 employees serving 700 corporate customers, 400 small and medium enterprise customers and 380,000 retail customers.
Regal Forest Invested by Actis Latin America Fund 1	A leading retailer of white and brown goods, electronics and furniture (durable consumer goods) in El Salvador, Honduras, Guatemala and Nicaragua, with a market share of around 30% in each country.
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.

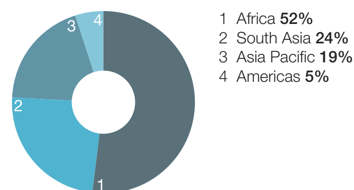
Company	Description
Empower Invested by Actis Infrastructure Fund 2	Empower seeks to fill an unserved space in the international power generation market, particularly in Africa, whilst delivering a lower-cost solution than those currently available to state off-takers, utilities (and their customers) and industrial customers. Specifically, Empower aims to be the interim power generation solution provider in emerging markets.
Mozal Invested by Actis Assets Fund 1	A 500,000 tpa aluminium smelter in Maputo, Mozambique, Mozal 1, the US$1.3bn development which was launched in 1998, was the biggest single project investment ever made in Mozambique. The smelter, which was successfully completed six months ahead of schedule and more than US$100m under budget, officially opened on 29 September 2000.
Capital Properties Holdings Invested by Actis Africa Real Estate Fund	Capital Properties owns three office blocks totalling 19,000 square metres of space, on a single prime site in the heart of Dar es Salaam.
Ceylon Oxygen Invested by Actis South Asia Fund 2; Actis Umbrella Fund	Ceylon Oxygen is Sri Lanka's leading industrial and medical gases manufacturer with an 80% market share. The company's main products include oxygen, nitrogen, nitrous oxide, argon, acetylene, food grade carbon dioxide and dry ice.
Mineral Deposits Limited Invested by Actis Africa Fund 2; Canada Investment Fund for Africa; African Lion Fund 2; EMP Africa Fund 2	Listed on the Australian and Toronto Stock Exchanges, Mineral Deposits Limited is a company with two mining projects in Senegal: The Sabodala Gold Project and the Grande Côte Zircon Project.
MTN Nigeria Invested by Capital Alliance Private Equity I; Capital Alliance Private Equity II	MTN Nigeria Communications Limited is a provider of mobile telecom services, through the GSM platform. MTN Nigeria is part of the MTN Group, Africa's leading cellular telecommunications company. MTN provides services in 223 Nigerian cities and towns, more than 10,000 villages and communities and a growing number of highways across the country.
7 Days Group Holdings Ltd Invested by Actis China Fund 2; Actis China Fund 3; Actis Emerging Markets 3; Actis Umbrella Fund	One of the leading budget hotel chains in China. The company's aim is to build a national franchise that is capable of providing an affordable, yet quality, hospitality service to the growing number of leisure and corporate travellers in China.
SkyVision Holdings Limited Invested by CVCI Africa Fund	A leading provider of reliable internet connectivity solutions (also called "IP trunking") over satellite in sub-Saharan Africa.
Xiabu Xiabu Invested by Actis China Fund 2; Actis China Fund 3; Actis Emerging Markets 3; Actis Umbrella Fund	Xiabu pioneered the bar-style hot pot format which features an individual pot for every customer, instead of a traditional communal hot pot. Most stores are in office blocks and shopping malls providing affordable, fresh, hygienic and healthy food.

Performance Review
continued

Underlying portfolio by sector



Underlying portfolio by region



*Information, Communications and Technology

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

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

Risks and risk management
CDC's operations are managed within limits defined by the Board. The Board regularly reviews the overall risks inherent in CDC's business and the actions taken to mitigate those risks where appropriate. The principal risks are considered to be as follows:

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

Risk of loss of investment value
One of the main risks facing CDC is the loss of portfolio value due to a catastrophic event. Values have decreased as well as increased in the past. Whilst CDC's MSCI benchmark fell by 51% in 2008 it increased by 57% in 2009.

Concentration risk
CDC has investments in 134 private equity funds providing it with a portfolio of nearly 800 underlying companies that are diversified by vintage year, size, geography and industry sector. Portfolio exposure targets for each country and sector in which CDC invests help to mitigate the portfolio risk. CDC's highest country exposures are 19% in India, 14% in China, 10% in South Africa and 8% in Nigeria. CDC's highest sector exposure is 20% in financials. The top 20 underlying investments represent 34% of the portfolio with the largest individual investment representing 4%.

The percentage of funds under management (CDC investment in funds plus outstanding commitments to the funds) by Actis has fallen from 51% at the end of 2008 to 46% at the end of 2009.

Future commitment/funding risk
At 31 December 2009, CDC had significant undrawn commitments of £1,561.0m (2008: £1,971.5m) representing 160% of cash held. The Board regularly considers cash flow forecasts at Board meetings and expects to meet its undrawn commitments, as well as commitments to future funds, from distributions received from its investments and the current cash balance held of £977.9m.

Investment holding period
Investment in private equity requires a long-term commitment, usually ten years, with no certainty of return. CDC's investments are illiquid holdings in private equity funds and, in some cases, may not be capable of being realised in a timely manner or at all. The timing of cash distributions from funds is uncertain and unpredictable. The sale of interest in funds may require a lengthy time period since there is

only a limited market for secondary sales of emerging markets private equity interests. Further, sales usually require the consent of the general partner of the fund, the granting of which is at its discretion. Accordingly, CDC may not be able to sell its investments at their net asset value or even at discounted prices below the net asset value. However, the Board believe that the investment process employed when initially selecting fund managers helps to ensure that CDC's fund managers would normally be attractive to buyers in the secondary market.

Currency risk

CDC has treasury policies to manage its cash resources and currency exposure. To mitigate currency risks, CDC enters into derivative type currency exchange transactions to hedge currency risk in accordance with a currency hedging policy agreed by the Audit, Compliance and Risk Committee. CDC does not trade in derivatives, nor does it enter into currency transactions of a speculative nature. More details on derivatives are given in note 19 to the accounts on pages 57 to 66.

Pension funding risk

The defined benefits section of the CDC Pensions Scheme is very mature. A contribution schedule was agreed under which CDC has paid £11.7m in 2009 (2008: £11.7m) to the CDC Pensions Scheme. During 2009, the Pensions Scheme Trustees, with the agreement of CDC, purchased a bulk annuity policy which covers the current entitlement of all members of the defined benefit section of the Pensions Scheme. This means that the material risks, which are investment and longevity risk, of the Pensions Scheme have been mitigated.

Valuation risk

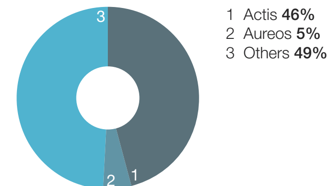
CDC is now in its eleventh year of valuing its portfolio according to CDC valuation methodology. CDC valuation guidelines have been developed in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Investments are valued at fair value, which is the value at which an orderly transaction would take place between market participants at the reporting date. The detailed valuation methodology sets out best practice with respect to valuing investments. Valuation risks are mitigated by comprehensive reviews of underlying investments in the private equity funds carried out by the managers of the private equity funds at least twice each year. These valuations are reviewed by CDC management and then considered by the Audit, Compliance and Risk Committee. CDC's auditor also reviews the valuations as part of its audit. The details of the valuation methodology are given in note 2 to the accounts under the Investments heading on page 36.

Presentation of results

CDC's financial results are presented in accordance with International Financial Reporting Standards. CDC consolidates all businesses where it has a controlling interest. These audited consolidated accounts can be found in full from page 27 onwards. The Directors' Report gives a summary of those results. However, in order to explain more fully CDC's investment activities as a fund of funds, CDC provides information on this in note 3 to the accounts on pages 41 and 42. In this analysis all its investments are valued at fair value, consolidating only subsidiaries that are investment holding companies.

Godfrey Davies
Chief Financial Officer

Funds under management by fund manager



Board of Directors

1. Richard Gillingwater CBE
Chairman
Nominations Chair
Co-Investment Chair

Appointed Non-executive Director in January 2009 and Chairman in April 2009.

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 Director of Cass Executive Education Ltd, a Non-executive Director of Tomkins plc and of Scottish and Southern Energy plc. He was awarded a CBE in the Queen's Birthday Honours List 2008 in recognition of his services to the financial services industry.

2. Sir Malcolm Williamson
Former Chairman

Appointed in January 2004 and retired in March 2009.

3. 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 until January 2010 was a Non-executive Director of Aureos Advisers Limited, 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, at PricewaterhouseCoopers and at Marks and Spencer.

4. Arnab Banerji
Non-executive Director
Audit, Compliance and Risk Chair

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).

5. Jonathan Kydd
Non-executive Director
Best Practice and Development Chair

Appointed in February 1997.

A development economist, Jonathan holds a PhD from Sussex University and has held academic appointments at the University of Malawi, Wye College, University of London and Imperial College, London. Presently, he is a Professor at the University of London, Dean of the University of London's External System and Visiting Professor at the Centre for Environmental Policy of Imperial College, London. Until recently he was Chairman of the Advisory Council of the UK's Export Credit Guarantee Department. He has been a special adviser to the UK House of Commons International Development Select Committee and has worked as consultant to a range of national and international development agencies, including the World Bank.

6. 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 worldwide. 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. She has advised the European Union on financial sector reform and was a member of the NASDAQ Technology Council for many years. She served on the DTI's Board of Directors for six years and chaired the Investment Committee advising on all government subsidies to business. Fields was awarded an Order of the British Empire in 2007 for services to international business.

7. Andrew Williams
Non-executive Director
Remuneration Chair

Appointed in July 2003.

Andrew was with the Schroder Group for 25 years, latterly as Director of SVG Capital and Chief Executive Officer of its fund advisory business, SVG Advisers, until March 2009.

Prior to joining Schroder Ventures, Andrew was co-head of equity capital markets at Schroders in London. Andrew is also a Non-executive Director of Macquarie Bank International Plc.

8. Ian Goldin
Non-executive Director

Appointed in February 2010.

Ian is Director of the Oxford University's James Martin 21st Century School. Ian is also a Professorial Fellow at the University's Balliol College.

From 1996 to 2001, Ian was at the World Bank, firstly as Director of Development Policy then as a Vice President. From 1995 to 2001 he was Chief Executive of the Development Bank of Southern Africa. During this period, Ian served on several South African Government committees and boards, accompanied President Mandela on many state visits and was a founding board member of Comafin and the Africa Infrastructure Fund as well as a board member of Proparco. Previously, Ian worked at the European Bank for Reconstruction and Development as Principal Economist and prior to that at the OECD Development Centre in Paris, where he directed the Programmes on Trade, Environment and Sustainable Development.

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

Directors' Report

The Directors submit their report and the audited financial statements of CDC Group plc (CDC or the Company) and its subsidiaries (the Group) for the year ended 31 December 2009. The Directors' Remuneration Report on pages 23 to 25 details Directors' interests and Director and employee incentive arrangements during the year.

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

CDC operates under an investment policy agreed with its shareholder. The policy defines the universe of countries in which CDC can invest; targets for new investment in low income countries and sub-Saharan Africa; and the need for CDC's presence as an investor to act as a catalyst for third parties to invest alongside CDC. The new investment target for fund commitments made after 1 January 2009 is 50% in sub-Saharan Africa and 75% in low income countries. Also the new investment target for commitments made prior to 2009 is 27% in sub-Saharan Africa and 40% in low income countries.

Business review
The information that fulfils the requirements of the Business Review may be found in the Performance Review on pages 6 to 15, which is incorporated into this report by reference.

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

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

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

CDC adopted the United Nations Principles for Responsible Investment in September 2009 and endorsed the Institutional Limited Partners Association Private Equity Principles in December 2009.

Financial statements

Basis of preparation
The audited financial statements of the Group are prepared in accordance with applicable UK law and IFRS as adopted by the European Union.

Income
During the year the Group sold its interests in power subsidiaries (see note 12 discontinued operations). Income from continuing operations was £46.0m (2008: £90.6m).

Profit from operations
The profit from operations before tax and finance costs of £283.8m compares with a loss of £510.5m for 2008; the significant profits have been driven by fair value gains on the portfolio.

Taxation
The tax charge for 2009 was £8.9m compared with £7.9m in 2008. CDC is exempt from corporation tax in the UK. However, the Group is still subject to all corporate and other taxes outside the UK.

Changes in equity
The profit for the year attributable to equity holders of CDC was £263.8m (2008: loss of £312.6m). Comprehensive income for the year attributable to equity holders of CDC was £253.7m (2008: loss of £338.5m).

Cash flow
Cash flows from operating activities were an outflow of £34.2m (2008: inflow of £55.3m).

Investment policy targets
The CDC Board regularly reviews investment performance against the Investment Policy targets. During 2009 new investments from commitments made after 1 January 2009 were 96% in sub-Saharan Africa and 100% in low income countries, exceeding the targets of 50% and 75% respectively. Also during 2009, new investments from commitments made prior to 2009 were 46% in sub-Saharan Africa and 53% in low income countries, exceeding the targets of 27% and 40% respectively. The Board also reviews forecasts of new investments and expects actual results to exceed the Investment Policy targets for the foreseeable future.

Statement of financial position
Total assets decreased from £3,047.1m to £2,876.0m due to the disposal of power assets and liabilities, partly offset by comprehensive income in the year.

Pensions
CDC operates a single pension scheme in the UK. The defined benefits section of this scheme has been

closed to new entrants since 1 April 2000. On the advice of the pension scheme actuary, CDC resumed contributions to the defined benefits section in 2003. Disclosures required under IAS 19 show a net pension asset of £134.6m (2008: £119.2m). Further details are shown in note 16 to the audited financial statements.

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

Post year end events
There are no material post year end events.

Corporate governance
CDC supports established best practice in corporate governance and has complied with the Combined Code on Corporate Governance throughout 2009, so far as is practicable for a company that is wholly owned by the UK government.

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

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

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

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

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

CDC's objectives, business activities, performance, financial position, cash flows and liquidity position are described in the Performance Review on pages 6 to 15. In addition, note 20 to the financial statements includes the Group's policies and processes for managing its financial risk, details of its financial instruments and hedging activities and its exposures to credit and liquidity risk. The Group has considerable financial resources. As a consequence the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

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

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

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

Directors' Report
continued

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

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

The Board met 11 times during 2009 and has scheduled six meetings for 2010. The Chairman and the Chief Executive agree the agenda for Board meetings, but all Board members are entitled to raise other issues. The Chairman ensures that the Board is properly briefed on all issues arising at Board meetings. The Chief Executive supplies the Board with information which is timely and of a quality that enables it to carry out its duties. Training, where appropriate, is provided to the Board and employees. All Directors have access to the advice and services of the Company Secretary and they may obtain independent professional advice at CDC's expense, if necessary. All Board meetings are appropriately minuted.

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

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

Board Directors
The table below indicates the attendance of all the Board Directors, whose biographies are on pages 16 and 17, during the year ended 31 December 2009:

Number of meetings during the year	11
Richard Gillingwater CBE (Chairman from April 2009)	10
Sir Malcolm Williamson (Chairman to March 2009)	3
Arnab Banerji	10
Jonathan Kydd	11
Richard Laing (Chief Executive)	11
Fields Wicker-Miurin OBE	10
Andrew Williams	11

An evaluation of the performance of the Board, the various committees of the Board and individual Directors has been carried out by way of an anonymous survey of the Directors. The results of the survey were duly considered by the Board. An independent evaluation of the performance of the Board will be undertaken in 2010.

At the end of 2009, Richard Gillingwater held three directorships excluding his CDC directorship. The Board considers that Richard Gillingwater has sufficient time to undertake his duties at CDC.

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

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

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

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

The Audit, Compliance and Risk Committee also reviews CDC's system of internal control, further details of which are set out below. It oversees the process by which CDC changes its external auditors in accordance with best practice.

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

- the external auditor's procedures in place for maintaining and monitoring independence, including those to ensure that the partners and staff have no personal or business relationships with the Company, other than those in the normal course of business permitted by UK ethical guidance;
- the external auditor's policies for the rotation of the lead partner and key audit personnel; and

- adherence by management and the external auditor during the year to the Group's policies for the procurement of non-audit services and the employment of former audit staff.

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

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

Remuneration

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

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

Number of meetings during the year	8
Andrew Williams (Chairman)	8
Arnab Banerji	8
Richard Gillingwater CBE	5
Fields Wicker-Miurin OBE	6
Sir Malcolm Williamson	3

The Remuneration Committee's remit includes determining remuneration packages for the Chief Executive and senior management and making recommendations to the Board on the Company's policy on executive remuneration. Details are set out in the Directors' Remuneration Report on pages 23 to 25.

Best Practice and Development

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

Number of meetings during the year	5
Jonathan Kydd (Chairman)	5
Richard Gillingwater CBE	3
Fields Wicker-Miurin OBE	5
Andrew Williams	5
Sir Malcolm Williamson	2

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

Nominations

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

Number of meetings during the year	1
Richard Gillingwater CBE (Chairman)	1
Arnab Banerji	1
Jonathan Kydd	1
Fields Wicker-Miurin OBE	1
Andrew Williams	1

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

Co-Investment

The table below indicates the members and their attendance at scheduled meetings during the year. The Co-Investment Committee met once in 2009. It meets as required, with a minimum quorum of three Directors, one of whom must be the Chairman or the Chief Executive. It is authorised to approve direct co-investments (of up to US$50m) alongside investment funds to which CDC has committed capital.

Number of meetings during the year	1
Sir Malcolm Williamson (Chairman)	1
Richard Laing (Chief Executive)	1
Jonathan Kydd	1

Internal control

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

Directors' Report
continued

assurance against material misstatement or loss. The Audit, Compliance and Risk Committee has conducted, in accordance with the Turnbull guidance, a review of effectiveness of the Group's internal controls. The key elements of the system include:

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

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

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

Political and charitable contributions
In 2009, CDC made a charitable donation of £2,000 to Keep a Child Alive, United Kingdom (2008: £2,000 L'Association Parrainage de l'Ecole de Yâ, France), in lieu of Christmas cards. CDC makes no political contributions.

Policy for paying creditors
CDC's policy is to pay its creditors promptly, as encouraged by UK government initiatives. At 31 December 2009 the Company had an average of 6 days purchases outstanding in trade creditors (2008: 11 days).

Auditors
In accordance with Section 489 of the Companies Act 2006, a resolution to appoint KPMG Audit Plc as auditors was passed by the Board on 24 September 2009. Ernst & Young LLP resigned as auditors on the same date.

A resolution to reappoint KPMG Audit Plc as the Company's auditors will be put to the forthcoming Annual General Meeting.

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

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

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

Mark Kenderdine-Davies
General Counsel and Company Secretary
CDC Group plc
On behalf of the Board of Directors
31 March 2010

Directors' Remuneration Report

Remuneration Committee and advisers
The Company's Remuneration Committee makes recommendations to the Board on the overall remuneration package for Executive Directors and other senior executives. The Remuneration Committee during 2009 comprised Andrew Williams (Chairman), Arnab Banerji, Fields Wicker-Miurin and Richard Gillingwater.

CDC appointed Towers Watson and Peter Newhouse & Co to advise on remuneration and to assess comparability to the marketplace. Other advisers to CDC included Simmons & Simmons for procedural and employment law matters, Towers Watson for retirement and other benefits, Sacker & Partners for the legal aspects of retirement benefits and Charles Russell for advice on the legal documentation of the Contingent Asset Arrangement, as described in note 16 to the financial statements, between CDC and the CDC Pensions Scheme. In addition, CDC appointed Sacker & Partners, Towers Watson and Mercer to advise on the bulk annuity contract purchased by the Trustees of the CDC Pensions Scheme.

Remuneration policy for Executive Directors and senior executives
The CDC Remuneration Framework has been agreed with DFID and the Shareholder Executive. It states that CDC needs to be able to attract, develop and retain high quality staff at all levels. Remuneration policy has an important part to play in achieving this objective. CDC aims to offer staff remuneration packages which are competitive in the relevant marketplaces and which reflect individual performance and experience.

Elements of remuneration

Base salary
Individual base salaries reflect job responsibilities, market rates and the sustained level of individual performance. CDC sets base salaries taking account of market data derived from appropriate salary surveys, especially those covering the private equity fund of funds industry. It aims to pay around the median. All salaries are reviewed annually with effect from 1 January, although not necessarily increased. The Chief Executive's salary for 2010 will remain unchanged at £225,000.

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

For each employee, including the Chief Executive, Richard Laing, a set of measurable objectives is agreed at the start of each year and monitored throughout the year. Annual bonuses are assessed against each individual's objectives as well as the overall performance of the business. Richard Laing's objectives for 2009 included preparation of a new Five Year Plan acceptable to the Board and DFID, progress on new products, the successful preparation and launch of the 2008 Development Impact Review and resolution of the Pension Scheme's restructuring. These objectives were met, making the Chief Executive eligible for a bonus. However, in the light of the current economic climate, the Chief Executive decided in December 2009 to waive his bonus payment for 2009.

Long term incentive plan (LTIP)
The LTIP provides all employees, including the Chief Executive, with the opportunity to share in the success of the Company over the longer term. The plan was originally devised in 2004, after consultation with DFID, HM Treasury, government and CDC's advisors. A new plan was put in place from 2008 onwards.

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

For years prior to 2008, there are three elements to the performance targets: financial performance of the funds in which CDC invests, the amount of third-party capital raised for funds managed by Actis and Aureos, and the development impact of CDC. The three elements of the 2007 LTIP, which covers the three years from 2007 to 2009 inclusive, have weightings of 55%, 25% and 20% respectively. If performance levels set by the Remuneration Committee are not met, then no payment is due. If target levels for all of the performance elements are met in full, participants are entitled to a cash payment of between 12.5% and 120% of their basic annual salary at the end of the performance period depending on seniority. If performance levels exceed the targets then these percentages increase on a sliding scale but are capped at double target levels.

During the three years of the 2007 LTIP (2007 to 2009 inclusive), CDC has been less successful in meeting the performance targets for financial performance of funds and new capital raised than in prior years. Over the three years, 22 of CDC's funds exceeded their

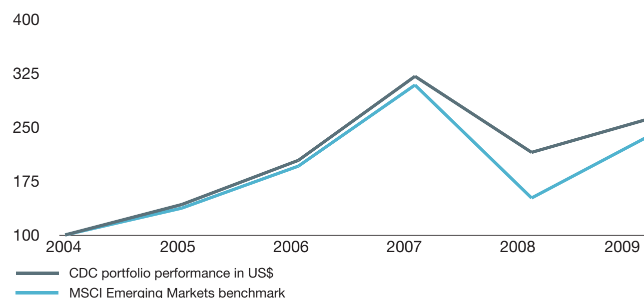
Directors' Remuneration Report
continued

target returns and third-party capital alongside CDC in the Actis and Aureos funds totalled US$2.85bn compared to a target of US$3.28bn. The development impact of the funds in which CDC has invested remains high. At a meeting held on 5 March 2010, the Remuneration Committee approved payments to all eligible staff under the 2007 LTIP. The 2007 LTIP pool is £1.3m. Richard Laing will receive a payment of £264,060 (2007: £347,490). KPMG Audit Plc performed certain procedures that were agreed by the Remuneration Committee relating to the LTIP calculation for the 2009 financial year.

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

The shares of CDC are not publicly traded. The performance graph therefore shows CDC's portfolio performance against its benchmark.

Performance graph



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

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

Pension arrangements
Richard Laing is a member of CDC's non-contributory defined benefit pension scheme and receives a contribution to a defined contribution scheme of his choice. Details of his pension contributions are shown in the table on page 25.

During the year the buy-in contract with Rothesay Life undertaken by the Pensions Scheme Trustees has led to a different calculation of cash equivalent transfer values. Previously the transfer value of Richard Laing's pension at the end of 2008 was stated as £393,417. Using the Rothesay Life cash equivalent basis this has been restated at £707,680 to be comparable with the transfer value at the end of 2009 in the pensions entitlements table opposite. This change does not affect Richard Laing's pensions entitlement under the CDC Pensions Scheme.

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

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

The remuneration of the Non-executive Directors takes the form solely of fees which have been agreed with DFID. The basic fee for all Non-executive Directors (except for the Chairman) is £22,000 per annum (2008: £22,000). The basic fee for the Chairman is £40,000 per annum (2008: £40,000). Non-executive Directors, except the Chairman, receive an additional £2,000 per annum (2008: £2,000) for each committee membership and £4,000 per annum (2008: £4,000) for each committee which they chair. The fees paid to Non-executive Directors in 2009 are set out in the table below. The Non-executive Directors do not participate in any of the incentive or benefit schemes of the Company.

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

	Date of contract	Notice period (months)
Executive Directors		
Richard Laing	24 January 2000	12
Non-executive Directors		
Arnab Banerji	9 July 2004	n/a
Richard Gillingwater CBE	22 January 2009	n/a
Ian Goldin	10 February 2010	n/a
Jonathan Kydd	8 December 1999	n/a
Fields Wicker-Miurin OBE	7 October 2004	n/a
Andrew Williams	2 July 2003	n/a
Sir Malcolm Williamson (until 26 March 2009)	5 January 2004	n/a

Outside directorships

The Company believes that it can benefit from Executive Directors holding non-executive appointments. It also believes that such appointments provide a valuable opportunity for personal and professional development. Such appointments are subject to the approval of the Board. Richard Laing is a Trustee of the Overseas Development Institute and was a Director of Aureos Advisors Limited until 2 February 2010. A fee of US$8,000 in respect of the latter position was retained by CDC.

Directors' remuneration

The remuneration of the Directors who held office during the year is shown in the table below, which has been audited by KPMG Audit Plc:

	Base salary/fee £	Benefits £	Total 2009 £	Total 2008 £
Executive Directors				
Richard Laing	**225,000**	**5,441**	**230,441**	229,576
Non-executive Directors				
Arnab Banerji	**28,333**	**–**	**28,333**	28,000
Richard Gillingwater CBE	**37,744**	**–**	**37,744**	n/a
Jonathan Kydd	**30,000**	**–**	**30,000**	30,000
Fields Wicker-Miurin OBE	**28,333**	**–**	**28,333**	28,000
Andrew Williams	**30,000**	**–**	**30,000**	30,000
Sir Malcolm Williamson (until 26 March 2009)	**10,000**	**–**	**10,000**	40,000

Pension entitlements (audited by KPMG Audit Plc)

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

	2009 £	2008 £
Contributions to defined contribution schemes	**76,205**	77,490

	Accumulated total accrued pension at 31 December 2009 £	Accumulated total accrued pension at 31 December 2008 £	Increase in accrued pension during year £	Transfer value at 31 December 2009 £	Transfer value at 31 December 2008 (as restated) £	Increase in transfer value during year £
Defined benefit scheme	**30,643**	26,215	**4,428**	**753,599**	707,680	**45,919**

The transfer value represents a liability of the pension fund, not a sum paid or due to the individual. The transfer value at 31 December 2008 has been re-stated to reflect the Rothesay Life annuity contract.

Independent Auditors' Report to the Members of CDC Group plc

We have audited the financial statements of CDC Group plc for the year ended 31 December 2009 set out on pages 27 to 75.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APBs) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provision of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you, if in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Vincent Neate
Senior Statutory Auditor

For and on behalf of KPMG Audit Plc
Statutory Auditor
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB
31 March 2010

Consolidated Statement of Comprehensive Income

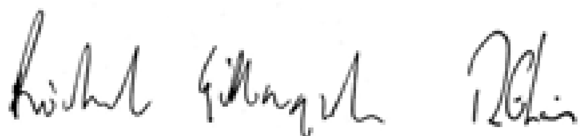
For the 12 months to 31 December

	Notes	2009 Discontinued operations £m	2009 Continuing operations £m	2009 Total £m	2008 Discontinued operations £m	2008 Continuing operations £m	2008 Total £m
Income	4a	**172.9**	**46.0**	**218.9**	174.9	90.6	265.5
Cost of sales		**(86.5)**	**(3.4)**	**(89.9)**	(82.5)	(8.9)	(91.4)
Gross profit		**86.4**	**42.6**	**129.0**	92.4	81.7	174.1
Fair value gains and losses		**–**	**217.2**	**217.2**	(0.7)	(501.9)	(502.6)
Other income	4b	**3.1**	**42.5**	**45.6**	10.9	16.2	27.1
Selling and distribution costs		**(0.2)**	**(0.4)**	**(0.6)**	–	(0.7)	(0.7)
Administrative expenses	4c	**(44.3)**	**(37.0)**	**(81.3)**	(63.0)	(69.1)	(132.1)
Other expenses	4d	**(21.2)**	**(4.9)**	**(26.1)**	(22.6)	(53.7)	(76.3)
		(62.6)	**217.4**	**154.8**	(75.4)	(609.2)	(684.6)
Profit/(loss) from operations before tax and finance costs		**23.8**	**260.0**	**283.8**	17.0	(527.5)	(510.5)
Finance costs	5a	**(6.8)**	**(10.2)**	**(17.0)**	(6.2)	(7.3)	(13.5)
Finance income	5a	**–**	**8.8**	**8.8**	0.1	67.9	68.0
Net foreign exchange differences	5b	**2.5**	**(28.2)**	**(25.7)**	(8.1)	161.2	153.1
Profit/(loss) from operations before tax		**19.5**	**230.4**	**249.9**	2.8	(305.7)	(302.9)
Tax charge	6	**(7.3)**	**(1.6)**	**(8.9)**	(6.5)	(1.4)	(7.9)
Profit/(loss) for the year		**12.2**	**228.8**	**241.0**	(3.7)	(307.1)	(310.8)
Discontinued operations							
Profit on disposal of discontinued operations	12	**29.0**	**–**	**29.0**	–	–	–
Profit/(loss) for the year		**41.2**	**228.8**	**270.0**	(3.7)	(307.1)	(310.8)
Other comprehensive income							
Exchange differences on translating foreign operations		**–**	**(3.7)**	**(3.7)**	(6.5)	(16.0)	(22.5)
Exchange gains on disposed subsidiaries		**(8.0)**	**–**	**(8.0)**	–	(1.0)	(1.0)
Cash flow hedges		**–**	**0.3**	**0.3**	–	(1.4)	(1.4)
		(8.0)	**(3.4)**	**(11.4)**	(6.5)	(18.4)	(24.9)
Total comprehensive income for the year		**33.2**	**225.4**	**258.6**	(10.2)	(325.5)	(335.7)
Profit/(loss) attributable to:							
Equity holders of the parent		**41.4**	**222.4**	**263.8**	(3.7)	(308.9)	(312.6)
Minority interests		**(0.2)**	**6.4**	**6.2**	–	1.8	1.8
Profit/(loss) for the year		**41.2**	**228.8**	**270.0**	(3.7)	(307.1)	(310.8)
Total comprehensive income attributable to:							
Equity holders of the parent		**33.4**	**220.3**	**253.7**	(10.2)	(328.3)	(338.5)
Minority interests		**(0.2)**	**5.1**	**4.9**	–	2.8	2.8
Total comprehensive income for the year		**33.2**	**225.4**	**258.6**	(10.2)	(325.5)	(335.7)

Consolidated Statement of Financial Position
At 31 December

	Notes	2009 £m	2008 £m
Assets			
Non-current assets			
Property, plant and equipment	7	**14.5**	195.8
Biological assets	8	**36.1**	12.5
Investment property	9	**3.4**	31.1
Intangible assets	10	**–**	75.8
Fair value financial assets	11	**1,344.1**	938.0
Other financial assets	14	**126.4**	127.1
Deferred tax assets	15	**2.3**	2.4
Net pension assets	16	**134.6**	119.2
Derivative financial instruments	19	**3.3**	10.1
		1,664.7	1,512.0
Current assets			
Inventories	17	**1.4**	12.7
Trade and other receivables	18	**122.9**	82.6
Current tax assets		**0.8**	1.4
Prepayments		**1.7**	11.2
Derivative financial instruments	19	**19.5**	14.3
Treasury bills and bonds maturing after more than 90 days	21	**41.5**	30.9
Cash and cash equivalents	21	**1,023.5**	1,382.0
		1,211.3	1,535.1
Total assets		**2,876.0**	3,047.1
Equity and liabilities			
Attributable to the equity holders of the parent			
Issued capital	22	**765.0**	765.0
Net unrealised gains and losses reserve	22	**(1.8)**	(2.1)
Currency translation reserve	22	**(46.2)**	(35.8)
Retained earnings	22	**1,819.7**	1,555.9
		2,536.7	2,283.0
Minority interests		**14.2**	9.3
Total equity		**2,550.9**	2,292.3
Non-current liabilities			
Trade and other payables	24	**0.6**	12.7
Interest-bearing loans and borrowings	25	**49.8**	236.8
Provisions	26	**2.5**	2.8
Deferred tax liabilities	15	**2.0**	19.1
Derivative financial instruments	19	**32.8**	151.0
		87.7	422.4
Current liabilities			
Trade and other payables excluding current tax	23	**143.0**	195.5
Current tax liabilities	23	**0.2**	1.7
Interest-bearing loans and borrowings	25	**16.6**	31.5
Derivative financial instruments	19	**77.6**	103.7
		237.4	332.4
Total liabilities		**325.1**	754.8
Total equity and liabilities		**2,876.0**	3,047.1

The accounts were approved by the members of the Board on 31 March 2010 and were signed on their behalf by:



Richard Gillingwater
Chairman

Richard Laing
Chief Executive

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

	Notes	2009 £m	2008 £m
Cash flows from operating activities			
Profit/(loss) from continuing operations before tax		**230.4**	(305.7)
Profit from discontinued operations before tax	12	**19.5**	2.8
Profit/(loss) from operations before tax		**249.9**	(302.9)
Depreciation and impairment of property, plant and equipment	7	**13.4**	13.0
Amortisation and impairment of other intangible assets	10	**9.8**	8.1
Finance costs		**17.0**	13.5
Finance income		**(8.8)**	(68.0)
Provision (release)/charge on loans and receivables	14	**(11.8)**	41.9
Provision charges	26	**–**	1.3
Defined benefits pension costs	16	**0.2**	2.0
Change in value of fair value financial assets	11	**(217.2)**	502.6
Change in value of biological assets	8	**(24.6)**	(10.0)
Change in value of investment property	9	**–**	(2.5)
Loss/(profit) on disposal of fair value financial assets	4a	**2.0**	(26.4)
Loss/(profit) on disposal of subsidiaries	4a	**1.2**	(9.3)
Loss on disposal of property, plant and equipment	4d	**0.9**	12.0
Exchange losses/(gains)		**107.1**	(397.9)
Profit/(loss) from operations before changes in working capital and provisions		**139.1**	(222.6)
(Increase)/decrease in trade and other receivables		**(67.6)**	36.1
Decrease/(increase) in other financial assets		**18.9**	(26.7)
(Increase)/decrease in derivative financial instruments		**(142.7)**	235.0
(Increase)/decrease in inventories		**(0.6)**	1.1
Increase in treasury bills and bonds maturing after more than 90 days		**(12.8)**	(1.0)
Increase/(decrease) in trade and other payables		**59.7**	(1.6)
Utilisation of provisions	26	**(0.3)**	(0.2)
Cash flows from operations		**(6.3)**	20.1
Interest income from defined benefit pension scheme		**3.9**	–
Defined benefit pension contributions paid	16	**(11.7)**	(11.7)
Bank interest received	5a	**4.9**	63.3
Interest paid		**(13.5)**	(6.9)
Interest element of finance lease rentals	5a	**(5.4)**	(4.8)
Taxes paid		**(6.1)**	(4.7)
Cash flows from operating activities		**(34.2)**	55.3
Of which:			
Cash flows from continuing operations		**(48.4)**	16.1
Cash flows from discontinued operations	12	**14.2**	39.2

Consolidated Statement of Cash Flows

For the 12 months to 31 December

continued

	Notes	2009 £m	2008 £m
Cash flows from investing activities			
Proceeds from sale of fair value financial assets		**118.9**	255.5
Proceeds from sale of property, plant and equipment		**–**	0.7
Proceeds from sale of biological assets		**–**	9.8
Disposal of subsidiaries, net of cash disposed	12/13	**(17.3)**	11.8
Acquisition of fair value financial assets	11	**(317.5)**	(420.7)
Acquisition of intangible assets	10	**(15.3)**	(11.2)
Acquisition of property, plant and equipment		**(9.3)**	(16.4)
Acquisition of investment properties	9	**–**	(7.4)
Acquisition of biological assets	8	**(1.1)**	(1.3)
Loan advances	14	**(51.4)**	(4.6)
Loan repayments	14	**16.9**	13.0
Cash flows from investing activities		**(276.1)**	(170.8)
Of which:			
Cash flows from investing activities for continuing operations		**(239.9)**	(151.0)
Cash flows from investing activities for discontinued operations	12	**(36.2)**	(19.8)
Cash flows from financing activities			
Proceeds from borrowings		**20.3**	10.5
Repayment of borrowings		**(3.1)**	(6.5)
Dividends paid to minority interests		**–**	(3.5)
Repayment of capital elements of finance leases		**(57.5)**	–
Cash flows from financing activities		**(40.3)**	0.5
Of which:			
Cash flows from financing activities for continuing operations		**6.1**	0.5
Cash flows from financing activities for discontinued operations	12	**(46.4)**	–
Net decrease in cash and cash equivalents from continuing operations		**(282.2)**	(134.4)
Net (decrease)/increase in cash and cash equivalents from discontinued operations		**(68.4)**	19.4
Net decrease in cash and cash equivalents		**(350.6)**	(115.0)
Cash and cash equivalents at 1 January		**1,381.5**	1,470.4
Effect of exchange rate fluctuations on cash held		**(7.8)**	26.1
Cash and cash equivalents at 31 December	21	**1,023.1**	1,381.5

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company						
	Share capital £m	Net unrealised gains and losses reserve £m	Currency translation reserve £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At 1 January 2008	765.0	(0.7)	(11.3)	1,868.5	2,621.5	10.0	2,631.5
Changes in equity for 2008							
Exchange differences on translating foreign operations	–	–	(23.5)	–	(23.5)	1.0	(22.5)
Exchange gains on disposed subsidiaries recycled through statement of comprehensive income	–	–	(1.0)	–	(1.0)	–	(1.0)
Cash flow hedges	–	(1.4)	–	–	(1.4)	–	(1.4)
Net income recognised directly in equity	–	(1.4)	(24.5)	–	(25.9)	1.0	(24.9)
(Loss)/profit for the year	–	–	–	(312.6)	(312.6)	1.8	(310.8)
Total comprehensive income for the year	–	(1.4)	(24.5)	(312.6)	(338.5)	2.8	(335.7)
Dividends paid to minority shareholders	–	–	–	–	–	(3.5)	(3.5)
At 31 December 2008	765.0	(2.1)	(35.8)	1,555.9	2,283.0	9.3	2,292.3
Changes in equity for 2009							
Exchange differences on translating foreign operations	**–**	**–**	**(2.4)**	**–**	**(2.4)**	**(1.3)**	**(3.7)**
Exchange gains on disposed subsidiaries recycled through statement of comprehensive income	**–**	**–**	**(8.0)**	**–**	**(8.0)**	**–**	**(8.0)**
Cash flow hedges	**–**	**0.3**	**–**	**–**	**0.3**	**–**	**0.3**
Net income recognised directly in equity	**–**	**0.3**	**(10.4)**	**–**	**(10.1)**	**(1.3)**	**(11.4)**
Profit for the year	**–**	**–**	**–**	**263.8**	**263.8**	**6.2**	**270.0**
Total comprehensive income for the year	**–**	**0.3**	**(10.4)**	**263.8**	**253.7**	**4.9**	**258.6**
At 31 December 2009	**765.0**	**(1.8)**	**(46.2)**	**1,819.7**	**2,536.7**	**14.2**	**2,550.9**

Company Statement of Changes in Equity

	Share capital £m	Net unrealised gains and losses reserve £m	Retained earnings £m	Total £m
At 1 January 2008	765.0	(0.7)	2,066.2	2,830.5
Cash flow hedges	–	(1.4)	–	(1.4)
Loss for the year	–	–	(313.4)	(313.4)
Total comprehensive income for the year	–	(1.4)	(313.4)	(314.8)
At 31 December 2008	765.0	(2.1)	1,752.8	2,515.7
Cash flow hedges	**–**	**0.7**	**–**	**0.7**
Profit for the year	**–**	**–**	**29.0**	**29.0**
Total comprehensive income for the year	**–**	**0.7**	**29.0**	**29.7**
At 31 December 2009	**765.0**	**(1.4)**	**1,781.8**	**2,545.4**

Company Statement of Financial Position
At 31 December

	Notes	2009 £m	2008 £m
Assets			
Non-current assets			
Property, plant and equipment	7	**0.9**	1.2
Fair value financial assets	11	**1,694.7**	1,622.5
Other financial assets	14	**178.6**	186.8
Retirement benefit assets	16	**134.6**	119.2
Derivative financial instruments	19	**3.3**	9.1
		2,012.1	1,938.8
Current assets			
Trade and other receivables	18	**54.5**	63.2
Prepayments		**0.9**	0.7
Derivative financial instruments	19	**19.5**	14.3
Cash and cash equivalents	21	**970.8**	1,251.7
		1,045.7	1,329.9
Total assets		**3,057.8**	3,268.7
Equity and liabilities			
Issued capital	22	**765.0**	765.0
Net unrealised gains and losses reserve	22	**(1.4)**	(2.1)
Retained earnings	22	**1,781.8**	1,752.8
Total equity		**2,545.4**	2,515.7
Non-current liabilities			
Provisions	26	**2.2**	2.4
Derivative financial instruments	19	**32.8**	146.0
		35.0	148.4
Current liabilities			
Trade and other payables	23	**418.3**	501.5
Current tax liabilities	23	**0.2**	0.2
Derivative financial instruments	19	**58.9**	102.9
		477.4	604.6
Total liabilities		**512.4**	753.0
Total equity and liabilities		**3,057.8**	3,268.7

The accounts were approved by the members of the Board on 31 March 2010 and were signed on their behalf by:

Richard Gillingwater
Chairman

Richard Laing
Chief Executive

Company Statement of Cash Flows

For the 12 months to 31 December

	Notes	2009 £m	2008 £m
Cash flows from operating activities			
Profit/(loss) from operations before tax		**29.8**	(294.1)
Depreciation and impairment of property, plant and equipment	7	**0.3**	0.3
Finance costs		**1.1**	5.5
Finance income		**(8.8)**	(67.3)
(Reversal of impairment)/impairment of loans and receivables	14	**(23.6)**	54.8
Provision charges	26	**–**	1.3
Defined benefit pension costs	16	**0.2**	2.0
Change in value of fair value financial assets	11	**42.1**	466.5
Profit on disposal of fair value financial assets		**(18.1)**	(41.2)
Profit on disposal of property, plant and equipment		**–**	–
Exchange losses/(gains)		**86.1**	(388.8)
Profit/(loss) from operations before changes in working capital and provisions		**109.1**	(261.0)
Decrease/(increase) in trade and other receivables		**8.7**	(26.6)
Decrease in other financial assets		**(0.2)**	0.5
(Increase)/decrease in derivative financial instruments		**(156.6)**	233.9
(Decrease)/increase in trade and other payables		**(83.2)**	128.3
Utilisation of provisions	26	**(0.2)**	(0.1)
Cash flows from operations		**(122.4)**	75.0
Defined benefit pension contributions paid	16	**(11.7)**	(11.7)
Bank interest received		**4.9**	62.5
Interest paid		**(0.9)**	(4.1)
Taxes paid		**(0.6)**	(0.1)
Cash flows from operating activities		**(130.7)**	121.6
Cash flows from investing activities			
Proceeds from sale of fair value financial assets		**189.6**	177.9
Proceeds from sale of property, plant and equipment		**–**	0.1
Acquisition of fair value financial assets	11	**(301.9)**	(426.5)
Acquisition of property, plant and equipment	7	**–**	(1.4)
Loan advances	14	**(55.9)**	(5.8)
Loan repayments	14	**18.0**	14.6
Cash flows from investing activities		**(150.2)**	(241.1)
Cash flows from financing activities			
Repayment of borrowings		**–**	(0.2)
Cash flows from financing activities		**–**	(0.2)
Net decrease in cash and cash equivalents		**(280.9)**	(119.7)
Cash and cash equivalents at 1 January		**1,251.7**	1,371.4
Cash and cash equivalents at 31 December	21	**970.8**	1,251.7

Notes to the Accounts

1. Corporate information

The financial statements of CDC Group plc (CDC or the Company) for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the Directors on 31 March 2010. CDC is a limited company incorporated in England and Wales whose shares are not publicly traded.

The Group's primary activity is investing in funds in emerging markets. Both the Company and some of the Group's subsidiaries invest in such funds.

2. Summary of significant accounting policies

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

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual statement of comprehensive income and related notes.

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

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

Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. The financial statements of subsidiaries are prepared for the same reporting year as the Company. Consistent accounting policies are applied, with adjustments being made to bring into line any dissimilar accounting policies.

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

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

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

Associates

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

2. Summary of significant accounting policies (continued)

Foreign currency translation

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

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

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

Assets and liabilities: Closing rate at the date of the statement of financial position
Income and expenses: Average rate
Cash flows: Average rate

Resulting exchange differences on translation of subsidiary financial statements are taken to a currency translation reserve as a separate component of equity. Upon disposal of subsidiaries, the related exchange gains and losses are taken to the statement of comprehensive income.

Non-current assets

Intangible assets

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

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

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of cost against the acquirer's interest in the net fair value of the assets and liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill on acquisitions is not amortised.

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

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

Biological assets

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

Notes to the Accounts
continued

2. Summary of significant accounting policies (continued)

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

Investment property

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

Property, plant and equipment

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

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

The following useful lives apply:

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

Investments

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

Financial assets at fair value through profit and loss

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

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

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

Valuation methodologies used are as follows:

- investments where fair value derives mainly from the underlying assets, such as funds managed by fund managers, are valued at net asset value using appropriate valuation measures for the underlying assets and liabilities;

2. Summary of significant accounting policies (continued)

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

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

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

Loans and receivables

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

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

Derivative instruments and hedging

The Group and Company use derivative instruments as part of their asset management activities to manage exposures to foreign currency risk. The Company does not use derivative financial instruments for speculative purposes. The Group and Company apply cash flow hedge accounting and the Group applies hedging of net investments in foreign operations, when the specified criteria are met to obtain hedge accounting treatment. At the time a financial instrument is designated as a hedge, the Group and Company formally document the relationship between the hedging instrument(s) and the hedged item(s), including its risk management objectives and its strategy in undertaking the hedge transaction together with the methods that will be used to assess the effectiveness of the hedging relationship. Accordingly, the Group and Company formally assess both at inception of the hedge and on an ongoing basis, whether the hedging derivatives have been 'highly effective' in offsetting changes in the fair value or cash flows of the hedged items. A hedge is normally regarded as highly effective if, at inception and in subsequent periods, the hedge is expected to be achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated and that actual results are within a range of 80% to 125%. In the case of

Notes to the Accounts
continued

2. Summary of significant accounting policies (continued)

hedging a forecast transaction, the transaction must be highly probable and must present an exposure to variations in cash flows that could ultimately affect reported net profit or loss. The Group and Company discontinue hedge accounting when it is determined that a derivative is not, or has ceased to be, highly effective as a hedge; when the derivative expires; when the hedged item matures or is sold or repaid; or when a forecast transaction is no longer deemed highly probable.

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

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

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

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

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

Cash and cash equivalents

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

Inventories

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

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

Impairment of assets

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

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

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

Financial liabilities

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

2. Summary of significant accounting policies (continued)

Provisions, contingent liabilities and contingent assets

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

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

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

Revenue

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

Sale of goods

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

Dividends

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

Interest

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

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

Employee benefits

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

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

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

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

Income tax

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

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

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

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

Notes to the Accounts
continued

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

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

Borrowing costs
Borrowing costs are recognised as an expense when incurred.

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

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

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

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

New standards and interpretations adopted
During 2009, the Group adopted IFRS 8, Operating Segments, IAS 1, Presentation of Financial Statements (Revised 2007) and IFRS 7, Improving Disclosure about Financial Instruments. IAS 1 aims to improve users' ability to analyse and compare information given in financial statements. The adoption of the revised standard had no effect on the results reported in the Group or Company financial statements, though did result in certain presentational changes, including:

- the presentation of all items of income and expenditure in the consolidated statement of comprehensive income; and
- the renaming of the income statement to the statement of comprehensive income, the balance sheet to the statement of financial position and the cash flow statement to the statement of cash flows.

IFRS 8 requires an entity to present segment information on the same basis as the financial information which is reviewed regularly by management to assess performance. The information set out in note 3 presents the summarised financial information in order to explain more fully CDC's investment activities as a fund of funds together with the financial results that are presented under IFRS in which CDC consolidates all businesses where it has a controlling interest.

IFRS 7 requires additional disclosures in the Group and Company financial statements including a three level fair value hierarchy of fair value financial assets, as set out in note 11.

The following standards and interpretations were effective for accounting periods commencing on or after 1 July 2009: IFRS 3R – Business Combinations; IAS 27 Amendment – Consolidated and Separate Financial Statements; Amendments to IAS 39 – Eligible Hedge Items and Reclassification of Financial Assets; IFRS 1R – Structural Amendment; IFRIC 17 – Distributions of Non-Cash Assets to Owners; and IFRIC 18 – Transfers of Assets from Customers.

The Directors do not anticipate that the adoption of these standards will have a material impact on the Group's financial statements in the period of initial application.

3. Operating segments analysis

CDC has one business segment, which is its fund of funds business. Management reports containing key performance indicators for the fund of funds business are prepared on a quarterly basis for review by the Board. Detailed commentary on CDC's key performance indicators can be found in the Performance Review on pages 8 to 9. Key performance indicators for the business include total return after tax; portfolio; fund drawdowns and fund cash generated. Total return after tax reflects the performance of the business and includes unrealised value movements that are contained within the portfolio at valuation in the statement of financial position. Fund drawdowns and fund cash generated reflect the cash outflows and inflows of the fund of funds business.

Within the management reports of the fund of funds business, CDC consolidates subsidiaries that invest in funds and investments. It does not consolidate underlying investee companies that undertake activities other than investing. In the primary statements, these include businesses that operate in the power sector, financial services and forestry. The main reconciling item between the management reports and the primary statements is the inclusion of the subsidiaries consolidated in the primary statements that are not consolidated in the management reports. In the management reports, these subsidiaries are shown as investments at valuation, giving a second reconciling item which is the removal of the valuation adjustments against these subsidiaries. Lastly there are classification and other differences, some relating to the portfolio, such as the classification of yield and some relating to non-portfolio items such as tax and bank interest. Other differences include intercompany and consolidation adjustments.

Statement of comprehensive income

			Reconciling items				
	Note	Fund of funds business management reports 2009 £m	Reclassify portfolio items 2009 £m	Consolidated subsidiaries valuation adjustments 2009 £m	Add in consolidated subsidiary accounts 2009 £m	Other items and re-classifications 2009 £m	Primary statements 2009 £m
Net realised profits	4a & 12	**61.0**	**(35.4)**	**–**	**0.2**	**–**	**25.8**
Unrealised value movements/ fair value gains and losses	11	**165.5**	**35.3**	**16.9**	**(0.5)**	**–**	**217.2**
Portfolio return		**226.5**	**(0.1)**	**16.9**	**(0.3)**	**–**	**243.0**
Operating costs/administrative expenses	4c	**(12.2)**	**(9.8)**	**–**	**(59.3)**	**–**	**(81.3)**
Other net (expense)/income		**(7.3)**	**9.9**	**–**	**(51.6)**	**(5.1)**	**(54.1)**
Income from sale of goods	4a	**–**	**–**	**–**	**176.6**	**–**	**176.6**
Depreciation	4d	**–**	**–**	**–**	**(13.1)**	**(0.3)**	**(13.4)**
Finance costs	5a	**–**	**–**	**–**	**(16.4)**	**(0.6)**	**(17.0)**
Finance Income	5a	**–**	**–**	**–**	**–**	**8.8**	**8.8**
Tax charge	6	**–**	**–**	**–**	**(7.6)**	**(1.3)**	**(8.9)**
Total return after tax/total comprehensive income		**207.0**	**–**	**16.9**	**28.3**	**1.5**	**253.7**
		2008 £m	2008 £m	2008 £m	2008 £m	2008 £m	2008 £m
Net realised profits	4a & 12	21.9	9.4	–	2.2	–	33.5
Unrealised value movements/ fair value gains and losses	11	(447.1)	(61.5)	4.7	1.3	–	(502.6)
Portfolio return		(425.2)	(52.1)	4.7	3.5	–	(469.1)
Operating costs/administrative expenses	4c	(13.0)	(38.8)	–	(80.3)	–	(132.1)
Other net (expense)/income		79.2	90.9	–	(74.2)	(51.5)	44.4
Income from sale of goods	4a	–	–	–	184.7	–	184.7
Depreciation	4d	–	–	–	(12.7)	(0.3)	(13.0)
Finance costs	5a	–	–	–	(12.7)	(0.8)	(13.5)
Finance Income	5a	–	–	–	0.3	67.7	68.0
Tax charge	6	–	–	–	(6.9)	(1.0)	(7.9)
Total return after tax/total comprehensive income		(359.0)	–	4.7	1.7	14.1	(338.5)

Notes to the Accounts
continued

3. Operating segments analysis (continued)
Statement of financial position

	Note	Fund of funds business management reports 2009 £m	Reconciling items: Reclassify portfolio items 2009 £m	Reconciling items: Consolidated subsidiaries valuation adjustments 2009 £m	Reconciling items: Add in consolidated subsidiary accounts 2009 £m	Reconciling items: Other items and re-classifications 2009 £m	Primary statements 2009 £m
Portfolio	11 & 14*	**1,410.9**	**87.6**	**(51.5)**	**0.7**	**–**	**1,447.7**
Net cash and short term deposits	21	**977.9**	**–**	**–**	**87.1**	**–**	**1,065.0**
Other net assets/(liabilities)		**146.0**	**(87.6)**	**–**	**(34.4)**	**–**	**24.0**
Total net assets attributable to equity holders of the Company		**2,534.8**	**–**	**(51.5)**	**53.4**	**–**	**2,536.7**

	Note	2008 £m	2008 £m	2008 £m	2008 £m	2008 £m	2008 £m
Portfolio	11 & 14*	927.7	230.3	(170.0)	11.2	–	999.2
Net cash and short term deposits	21	1,268.2	–	–	144.7	–	1,412.9
Other net assets/(liabilities)		131.9	(230.3)	–	(23.0)	(7.7)	(129.1)
Total net assets attributable to equity holders of the Company		2,327.8	–	(170.0)	132.9	(7.7)	2,283.0

* Includes loans and receivables only (within and after one year).

Cash flows

	Fund of funds business management reports 2009 £m	Reconciling items: Reclassify portfolio items 2009 £m	Reconciling items: Consolidated subsidiaries valuation adjustments 2009 £m	Reconciling items: Add in consolidated subsidiary accounts 2009 £m	Reconciling items: Other items and re-classifications 2009 £m	Primary statements 2009 £m
Fund drawdowns	**(359.3)**	**–**	**3.9**	**–**	**(13.5)**	**(368.9)**
Fund cash generated	**161.6**	**(15.0)**	**(0.5)**	**0.2**	**(10.5)**	**135.8**
Net fund flows	**(197.7)**	**(15.0)**	**3.4**	**0.2**	**(24.0)**	**(233.1)**
Hedging	**(52.9)**	**52.9**	**–**	**–**	**–**	**–**
Other cash flows	**(39.7)**	**(37.9)**	**–**	**(60.4)**	**20.5**	**(117.5)**
Net decrease in cash and cash equivalents	**(290.3)**	**–**	**3.4**	**(60.2)**	**(3.5)**	**(350.6)**

	2008 £m	2008 £m	2008 £m	2008 £m	2008 £m	2008 £m
Fund drawdowns	(436.0)	–	3.3	–	7.4	(425.3)
Fund cash generated	267.7	8.0	(0.7)	2.2	(8.7)	268.5
Net fund flows	(168.3)	8.0	2.6	2.2	(1.3)	(156.8)
Other cash flows	31.5	(8.0)	–	23.7	(5.4)	41.8
Net decrease in cash and cash equivalents	(136.8)	–	2.6	25.9	(6.7)	(115.0)

4. Income and expenses

	2009 Discontinued operations £m	2009 Continuing operations £m	2009 Total £m	2008 Discontinued operations £m	2008 Continuing operations £m	2008 Total £m
4a. Income						
Sale of goods	**171.7**	**4.9**	**176.6**	172.4	12.3	184.7
Investment income:						
Interest income	**0.5**	**37.8**	**38.3**	0.7	37.6	38.3
Dividend income	**0.5**	**6.7**	**7.2**	1.8	5.0	6.8
Profit/(loss) on disposal of fair value financial assets	**0.2**	**(2.2)**	**(2.0)**	–	26.4	26.4
(Loss)/profit on disposal of subsidiaries	**–**	**(1.2)**	**(1.2)**	–	9.3	9.3
Total income	**172.9**	**46.0**	**218.9**	174.9	90.6	265.5
4b. Other income						
Increase in value of biological assets	**–**	**24.6**	**24.6**	–	10.0	10.0
Loan and guarantee fee income	**–**	**4.7**	**4.7**	–	2.4	2.4
Provision releases on loans and receivables	**–**	**11.8**	**11.8**	–	–	–
Increase in value of investment property	**–**	**–**	**–**	–	2.5	2.5
Income from insurance claim	**–**	**–**	**–**	–	4.9	4.9
Other operating income	**3.1**	**1.4**	**4.5**	6.9	0.4	7.3
Other intragroup income	**–**	**–**	**–**	4.0	(4.0)	–
Total other income	**3.1**	**42.5**	**45.6**	10.9	16.2	27.1
4c. Administrative expenses						
Wages and salaries	**(11.6)**	**(9.9)**	**(21.5)**	(13.2)	(10.3)	(23.5)
Social security costs	**(1.5)**	**(0.7)**	**(2.2)**	(2.2)	(0.1)	(2.3)
Pension costs – defined benefit	**–**	**(0.2)**	**(0.2)**	–	(2.0)	(2.0)
Pension costs – defined contribution	**–**	**(0.4)**	**(0.4)**	–	(0.3)	(0.3)
Total employee benefits expense	**(13.1)**	**(11.2)**	**(24.3)**	(15.4)	(12.7)	(28.1)
Fund management expenses	**–**	**(10.2)**	**(10.2)**	–	(37.7)	(37.7)
Provisions against advances to customers	**–**	**(1.5)**	**(1.5)**	–	(2.5)	(2.5)
Provisions against trade receivables	**(6.3)**	**–**	**(6.3)**	(12.7)	–	(12.7)
Power maintenance costs	**(5.4)**	**(0.1)**	**(5.5)**	(8.2)	(0.1)	(8.3)
Insurance costs	**(3.1)**	**(0.5)**	**(3.6)**	(3.1)	(0.6)	(3.7)
Staff-related other expenses	**(1.3)**	**(1.1)**	**(2.4)**	(2.1)	(0.9)	(3.0)
Consultants' expenses	**(4.3)**	**(2.1)**	**(6.4)**	(5.3)	(3.6)	(8.9)
Office premises expenses	**(0.9)**	**(2.7)**	**(3.6)**	(1.3)	(2.7)	(4.0)
Travel expenses	**(2.1)**	**(1.4)**	**(3.5)**	(2.9)	(1.3)	(4.2)
Deal transaction costs	**–**	**(0.5)**	**(0.5)**	–	(1.4)	(1.4)
Operating lease rentals on property	**–**	**–**	**–**	(1.5)	–	(1.5)
Operating lease rentals on plant and equipment	**(0.9)**	**–**	**(0.9)**	(0.1)	–	(0.1)
Communications costs	**(0.8)**	**(1.5)**	**(2.3)**	(1.2)	(1.0)	(2.2)
Auditors' remuneration (see 4e)	**–**	**(0.3)**	**(0.3)**	(0.4)	(0.9)	(1.3)
Other administrative expenses	**(6.1)**	**(3.9)**	**(10.0)**	(8.8)	(3.7)	(12.5)
Total administrative expenses	**(44.3)**	**(37.0)**	**(81.3)**	(63.0)	(69.1)	(132.1)

The average monthly number of Group employees during the year was 2,154 (2008: 2,468).

Notes to the Accounts
continued

4. Income and expenses (continued)

	2009 Discontinued operations £m	2009 Continuing operations £m	2009 Total £m	2008 Discontinued operations £m	2008 Continuing operations £m	2008 Total £m
4d. Other expenses						
Amortisation of other intangible assets	**(9.8)**	**–**	**(9.8)**	(8.1)	–	(8.1)
Loss on disposal of property, plant and equipment	**(0.9)**	**–**	**(0.9)**	(2.3)	(9.7)	(12.0)
Depreciation and impairment of property, plant and equipment	**(10.5)**	**(2.9)**	**(13.4)**	(12.2)	(0.8)	(13.0)
Provision charges	**–**	**–**	**–**	–	(1.3)	(1.3)
Loans and receivables provision charges	**–**	**–**	**–**	–	(41.9)	(41.9)
Other expenses	**–**	**(2.0)**	**(2.0)**	–	–	–
Total other expenses	**(21.2)**	**(4.9)**	**(26.1)**	(22.6)	(53.7)	(76.3)
4e. Auditors' remuneration						
Audit of the financial statements*	**–**	**(0.2)**	**(0.2)**	–	(0.3)	(0.3)
Other fees to auditors						
Local statutory audits for subsidiaries	**–**	**(0.1)**	**(0.1)**	(0.3)	(0.4)	(0.7)
Taxation services	**–**	**–**	**–**	(0.1)	–	(0.1)
Other services	**–**	**–**	**–**	–	(0.2)	(0.2)
Total auditors' remuneration	**–**	**(0.3)**	**(0.3)**	(0.4)	(0.9)	(1.3)

* Audit fees for the Company amounted to £0.2m (2008: £0.3m).

5a. Finance costs and income

	2009 Discontinued operations £m	2009 Continuing operations £m	2009 Total £m	2008 Discontinued operations £m	2008 Continuing operations £m	2008 Total £m
Interest payable on bank loans and overdrafts	**–**	**(0.5)**	**(0.5)**	(0.1)	(0.3)	(0.4)
Interest payable on other loans	**(1.4)**	**(9.7)**	**(11.1)**	(1.3)	(7.0)	(8.3)
Finance charges payable under finance leases and hire purchase contracts	**(5.4)**	**–**	**(5.4)**	(4.8)	–	(4.8)
Total finance costs	**(6.8)**	**(10.2)**	**(17.0)**	(6.2)	(7.3)	(13.5)
Pension credit	**–**	**3.9**	**3.9**	–	4.7	4.7
Bank interest received	**–**	**4.9**	**4.9**	0.1	63.2	63.3
Total finance income	**–**	**8.8**	**8.8**	0.1	67.9	68.0
Net finance (costs)/income	**(6.8)**	**(1.4)**	**(8.2)**	(6.1)	60.6	54.5

5b. Net foreign exchange differences

	2009 Discontinued operations £m	2009 Continuing operations £m	2009 Total £m	2008 Discontinued operations £m	2008 Continuing operations £m	2008 Total £m
Exchange (losses)/gains arising on fair value financial assets	**(9.6)**	**(104.1)**	**(113.7)**	10.9	366.6	377.5
Exchange gains/(losses) arising on forward foreign exchange contracts	**9.8**	**91.9**	**101.7**	(19.0)	(208.2)	(227.2)
Other foreign exchange (losses)/gains	**2.3**	**(16.0)**	**(13.7)**	–	2.8	2.8
Total net foreign exchange differences	**2.5**	**(28.2)**	**(25.7)**	(8.1)	161.2	153.1

6. Tax

The major components of the tax charge are as follows:

	2009 Discontinued operations £m	2009 Continuing operations £m	2009 Total £m	2008 Discontinued operations £m	2008 Continuing operations £m	2008 Total £m
Current tax						
Current UK tax charge	**–**	**(0.6)**	**(0.6)**	–	(0.1)	(0.1)
Current overseas tax charge	**(5.2)**	**(1.2)**	**(6.4)**	(2.6)	(2.0)	(4.6)
Deferred tax						
Tax charge relating to origination and reversal of temporary differences	**(2.1)**	**0.2**	**(1.9)**	(3.9)	0.7	(3.2)
Tax charge reported in the statement of comprehensive income	**(7.3)**	**(1.6)**	**(8.9)**	(6.5)	(1.4)	(7.9)

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

	2009 Discontinued operations £m	2009 Continuing operations £m	2009 Total £m	2008 Discontinued operations £m	2008 Continuing operations £m	2008 Total £m
Accounting profit/(loss) before tax	**19.5**	**259.4**	**278.9**	2.8	(305.7)	(302.9)
Tax (charge)/credit on the accounting profit/(loss) at the UK tax rate of 28.0% (2008: 28.5%)	**(5.5)**	**(72.6)**	**(78.1)**	(0.8)	87.1	86.3
(Increase)/decrease in charge due to:						
Effect of UK tax exemption*	**–**	**8.2**	**8.2**	–	(84.0)	(84.0)
Effect of overseas taxation	**(4.2)**	**12.7**	**8.5**	0.2	(2.6)	(2.4)
Tax over provided in earlier years	**–**	**(0.1)**	**(0.1)**	(0.2)	(0.5)	(0.7)
Deferred tax assets not recognised	**–**	**6.1**	**6.1**	–	(0.6)	(0.6)
Non-taxable income	**2.4**	**–**	**2.4**	–	0.6	0.6
Expenses not deductible for tax purposes	**–**	**44.5**	**44.5**	(5.7)	(1.1)	(6.8)
Utilisation of previously unrecognised losses brought forward	**–**	**(0.4)**	**(0.4)**	–	(0.3)	(0.3)
Tax charge at an effective tax rate of 3.2% (2008: credit 2.6%)	**(7.3)**	**(1.6)**	**(8.9)**	(6.5)	(1.4)	(7.9)

* The UK tax exemption figure above is the expected tax credit/(charge) on the accounting profit/(loss) of CDC Group plc on a company basis at the UK tax rate of 28.0% (2008: 28.5%).

UK tax exemption

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

Notes to the Accounts
continued

7. Property, plant and equipment

	Group					
	2009 Land and buildings £m	**2009 Plant and equipment £m**	**2009 Total £m**	2008 Land and buildings £m	2008 Plant and equipment £m	2008 Total £m
At 1 January	**6.6**	**189.2**	**195.8**	4.6	140.4	145.0
Additions	**1.4**	**7.9**	**9.3**	1.8	19.0	20.8
Disposals	**–**	**(0.5)**	**(0.5)**	(0.2)	(2.8)	(3.0)
Disposed with subsidiaries	**(3.2)**	**(157.0)**	**(160.2)**	(2.2)	(3.9)	(6.1)
Impairment	**–**	**(1.6)**	**(1.6)**	–	(0.4)	(0.4)
Depreciation charge for the year	**(0.4)**	**(11.4)**	**(11.8)**	–	(12.6)	(12.6)
Exchange adjustment	**(0.4)**	**(16.1)**	**(16.5)**	2.6	49.5	52.1
At 31 December	**4.0**	**10.5**	**14.5**	6.6	189.2	195.8
At 1 January						
Cost	**8.2**	**255.3**	**263.5**	11.6	253.4	265.0
Accumulated depreciation and impairment	**(1.6)**	**(66.1)**	**(67.7)**	(7.0)	(113.0)	(120.0)
Net carrying amount at 1 January	**6.6**	**189.2**	**195.8**	4.6	140.4	145.0
At 31 December						
Cost	**4.9**	**26.6**	**31.5**	8.2	255.3	263.5
Accumulated depreciation and impairment	**(0.9)**	**(16.1)**	**(17.0)**	(1.6)	(66.1)	(67.7)
Net carrying amount at 31 December	**4.0**	**10.5**	**14.5**	6.6	189.2	195.8

Land and buildings with a carrying amount of £3.4m (2008: £2.6m) are subject to a first charge to secure loans due to the Group's lenders.

The £1.6m impairment loss in 2009 (2008: £0.4m) relates to Equatoria Teak Company Limited and DFCU Limited.

Capital expenditure contracted for but not provided for in the accounts amounted to £0.1m (2008: £2.0m).

	Company			
	2009 Plant and equipment £m	**2009 Total £m**	2008 Plant and equipment £m	2008 Total £m
At 1 January	**1.2**	**1.2**	0.1	0.1
Additions	**–**	**–**	1.4	1.4
Depreciation charge for the year	**(0.3)**	**(0.3)**	(0.3)	(0.3)
At 31 December	**0.9**	**0.9**	1.2	1.2
At 1 January				
Cost	**9.4**	**9.4**	8.5	8.5
Accumulated depreciation and impairment	**(8.2)**	**(8.2)**	(8.4)	(8.4)
Net carrying amount at 1 January	**1.2**	**1.2**	0.1	0.1
At 31 December				
Cost	**9.4**	**9.4**	9.4	9.4
Accumulated depreciation and impairment	**(8.5)**	**(8.5)**	(8.2)	(8.2)
Net carrying amount at 31 December	**0.9**	**0.9**	1.2	1.2

8. Biological assets

	Group	
	2009 £m	2008 £m
At 1 January, at fair value	**12.5**	9.6
Additions	**1.1**	1.3
Disposals	**–**	(9.8)
Disposed with subsidiaries	**–**	(1.9)
Increase in fair value for the period	**24.6**	10.0
Exchange adjustment	**(2.1)**	3.3
At 31 December, at fair value	**36.1**	12.5

Biological assets consist of tea plantations, forests, an arable farm, livestock and sugarcane plantations. CDC sold subsidiary holding an arable farm in 2008. The fair values of the remaining assets have been determined using the following methods and using the following significant assumptions:

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

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

	2009 Mature £m	**2009 Immature £m**	**2009 Total £m**	2008 Mature £m	2008 Immature £m	2008 Total £m
Tea plantations	**0.5**	**–**	**0.5**	0.3	0.1	0.4
Forests	**18.2**	**17.4**	**35.6**	9.5	–	9.5
Sugarcane plantations	**–**	**–**	**–**	1.3	1.0	2.3
Livestock	**–**	**–**	**–**	0.2	0.1	0.3
	18.7	**17.4**	**36.1**	11.3	1.2	12.5

Biological assets with a carrying value of £19.3m (2008: £12.1m) were pledged as security for liabilities.

Output of agricultural produce in the period was as follows:

	2009 Tonnes	2008 Tonnes
Tea leaves	**581**	551
Timber	**27**	276
Sugarcane	**–**	26,067
Livestock	**–**	10

Notes to the Accounts
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9. Investment property

	Group	
	2009 £m	2008 £m
At 1 January, at fair value	**31.1**	0.2
Additions	**–**	7.4
Transfers (to)/from fair value financial assets	**(27.4)**	15.0
Increase in fair value for the period	**–**	2.5
Exchange adjustment	**(0.3)**	6.0
At 31 December, at fair value	**3.4**	31.1

Investment properties are stated at fair value, which has been determined based on valuations performed by Directors of the Group's property subsidiaries as at 31 December 2009 and the prior year. All officials involved in the valuation process are industry specialists in valuing these types of investment properties. The valuations undertaken were based on open market value, supported by market evidence in which assets could be exchanged by willing buyers and sellers on an arm's length basis.

10. Intangible assets

	Group					
	2009 Brands, patents and copyrights £m	**2009 Goodwill £m**	**2009 Total £m**	2008 Brands, patents and copyrights £m	2008 Goodwill £m	2008 Total £m
At 1 January	**75.8**	**–**	**75.8**	57.9	–	57.9
Additions	**15.3**	**–**	**15.3**	11.2	–	11.2
Disposals	**(3.7)**	**–**	**(3.7)**	–	–	–
Disposed with subsidiaries	**(71.9)**	**–**	**(71.9)**	–	–	–
Amortisation charge for the year	**(9.8)**	**–**	**(9.8)**	(8.1)	–	(8.1)
Exchange adjustment	**(5.7)**	**–**	**(5.7)**	14.8	–	14.8
At 31 December	**–**	**–**	**–**	75.8	–	75.8
At 1 January						
Cost	**90.8**	**0.8**	**91.6**	64.8	0.8	65.6
Accumulated amortisation and impairment	**(15.0)**	**(0.8)**	**(15.8)**	(6.9)	(0.8)	(7.7)
Net carrying amount at 1 January	**75.8**	**–**	**75.8**	57.9	–	57.9
At 31 December						
Cost	**–**	**0.8**	**0.8**	90.8	0.8	91.6
Accumulated amortisation and impairment	**–**	**(0.8)**	**(0.8)**	(15.0)	(0.8)	(15.8)
Net carrying amount at 31 December	**–**	**–**	**–**	75.8	–	75.8

The carrying value of assets held under finance leases and hire purchase contracts at 31 December 2009 was £nil (2008: £70.5m). Additions of assets held under finance leases held by subsidiaries disposed of during the year were £15.3m (2008: £11.2m).

11. Fair value financial assets

	Group					
	2009 Shares – listed £m	**2009 Shares – unlisted £m**	**2009 Total £m**	2008 Shares – listed £m	2008 Shares – unlisted £m	2008 Total £m
At 1 January, at fair value	**0.6**	**937.4**	**938.0**	6.5	954.3	960.8
Additions	**–**	**317.5**	**317.5**	–	420.7	420.7
Disposals	**(2.8)**	**(118.1)**	**(120.9)**	–	(229.1)	(229.1)
Disposed with subsidiaries	**–**	**(9.1)**	**(9.1)**	–	–	–
Transfers to/(from) investment properties	**–**	**27.4**	**27.4**	–	(15.0)	(15.0)
Increase/(decrease) in fair value for the period	**4.7**	**212.5**	**217.2**	(2.6)	(500.0)	(502.6)
Transfers	**–**	**106.1**	**106.1**	(0.2)	0.2	–
Exchange adjustment	**0.3**	**(132.4)**	**(132.1)**	(3.1)	306.3	303.2
At 31 December, at fair value	**2.8**	**1,341.3**	**1,344.1**	0.6	937.4	938.0

11. Fair value financial assets (continued)

	Company							
	2009 Shares – listed £m	**2009 Shares – unlisted £m**	**2009 Shares held in Group companies £m**	**2009 Total £m**	2008 Shares – listed £m	2008 Shares – unlisted £m	2008 Shares held in Group companies £m	2008 Total £m
At 1 January, at fair value	**0.6**	**873.6**	**748.3**	**1,622.5**	2.4	732.0	774.7	1,509.1
Additions	**–**	**301.9**	**–**	**301.9**	–	422.1	4.4	426.5
Disposals	**(2.8)**	**(118.0)**	**(48.7)**	**(169.5)**	–	(129.3)	(7.7)	(137.0)
Increase/(decrease) in fair value for the period	**2.0**	**186.4**	**(230.5)**	**(42.1)**	(1.8)	(441.6)	(23.1)	(466.5)
Transfers	**–**	**79.1**	**–**	**79.1**	–	–	–	–
Exchange adjustment	**0.2**	**(97.4)**	**–**	**(97.2)**	–	290.4	–	290.4
At 31 December, at fair value	**–**	**1,225.6**	**469.1**	**1,694.7**	0.6	873.6	748.3	1,622.5

Listed shares are included within Level 1 of the fair value hierarchy, while unlisted shares and shares in Group Companies (except investments in DFCU Limited of £29.9m which are classified as Level 1) are included within Level 3. CDC holds no Level 2 investments.

The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

12. Discontinued operations

During 2009, the Group sold its investments in power subsidiaries to Actis Infrastructure Fund II, L.P. This transaction completed CDC's divestment from directly held investments in power subsidiaries following the disposal of other power subsidiaries in 2007.

	Notes	**2009 To date of disposal £m**	2008 £m
Income	4a	**172.9**	174.9
Cost of sales		**(86.5)**	(82.5)
Gross profit		**86.4**	92.4
Fair value gains and losses		**–**	(0.7)
Other income	4b	**3.1**	10.9
Selling and distribution expenses		**(0.2)**	–
Administrative expenses	4c	**(44.3)**	(63.0)
Other expenses	4d	**(21.2)**	(22.6)
Profit from operations before tax and finance costs		**23.8**	17.0
Finance costs	5a	**(6.8)**	(6.2)
Finance income		**–**	0.1
Net foreign exchange differences		**2.5**	(8.0)
Profit before tax		**19.5**	2.9
Tax charge	6	**(7.3)**	(6.5)
Profit/(loss) for the year		**12.2**	(3.6)

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

	2009 To date of disposal £m	2008 £m
Profit from discontinued operations before tax and finance cost	**19.5**	2.8
Cash flows from operating activities from discontinued operations	**14.2**	39.2
Cash flows from investing activities from discontinued operations	**(36.2)**	(19.8)
Cash flows from financing activities from discontinued operations	**(46.4)**	–
Net increase in cash and cash equivalents from discontinued operations	**(68.4)**	19.4

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

	Note	2009 To date of disposal £m	2008 £m
Property, plant and equipment	7	**160.2**	182.7
Intangible assets	10	**71.9**	72.3
Fair value financial assets		**9.1**	9.9
Deferred tax assets	15	**0.1**	–
Non-current assets		**241.3**	264.9
Inventories		**10.8**	11.6
Trade and other receivables		**46.3**	36.8
Prepayments		**4.7**	5.3
Derivative financial instruments		**0.2**	–
Cash and cash equivalents		**96.9**	73.2
Current assets		**158.9**	126.9
Total assets		**400.2**	391.8
Trade and other payables within one year		**113.1**	111.0
Interest-bearing loans and borrowings within one year		**84.7**	14.7
Current liabilities		**197.8**	125.7
Interest-bearing loans and borrowings		**164.7**	238.3
Deferred income tax liabilities	15	**15.1**	16.9
Non-current liabilities		**179.8**	255.2
Total liabilities		**377.6**	380.9
Total net assets at book value		**22.6**	10.9
Minority interests		**0.8**	
Goodwill eliminated on disposal		**2.6**	
Net assets disposed		**26.0**	
Value attributed to assets transferred to existing fund		**79.6**	
Deduct: loans outstanding with CDC Group plc		**(32.3)**	
Direct selling costs		**(0.3)**	
Exchange gains recycled from equity		**8.0**	
		55.0	
Profit on disposal		**29.0**	
Total disposal consideration, net of selling expenses		**79.6**	
Cash and cash equivalents disposed of		**(96.9)**	
Cash outflow on disposal		**(17.3)**	

13. Disposals

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

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

	2008 Total £m
Property, plant and equipment	6.1
Biological assets	1.9
Inventories	0.8
Trade and other receivables	0.7
Cash and cash equivalents	0.1
Total assets	9.6
Trade and other payables	(1.9)
Interest-bearing loans and borrowings	(3.5)
Total net assets at book value	4.2
Deferred tax liabilities	(0.6)
Net assets disposed	3.6
Cash proceeds	11.9
Exchange gains recycled from equity	1.0
Profit on disposal	9.3
Total disposal consideration received	11.9
Cash and cash equivalents (including overdrafts) disposed of	(0.1)
Cash inflow on disposals	11.8

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

	2008 Total £m
Income	0.5
Cost of sales	(0.7)
Gross loss	(0.2)
Other income	0.5
Administrative and other expenses	(0.4)
Net interest payable	(0.1)
Foreign currency gains	0.5
Profit for the period to the date of disposal	0.3
Profit for the prior year	0.6

Notes to the Accounts
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14. Other financial assets (non-current)

	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Loans and receivables due from third parties	**71.7**	46.9	**70.4**	29.9
Loans and receivables due from Group undertakings	**–**	–	**106.1**	154.2
Advances to customers	**52.6**	77.0	**–**	–
Prepayments	**–**	0.5	**–**	–
Other receivables	**2.1**	2.7	**2.1**	2.7
At 31 December	**126.4**	127.1	**178.6**	186.8

The movement in loans and receivables was as follows:

	Group 2009 £m	Group 2008 £m	Company 2009 Due from third parties £m	Company 2009 Due from Group undertakings £m	Company 2008 Due from third parties £m	Company 2008 Due from Group undertakings £m
At 1 January	**61.2**	87.7	**42.3**	**154.2**	70.0	114.6
New loans advanced	**51.4**	4.6	**50.1**	**5.8**	4.6	1.2
Loan repayments	**(16.9)**	(13.0)	**(16.8)**	**(1.2)**	(12.1)	(2.5)
Provision release/(charge) for the year	**11.8**	(41.9)	**10.6**	**13.0**	(40.2)	(14.6)
Transfers	**0.3**	0.3	**–**	**(44.9)**	0.2	–
Exchange adjustment	**(4.2)**	23.5	**(3.1)**	**(20.8)**	19.8	55.5
At 31 December	**103.6**	61.2	**83.1**	**106.1**	42.3	154.2
Less: Loans and receivables due within one year (note 18)	**(31.9)**	(14.3)	**(12.7)**	**–**	(12.4)	–
At 31 December	**71.7**	46.9	**70.4**	**106.1**	29.9	154.2

15. Deferred tax assets and liabilities

	Group 2009 £m	Group 2008 £m
Deferred tax assets		
Biological assets	**1.1**	1.2
Fair value financial assets	**0.4**	0.4
Losses	**0.8**	0.8
Total deferred tax assets	**2.3**	2.4
Deferred tax liabilities		
Property, plant and equipment	**(0.1)**	(17.1)
Investment property	**(0.2)**	(0.2)
Intangible assets	**(0.9)**	(1.1)
Other financial assets	**(0.1)**	(0.2)
Other liabilities	**(0.7)**	(0.5)
Total deferred tax liabilities	**(2.0)**	(19.1)
Net deferred tax assets/(liabilities)	**0.3**	(16.7)

15. Deferred tax assets and liabilities (continued)

Included within deferred tax assets is £0.8m (2008: £0.8m) relating to tax losses, recoverability of which is dependent on future taxable profits in excess of those arising from the reversal of deferred tax liabilities.

At 31 December 2009, the Group had carried forward losses of £17.5m (2008: £4.4m) for which no deferred tax asset was recognised due to the uncertainty of future profits. These unrecognised deferred tax assets amount to £4.9m (2008: £1.2m).

Movement in temporary differences during the year

	At 1 January 2009 £m	**Disposed with subsidiaries £m**	**Utilised during the year £m**	**(Charge)/ credit for the year £m**	**Exchange adjustment £m**	**At 31 December 2009 £m**
Property, plant and equipment	**(17.1)**	**17.4**	**0.8**	**(2.7)**	**1.5**	**(0.1)**
Biological assets	**1.2**	**–**	**0.1**	**(0.1)**	**(0.1)**	**1.1**
Investment property	**(0.2)**	**–**	**–**	**–**	**–**	**(0.2)**
Intangible assets	**(1.1)**	**(2.2)**	**1.6**	**0.7**	**0.1**	**(0.9)**
Fair value financial assets	**0.4**	**–**	**–**	**–**	**–**	**0.4**
Other financial assets	**(0.2)**	**–**	**–**	**0.1**	**–**	**(0.1)**
Losses	**0.8**	**–**	**–**	**–**	**–**	**0.8**
Other assets/liabilities	**(0.5)**	**(0.2)**	**(0.1)**	**0.1**	**–**	**(0.7)**
Total	**(16.7)**	**15.0**	**2.4**	**(1.9)**	**1.5**	**0.3**

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

Notes to the Accounts
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16. Pension commitments

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

An actuarial valuation of the CDC Pensions Scheme was carried out on 31 March 2006. The valuation showed a deficit of £48.0m (based on the Technical Provisions as defined in section 222(2) of the Pensions Act 2004, on an ongoing funding basis, which takes into account the current investment strategy of the scheme, minus the value of the scheme's assets). CDC and the trustees of the scheme agreed a Statutory Funding Objective Recovery Plan whereby CDC paid an additional contribution of £10.0m into the CDC Pensions Scheme in 2006 and is scheduled to make additional payments of £11.3m per annum in the years 2007 to 2010 inclusive. The estimated deficit if the scheme was wound up on 31 March 2006 on the buy-out basis, was approximately £150.0m.

Under new powers conferred on them by legislation, the trustees of the scheme, as a secondary funding objective to have sufficient assets to cover the scheme's closed fund liabilities, sought additional assurance from the Company. It was agreed that the Company would fund a contingent asset up to a level which assumes no further contributions from the Company and that a low-risk investment policy is adopted by the CDC Pensions Scheme, to provide security to the Pensions Scheme trustees. Accordingly, in 2006 the Company paid £74.0m into the Contingent Asset Trust 2006, which principally holds bond and cash investments. The terms of the Trust allow funds to be drawn by the CDC Pensions Scheme to fund any deficit, but funds can be returned to the Company if they are not required by the CDC Pensions Scheme. The next periodic valuation of the scheme is as at 31 March 2009 but the results are not yet available.

During 2009 the Pensions Scheme Trustees, with the agreement of CDC, purchased a bulk annuity policy which covered the current entitlement of all members of the defined benefit section of the Pensions Scheme. As part of the transaction, the assets in the Contingent Asset Trust were utilised. This substantially reduces the chance that scheme assets will diverge in value from the scheme liabilities.

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

	2009 %	2008 %	2007 %	2006 %
Main assumptions:				
Discount rate	**5.6**	6.3	5.6	4.9
Inflation assumption	**3.7**	2.8	3.4	3.0
Rate of salary increases	**5.3**	4.3	4.9	4.5
Rate of increase in pension payment:				
Pre 1 May 1996 joiners (for pensions accrued before 1 April 2000)	**5.0**	5.0	5.0	5.0
Pre 1 May 1996 joiners (for pensions accrued after 31 March 2000) and post 30 April 1996 joiners	**3.7**	3.0	3.4	3.0
Rate of increase for deferred pensions	**3.7**	2.8	3.4	3.0
Expected rates of return on scheme assets:				
Equities	**n/a**	8.1	8.1	8.0
Bonds	**5.6**	5.5	5.2	4.9
Property	**n/a**	7.2	7.0	6.4
Cash/net current assets	**4.5**	3.6	5.3	4.0
Contingent Asset Trust 2006	**n/a**	5.2	5.0	4.0

The 2009 preliminary scheme valuation used 95% and 75% (for males and females respectively) of SAPS 'SI' series light tables, weighted by amounts (as published by the Continuous Mortality Investigation Bureau of the Institute and Faculty of Actuaries) with medium cohort improvements to 2009. The valuation of liabilities at 31 December 2009 has used the same mortality assumptions except for a revision to future mortality improvement by using long cohort and applying a 0.5% minimum to the annual level of future improvement. The table below summarises the life expectancies for pensioners reaching age 60, both for a single member and also a member and a surviving spouse. The corresponding figures from the 2008 valuation are shown in brackets.

16. Pension commitments (continued)

Life expectancy of a pensioner reaching age 60	Male	Female	Male joint	Female joint
In 2019	29.8	33.2	35.5	34.7
In 2018	(31.0)	(34.1)	(36.6)	(35.7)
In 2009	29.0	32.5	34.8	34.0
In 2008	(30.2)	(33.4)	(36.0)	(35.1)

The value of scheme liabilities is mostly affected by the assumptions on discount rate and life expectancy as the scheme is very mature. An increase in the discount rate assumption of 0.25% decreases scheme liabilities by 4.6%. An increase in life expectancy by one year increases scheme liabilities by 3.2%.

	2009 £m	2008 £m
Assets and liabilities of the scheme at 31 December		
Equities	**–**	34.3
Bonds	**2.4**	170.3
Property	**8.6**	10.8
Buy-in contract with Rothesay Life	**271.2**	–
Cash	**–**	44.1
Net current liabilities	**(7.5)**	–
Contingent Asset Trust 2006	**–**	80.9
Pension assets	**274.7**	340.4
Present value of pension liabilities	**(279.8)**	(241.9)
(Deficit)/surplus at end of year	**(5.1)**	98.5
Unrecognised actuarial loss	**139.7**	20.7
Net pension asset	**134.6**	119.2

	2009 £m	2008 £m
Changes in the fair value of plan assets		
At 1 January	**340.4**	342.9
Expected return on scheme assets	**18.8**	20.3
Employer contributions	**11.7**	11.7
Benefits paid	**(9.7)**	(9.0)
Expected value of plan assets at end of year	**361.2**	365.9
Actuarial loss on scheme assets	**(86.5)**	(25.5)
At 31 December	**274.7**	340.4

	2009 £m	2008 £m
Return on assets for the year		
Expected return on scheme assets	**18.8**	20.3
Actuarial loss on scheme assets	**(86.5)**	(25.5)
Actual return on scheme assets	**(67.7)**	(5.2)

	2009 £m	2008 £m
Changes in the present value of the defined benefit pension obligations		
At 1 January	**(241.9)**	(281.3)
Current service cost	**(0.2)**	(0.3)
Interest cost	**(14.9)**	(15.6)
Benefits paid	**9.7**	9.0
Expected defined benefit obligation at end of year	**(247.3)**	(288.2)
Actuarial (loss)/gain on defined benefit obligation	**(32.5)**	46.3
At 31 December	**(279.8)**	(241.9)

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16. Pension commitments (continued)

	2009 £m	2008 £m
Amortisation of unrecognised net loss in year		
Corridor	**28.0**	34.0
Accumulated unrecognised net loss at 31 December	**139.7**	20.7
Accumulated unrecognised net loss at 31 December above corridor	**111.7**	–
Amount amortised and recognised in next year	**22.3**	–

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

	2009 £m	2008 £m
Development of unrecognised net loss		
Accumulated unrecognised net loss at 1 January	**20.7**	43.2
Amount recognised in year	**–**	(1.7)
Actuarial loss/(gain) on defined benefit obligation	**32.5**	(46.3)
Actuarial loss on scheme assets	**86.5**	25.5
Accumulated unrecognised net loss at 31 December	**139.7**	20.7

	2009 £m	2008 £m
Amounts recognised in the Group's statement of comprehensive income for the year		
Current defined benefit service cost	**(0.2)**	(0.3)
Recognition of net loss from prior year	**–**	(1.7)
Administrative expenses (note 4c)	**(0.2)**	(2.0)
Expected return on scheme assets	**18.8**	20.3
Interest cost on scheme liabilities	**(14.9)**	(15.6)
Finance income (note 5a)	**3.9**	4.7
Total defined benefit pension income	**3.7**	2.7

	2009 £m	2008 £m
Reconciliation of net pension asset:		
At 1 January	**119.2**	104.8
Pension income	**3.7**	2.7
Employer contributions to the CDC Pensions Scheme	**11.7**	11.7
At 31 December	**134.6**	119.2

	2009 £m	2008 £m	2007 £m	2006 £m
History of experience gains and losses:				
Fair value of scheme assets	**274.7**	340.4	342.9	326.3
Present value of defined benefit obligation	**(279.8)**	(241.9)	(281.3)	(284.0)
(Deficit)/surplus in the scheme	**(5.1)**	98.5	61.6	42.3
Actuarial loss on plan assets	**(86.5)**	(25.5)	(3.5)	(0.7)
Loss on assets as a percentage of assets at end of year	**(31.5%)**	(7.5%)	(1.0%)	(0.2%)
Gain/(loss) on defined benefit obligation due to experience	**5.6**	3.1	(0.5)	(2.1)
Gain/(loss) on defined benefit obligation due to experience as a percentage of defined benefit obligation at end of year	**2.0%**	1.3%	(0.2%)	(0.7%)

17. Inventories

	Group		Company	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Raw materials	**0.7**	0.6	**–**	–
Finished goods	**0.7**	12.1	**–**	–
Total inventories	**1.4**	12.7	**–**	–

18. Trade and other receivables

	Group		Company	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Trade receivables	**0.1**	31.0	**–**	–
Loans and receivables due from third parties	**31.9**	14.3	**12.7**	12.4
Amounts receivable under finance leases	**–**	0.9	**–**	0.9
Advances to customers	**52.8**	22.2	**–**	–
Amounts owed by Group undertakings	**–**	–	**6.8**	42.5
VAT recoverable	**0.2**	1.4	**0.2**	1.4
Other receivables*	**37.9**	12.8	**34.8**	6.0
Total trade and other receivables	**122.9**	82.6	**54.5**	63.2

* Other receivables includes £32.3m, an advance to former subsidiaries divested in 2009.

19. Financial instruments

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

	Group		Company	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Foreign exchange contracts in profit	**22.8**	24.4	**22.8**	23.4
Foreign exchange contracts in loss	**(94.2)**	(254.7)	**(91.7)**	(248.9)
Other derivatives in loss	**(16.2)**	–	**–**	–
	(87.6)	(230.3)	**(68.9)**	(225.5)

In the statement of financial position, these are analysed as follows:

	Group		Company	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Non-current assets	**3.3**	10.1	**3.3**	9.1
Current assets	**19.5**	14.3	**19.5**	14.3
Non-current liabilities	**(32.8)**	(151.0)	**(32.8)**	(146.0)
Current liabilities	**(77.6)**	(103.7)	**(58.9)**	(102.9)
	(87.6)	(230.3)	**(68.9)**	(225.5)

Notes to the Accounts
continued

19. Financial instruments (continued)
Cash flow hedges
At 31 December 2009, the Company and Group held nil (2008: four) forward foreign exchange contracts (FFECs) designated as cash flow hedges of future interest to protect against adverse fluctuations between Sterling and US dollars in connection with the scheduled receipts of interest in relation to loans advanced by the Company and the Group. These FFECs amounted to US$nil (2008: US$6.2m) at an average spot price of nil (2008: 1.76) to sell US$ for £nil (2008: £3.5m).

At 31 December 2009, these FFECs had a fair value of £nil (2008: £0.7m), of which £nil has been included within derivative financial instruments in current liabilities (2008: £0.1m) and £nil has been included within derivative financial instruments in non-current liabilities (2008: £0.6m included within derivative financial instruments in non-current assets).

These cash flow hedges were assessed to be highly effective throughout the year and unrealised losses of £nil (2008: loss of £0.7m) were included in equity in respect of these contracts. These contracts have no deferred tax consequences as the Company is exempt from UK corporation tax.

During the year, four FFECs (2008: three FFECs) which were designated as cash flow hedges were settled when their forecast transactions occurred. Consequently, losses of £0.7m (2008: gains of £0.5m) which were previously recognised directly in equity were transferred to the statement of comprehensive income.

Net investment in foreign operations
At 31 December 2009, the Group held nil FFECs (2008: 13 FFECs) designated as hedges of the net investments in its subsidiaries in the power sector, all of which have US dollar functional currencies. These FFECs amounted to US$nil (2008: US$109.0m) at an average spot price of nil (2008: 1.7996) to sell US$ for £nil (2008: £60.6m).

At 31 December 2009, these FFECs had a fair value of £nil (2008: £14.0m), of which £nil are in loss and £nil in profit (2008: £20.5m in loss and £6.5m in profit). Of the £nil FFECs in profit, £nil (2008: £6.5m) has been included within derivative financial instruments in current assets and £nil (2008: £nil) has been included within derivative financial instruments in non-current assets. Of the £nil FFECs in loss (2008: £20.5m in loss), £nil (2008: £15.3m) has been included within derivative financial instruments in current liabilities and £nil (2008: £5.2m) has been included within derivative financial instruments in non-current liabilities.

Gains or losses arising from the movement in fair values of FFECs designated as net investments in foreign operations are transferred to equity to offset any gains or losses on translation of the net investment in the subsidiaries. Gains or losses arising from the movement in fair values of FFECs settled following the disposal of a subsidiary are transferred to the statement of comprehensive income. In 2009 £9.8m was recognised in the statement of comprehensive income following the settlement of these FFECs (2008: £nil). These net investments in foreign operations hedges were assessed to be highly effective throughout the year and cumulative unrealised gains of £nil and cumulative unrealised losses of £nil are included in equity in respect of these contracts (2008: cumulative unrealised gains of £6.4m and cumulative unrealised losses of £20.5m). These contracts have no deferred tax consequences as the Company is exempt from UK corporation tax.

Derivatives not designated for hedge accounting
At 31 December 2009, the Group held 117 FFECs (2008: 132 FFECs) which were not designated for the purposes of hedge accounting, but were used to mitigate the currency effects on the Group's US$, South African rand (ZAR), Euro and Indian rupee (INR) denominated investments and outstanding commitments. These FFECs amounted to US$1,582.9m (2008: US$1,483.0m) at an average spot price of 1.7258 (2008: 1.8266) to sell US$ for £917.2m (2008: £812.0m) on a range of dates to May 2012, ZAR127.9m (2008: ZAR88.2m) at an average spot price of 15.4477 (2008: 15.4017) to sell ZAR for £8.3m (2008: £5.8m) on a range of dates to July 2011, €21.7m (2008: €13.4m) at an average spot price of 1.1701 (2008: 1.3573) to sell Euros for £18.5m (2008: £9.9m) on a range of dates to September 2011 and INR nil (2008: INR nil) at an average spot price of nil (2008: nil) to sell INR for £2.0m (2008: £2.0m) on a range of dates to May 2010.

19. Financial instruments (continued)

At 31 December 2009, these derivative financial instruments had a fair value of £87.6m (2008: £210.8m), of which £22.8m (2008: £12.7m) are in profit. Of the £22.8m derivative financial instruments in profit, £19.5m (2008: £7.2m) has been included within derivative financial instruments in current assets and £3.3m (2008: £5.5m) has been included within derivative financial instruments in non-current assets. Of the £110.4m (2008: £223.5m) in loss, £77.6m (2008: £86.9m) has been included within derivative financial instruments in current liabilities and £32.8m (2008: £136.6m) has been included within derivative financial instruments in non-current liabilities.

Gains or losses arising from the movement in fair values of these derivative financial instruments are taken to the statement of comprehensive income.

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in managing the risks of the Group can be found in the Performance Review on page 14.

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

Interest rate exposures – Group

	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
2009 Financial assets: Cash							
Sterling	**–**	**3.2**	**0.1**	**3.3**	**–**	**–**	*
US dollars	**–**	**4.3**	**4.0**	**8.3**	**–**	**–**	*
Other currencies	**–**	**7.4**	**4.8**	**12.2**	**–**	**–**	*
Total	**–**	**14.9**	**8.9**	**23.8**	**–**	**–**	*
2008 Financial assets: Cash							
Sterling	–	4.6	3.6	8.2	–	–	*
US dollars	–	61.7	2.4	64.1	–	–	*
Other currencies	–	23.9	7.2	31.1	–	–	*
Total	–	90.2	13.2	103.4	–	–	*
2009 Financial assets: Short-term deposits receivable within 90 days							
Sterling	**–**	**513.4**	**–**	**513.4**	**–**	**–**	*
US dollars	**0.4**	**450.6**	**11.1**	**462.1**	**1.0**	**1.0**	*
Other currencies	**12.3**	**–**	**4.0**	**16.3**	**1.0**	**1.0**	*
Total	**12.7**	**964.0**	**15.1**	**991.8**	**1.0**	**1.0**	*
2008 Financial assets: Short-term deposits receivable within 90 days							
Sterling	–	1,183.9	0.2	1,184.1	–	–	*
US dollars	8.2	59.6	6.1	73.9	2.5	0.1	*
Other currencies	–	4.4	5.1	9.5	–	–	*
Total	8.2	1,247.9	11.4	1,267.5	2.5	0.1	*

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

Notes to the Accounts
continued

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

	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
2009 Financial assets: Treasury bills and bonds							
Other currencies	**49.4**	**–**	**–**	**49.4**	**1.0**	**–**	**–**
Total	**49.4**	**–**	**–**	**49.4**	**1.0**	**–**	**–**
2008 Financial assets: Treasury bills and bonds							
Other currencies	42.0	–	–	42.0	16.8	–	–
Total	42.0	–	–	42.0	16.8	–	–
2009 Financial assets: Advances to customers							
Sterling	**–**	**–**	**–**	**–**	**–**	**–**	**–**
US dollars	**21.8**	**–**	**–**	**21.8**	**–**	**–**	**–**
Other currencies	**82.7**	**0.9**	**–**	**83.6**	**–**	**–**	**–**
Total	**104.5**	**0.9**	**–**	**105.4**	**–**	**–**	**–**
2008 Financial assets: Advances to customers							
Sterling	–	1.2	–	1.2	–	–	–
US dollars	22.4	0.4	–	22.8	–	–	–
Other currencies	73.0	2.2	–	75.2	–	–	–
Total	95.4	3.8	–	99.2	–	–	–
2009 Financial assets: Loans and receivables							
Sterling	**–**	**0.1**	**–**	**0.1**	**–**	**–**	**–**
US dollars	**–**	**82.8**	**–**	**82.8**	**–**	**–**	**–**
Other currencies	**–**	**20.7**	**–**	**20.7**	**–**	**–**	**–**
Total	**–**	**103.6**	**–**	**103.6**	**–**	**–**	**–**
2008 Financial assets: Loans and receivables							
Sterling	–	–	0.4	0.4	–	–	–
US dollars	–	37.2	–	37.2	–	–	–
Other currencies	–	23.6	–	23.6	–	–	–
Total	–	60.8	0.4	61.2	–	–	–

19. Financial instruments (continued)

Interest rate exposures – Group (continued)

	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
2009 Financial liabilities: Deposits due to customers							
Sterling	**(0.1)**	**–**	**–**	**(0.1)**	**4.4**	**–**	**–**
US dollars	**(12.7)**	**–**	**–**	**(12.7)**	**8.6**	**–**	**–**
Other currencies	**(99.2)**	**–**	**–**	**(99.2)**	**9.6**	**–**	**–**
Total	**(112.0)**	**–**	**–**	**(112.0)**	**9.5**	**–**	**–**
2008 Financial liabilities: Deposits due to customers							
Sterling	(0.1)	–	–	(0.1)	4.4	–	*
US dollars	(13.8)	–	–	(13.8)	8.6	0.1	*
Other currencies	(75.6)	–	–	(75.6)	9.6	0.1	*
Total	(89.5)	–	–	(89.5)	9.5	0.1	*
2009 Financial liabilities: Interest-bearing loans and borrowings							
Sterling	**–**	**–**	**–**	**–**	**–**	**–**	**–**
US dollars	**(25.9)**	**(10.5)**	**–**	**(36.4)**	**6.3**	**1.7**	**–**
Other currencies	**(27.9)**	**(2.1)**	**–**	**(30.0)**	**1.0**	**1.0**	**–**
Total	**(53.8)**	**(12.6)**	**–**	**(66.4)**	**3.3**	**1.3**	**–**
2008 Financial liabilities: Interest-bearing loans and borrowings							
Sterling	(3.6)	–	–	(3.6)	6.4	4.3	*
US dollars	(25.0)	(4.6)	(140.9)	(170.5)	0.9	10.3	*
Other currencies	(44.5)	(49.7)	–	(94.2)	6.2	0.5	*
Total	(73.1)	(54.3)	(140.9)	(268.3)	2.1	8.1	*

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

Notes to the Accounts
continued

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

	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
2009 Financial assets: Cash							
Sterling	**–**	**2.3**	**–**	**2.3**	**–**	**–**	**–**
US dollars	**–**	**0.8**	**–**	**0.8**	**–**	**–**	**–**
Other currencies	**–**	**4.3**	**–**	**4.3**	**–**	**–**	**–**
Total	**–**	**7.4**	**–**	**7.4**	**–**	**–**	**–**
2008 Financial assets: Cash							
Sterling	–	0.5	–	0.5	–	–	–
US dollars	–	6.7	–	6.7	–	–	–
Other currencies	–	1.9	–	1.9	–	–	–
Total	–	9.1	–	9.1	–	–	–
2009 Financial assets: Short-term deposits receivable within 90 days							
Sterling	**–**	**513.2**	**–**	**513.2**	**–**	**–**	**–**
US dollars	**–**	**450.2**	**–**	**450.2**	**–**	**–**	**–**
Other currencies	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**–**	**963.4**	**–**	**963.4**	**–**	**–**	**–**
2008 Financial assets: Short-term deposits receivable within 90 days							
Sterling	–	1,183.1	–	1,183.1	–	–	–
US dollars	–	57.9	–	57.9	–	–	–
Other currencies	–	1.6	–	1.6	–	–	–
Total	–	1,242.6	–	1,242.6	–	–	–
2009 Financial assets: Loans and receivables							
Sterling	**–**	**–**	**0.1**	**0.1**	**–**	**–**	**–**
US dollars	**5.5**	**182.0**	**–**	**187.5**	**12.5**	**–**	**–**
Other currencies	**–**	**1.6**	**–**	**1.6**	**–**	**–**	**–**
Total	**5.5**	**183.6**	**0.1**	**189.2**	**12.5**	**–**	**–**
2008 Financial assets: Loans and receivables							
Sterling	–	–	0.4	0.4	–	–	–
US dollars	–	71.9	119.5	191.4	–	–	–
Other currencies	–	4.7	–	4.7	–	–	–
Total	–	76.6	119.9	196.5	–	–	–

19. Financial instruments (continued)

Currency exposures – Group

The table below shows the Group's currency exposures that give rise to exchange rate gains and losses that are recognised in the statement of comprehensive income. Such exposures comprise those monetary (assets) and liabilities of Group companies that are not denominated in their functional currency. In order to protect the Group's Sterling statement of financial position and reduce cash flow risk, the Group uses forward foreign exchange contracts to hedge foreign exposures arising on forecast receipts and payments in foreign currencies.

Functional currency	2009 Sterling £m	2009 US dollars £m	2009 Other £m	2009 Total £m	2008 Sterling £m	2008 US dollars £m	2008 Other £m	2008 Total £m
Sterling	–	492.5	3.1	495.6	–	(53.3)	3.4	(49.9)
US dollars	0.7	–	0.6	1.3	6.1	–	7.8	13.9
Ugandan shillings	–	24.6	10.7	35.3	1.3	2.3	2.3	5.9
Other currencies	–	(4.4)	(0.7)	(5.1)	0.1	0.2	(0.1)	0.2
Total	0.7	512.7	13.7	527.1	7.5	(50.8)	13.4	(29.9)

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

	2009 Listed equity at valuation £m	2009 Unlisted equity at valuation £m	2009 Total £m	2008 Listed equity at valuation £m	2008 Unlisted equity at valuation £m	2008 Total £m
US dollars	–	755.4	755.4	–	297.2	297.2
South African rand	2.8	39.2	42.0	–	112.3	112.3
Indian rupees	–	220.8	220.8	–	207.2	207.2
Chinese yuan	–	160.6	160.6	–	126.5	126.5
Nigerian naira	–	100.6	100.6	–	138.2	138.2
Other	–	64.7	64.7	0.6	56.0	56.6
Total	2.8	1,341.3	1,344.1	0.6	937.4	938.0

Currency exposures – Company

The table below shows the Company's currency exposures that give rise to exchange rate gains and losses that are recognised in the statement of comprehensive income. Such exposures comprise those monetary assets and liabilities that are not denominated in the Company's functional currency. In order to protect the Company's Sterling statement of financial position and reduce cash flow risk, the Company uses forward foreign exchange contracts to hedge foreign exposures arising on forecast receipts and payments in foreign currencies.

Functional currency	2009 US dollars £m	2009 Other £m	2009 Total £m	2008 US dollars £m	2008 Other £m	2008 Total £m
Sterling	147.5	–	147.5	343.6	3.3	346.9
Total	147.5	–	147.5	343.6	3.3	346.9

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

	2009 Listed equity at valuation £m	2009 Unlisted equity at valuation £m	2009 Total £m	2008 Listed equity at valuation £m	2008 Unlisted equity at valuation £m	2008 Total £m
Sterling	–	162.7	162.7	–	212.4	212.4
US dollars	–	878.0	878.0	–	1,004.3	1,004.3
South African rand	–	39.4	39.4	–	38.3	38.3
Indian rupees	–	241.3	241.3	–	151.5	151.5
Chinese yuan	–	161.3	161.3	–	103.0	103.0
Nigerian naira	–	100.6	100.6	–	62.7	62.7
Other	–	111.4	111.4	0.6	49.7	50.3
Total	–	1,694.7	1,694.7	0.6	1,621.9	1,622.5

Notes to the Accounts
continued

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

2009 Financial assets: Maturity profile	Short-term deposits £m	Treasury bills and bonds £m	Advances to customers £m	Loans and receivables £m	Forward foreign exchange contracts £m
Due on demand	–	–	–	–	–
Due within one year, but not on demand	991.8	49.4	52.8	31.9	19.5
Due within one to two years	–	–	52.6	54.6	3.1
Due within two to three years	–	–	–	11.6	0.2
Due within three to four years	–	–	–	0.8	–
Due within four to five years	–	–	–	0.8	–
Due after five years	–	–	–	3.9	–
Total	991.8	49.4	105.4	103.6	22.8

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

2009 Financial liabilities: Maturity profile	Overdrafts £m	Deposits due to customers £m	Interest-bearing loans and borrowings £m	Forward foreign exchange contracts £m	Other derivatives £m
Due on demand	0.4	–	–	–	16.2
Due within one year, but not on demand	–	112.0	16.2	61.4	–
Due within one to two years	–	–	14.5	32.6	–
Due within two to three years	–	–	10.8	0.2	–
Due within three to four years	–	–	9.0	–	–
Due within four to five years	–	–	8.1	–	–
Due after five years	–	–	7.4	–	–
Total	0.4	112.0	66.0	94.2	16.2

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

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

19. Financial instruments (continued)

Liquidity risk – Company

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

2009 Financial assets: Maturity profile	Short-term deposits £m	Loans receivable £m	Forward foreign exchange contracts £m
Due on demand	–	–	–
Due within one year, but not on demand	963.4	12.8	19.5
Due within one to two years	–	57.5	3.1
Due within two to three years	–	11.6	0.2
Due within three to four years	–	0.8	–
Due within four to five years	–	66.3	–
Due after five years	–	40.2	–
Total	963.4	189.2	22.8

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

2009 Financial liabilities: Maturity profile	Forward foreign exchange contracts £m
Due on demand	–
Due within one year, but not on demand	58.9
Due within one to two years	32.6
Due within two to three years	0.2
Due within three to four years	–
Due within four to five years	–
Due after five years	–
Total	91.7

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

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

Notes to the Accounts
continued

19. Financial instruments (continued)
Fair value of financial assets and liabilities – Group and Company
Financial assets
Quoted and unquoted equity investments are included in the statement of financial position at fair value. There is no material difference between the fair value and the book value of the Group's cash, short-term deposits, loans and receivables, treasury bills and bonds, advances to customers or trade and other receivables. The Group's foreign exchange contracts are held in the statement of financial position at fair value.

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

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

	2009 Book value £m	2009 Fair value £m	2009 Gross cash flow £m	2008 Book value £m	2008 Fair value £m	2008 Gross cash flow £m
Within one year	**(11.1)**	**(14.7)**	**(13.7)**	(67.1)	(70.1)	(70.2)
After one year and not more than five years	**(44.2)**	**(47.2)**	**(48.4)**	(97.1)	(105.2)	(106.0)
After five years	**(11.1)**	**(11.0)**	**(11.0)**	(104.1)	(107.1)	(107.8)
	(66.4)	**(72.9)**	**(73.1)**	(268.3)	(282.4)	(284.0)

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

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

Liquidity risk
The Group's and Company's policy on liquidity risk is to ensure that they always have sufficient funding to meet all short to medium-term funding requirements. The Group's cash balance at 31 December 2009 was £1,065.0m (2008: £1,412.9m) and its capital commitments including long-term commitment were £1,567.0m (2008: £1,982.6m).

Analysis of total cash balance	Group 2009 £m	Group 2008 £m	Company 2009 £m	Company 2008 £m
Cash at bank and in hand	**23.8**	103.4	**7.4**	9.1
Short-term deposits receivable within 90 days	**991.8**	1,267.5	**963.4**	1,242.6
Treasury bills and bonds maturing within 90 days	**7.9**	11.1	**–**	–
Treasury bills and bonds maturing after more than 90 days	**41.5**	30.9	**–**	–
	1,065.0	1,412.9	**970.8**	1,251.7

The Group and Company's contractual maturities of derivatives and non-derivative financial liabilities are disclosed in note 19 Financial instruments.

20. Financial risk management (continued)

Fund commitments: maturity profile

Fund commitments are generally drawn down over a five-year term although in some cases this may be shorter. Typically, there are restrictions to ensure that there is a ceiling on the proportion of commitment that can be drawn down in one year. In forecasting cash flows, CDC uses an industry standard model of fund drawdown profiles. The board regularly considers this when reviewing CDC's ability to meet these commitments.

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

	2009 £m	2008 £m
2003 and prior	**4.4**	9.0
2004	**59.2**	79.7
2005	**25.5**	37.2
2006	**231.4**	270.3
2007	**793.6**	1,134.5
2008	**326.7**	440.8
2009	**120.2**	–
Total	**1,561.0**	1,971.5

Credit risk

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

		Group		Company	
	Note	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Fair value financial assets	11	**1,344.1**	938.0	**1,694.7**	1,622.5
Loans and receivables	14	**103.6**	61.2	**189.2**	196.5
Derivative financial instruments	19	**(87.6)**	(230.3)	**(68.9)**	(225.5)
Trade and other receivables (excluding loans and advances to customers)	18	**38.2**	46.1	**41.4**	50.8
Advances to customers	14/18	**105.4**	99.2	**–**	–
Short-term deposits	20	**991.8**	1,267.5	**963.4**	1,242.6
Treasury bills and bonds	20	**49.4**	42.0	**–**	–
Cash and cash equivalents	20	**23.8**	103.4	**7.4**	9.1
		2,568.7	2,327.1	**2,827.2**	2,896.0

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

	Group					
	Loans and receivables		Advances to customers		Trade receivables	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Not past due	**103.6**	61.2	**99.8**	85.8	**38.2**	38.1
Past due	**–**	–	**5.6**	13.4	**–**	8.0
	103.6	61.2	**105.4**	99.2	**38.2**	46.1

	Company					
	Loans and receivables		Advances to customers		Trade receivables	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Not past due	**189.2**	196.5	**–**	–	**41.8**	50.8
Past due	**–**	–	**–**	–	**–**	–
	189.2	196.5	**–**	–	**41.8**	50.8

Notes to the Accounts
continued

20. Financial risk management (continued)
The movement in the allowance for impairment during the year was:

	Group			
	Loans and receivables		Advances to customers	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Balance at 1 January	**41.4**	10.1	**4.4**	2.5
Impairment loss (released)/recognised	**(11.8)**	41.9	**(0.2)**	2.5
Exchange	**9.7**	(10.6)	**(0.4)**	(0.6)
Balance at 31 December	**39.3**	41.4	**3.8**	4.4

	Company			
	Loans and receivables		Advances to customers	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Balance at 1 January	**40.6**	10.4	**–**	–
Impairment loss recognised	**6.4**	54.8	**–**	–
Exchange	**(0.1)**	(24.6)	**–**	–
Balance at 31 December	**46.9**	40.6	**–**	–

The ageing of financial assets impaired during the year was:

	Group			
	Loans and receivables		Advances to customers	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Not past due	**–**	29.8	**92.9**	–
Past due	**–**	12.1	**16.6**	2.5
	–	41.9	**109.5**	2.5

The fair value of collateral held on overdue advances to customers was £8.6m (2008: £10.8m).

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

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

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

No financial assets were renegotiated during the year (2008: nil).

20. Financial risk management (continued)

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

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

Market risk

Interest rate risk

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

As at 31 December 2009, the average interest rate earned on the Group's and Company's bank deposit was 0.4% (2008: 3.6%). A 0.75% (2008: 0.75%) change in all interest rates, with all other variables held constant, would have a 0.7%, £1.8m impact on the Group's profit or loss before tax (2008: 2.6%, £8.0m). Although this is within the range the Company regards as acceptable, it is envisaged that the Company will use the majority of its cash balance in meeting its capital commitments.

Foreign currency risk

The Group's largest exposure is to the US dollar. As at 31 December 2009, £1,306.0m, 88.0% of the funds in which the Group and Company invest in are denominated in US dollars (2008: £707.4m (76.3%)). In order to protect the Group's Sterling statement of financial position and reduce cash flow risk, the Group uses forward foreign exchange contracts to hedge foreign exposures arising on forecast receipts and payments in foreign currencies.

A 16 cent, 10% movement in the average exchange rate for the US dollar against Sterling with all other variables held constant would impact profit by £33.0m (2008: 17 cent (10%) movement, impact: £199.1m).

Equity price risk

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

As at 31 December 2009, the Group and Company had legal commitments to invest in 134 funds (2008: 127 funds) with 65 fund managers (2008: 59 fund managers). As at 31 December 2009 and 2008, one outstanding balance to Actis Infrastructure Fund II, exceeded 5% of the Company's net assets.

A 10% change in the fair value of the Group's equity investment would impact the Group's profit by £131.7m (2008: 10% change, impact £93.8m).

Capital management

CDC considers its capital to be the total equity shown in note 22. The Company's objectives when managing capital are:

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

The board monitors the results of the Group and its financial position.

Notes to the Accounts
continued

21. Cash and cash equivalents

	Group		Company	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Cash at bank and in hand	**23.8**	103.4	**7.4**	9.1
Short-term deposits receivable within 90 days	**991.8**	1,267.5	**963.4**	1,242.6
Treasury bills and bonds maturing within 90 days	**7.9**	11.1	**–**	–
Total cash and cash equivalents	**1,023.5**	1,382.0	**970.8**	1,251.7

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and 90 days depending on the immediate requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £1,023.5m (2008: £1,382.0m).

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

	Group		Company	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Treasury bills and bonds maturing after more than 90 days	**41.5**	30.9	**–**	–
Total amounts maturing after more than 90 days	**41.5**	30.9	**–**	–

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

	Group		Company	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Cash at bank and in hand	**23.8**	103.4	**7.4**	9.1
Short-term deposits receivable within 90 days	**991.8**	1,267.5	**963.4**	1,242.6
Treasury bills and bonds maturing within 90 days	**7.9**	11.1	**–**	–
Bank overdrafts	**(0.4)**	(0.5)	**–**	–
Total cash and cash equivalents per statement of cash flows	**1,023.1**	1,381.5	**970.8**	1,251.7

22. Issued capital and reserves

Authorised	**2009 £m**	2008 £m
765,036,043 Ordinary shares of £1 each	**765.0**	765.0
Allotted, called up and fully paid		
765,036,043 Ordinary shares of £1 each	**765.0**	765.0

Special rights redeemable preference share

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

22. Issued capital and reserves (continued)

Other reserves

	Group			Company	
	Net unrealised gains and losses reserve £m	Currency translation reserve £m	Retained earnings £m	Net unrealised gains and losses reserve £m	Retained earnings £m
At 1 January 2008	(0.7)	(11.3)	1,868.5	(0.7)	2,066.2
Losses on cash flow hedges taken to equity	(1.4)	–	–	(1.4)	–
Currency translation differences on retranslation of net assets of subsidiaries	–	(16.4)	–	–	–
Exchange losses on disposed subsidiaries recycled through the statement of comprehensive income	–	(1.0)	–	–	–
Hedges on net investment in foreign operations	–	(7.1)	–	–	–
Loss for the year attributable to equity shareholders	–	–	(312.6)	–	(313.4)
At 31 December 2008	(2.1)	(35.8)	1,555.9	(2.1)	1,752.8
Profits on cash flow hedges taken to equity	**0.3**	**–**	**–**	**0.7**	**–**
Currency translation differences on retranslation of net assets of subsidiaries	**–**	**(2.4)**	**–**	**–**	**–**
Exchange on disposed subsidiaries	**–**	**(8.0)**	**–**	**–**	**–**
Hedges on net investment in foreign operations	**–**	**–**	**–**	**–**	**–**
Profit for the year attributable to equity shareholders	**–**	**–**	**263.8**	**–**	**29.0**
At 31 December 2009	**(1.8)**	**(46.2)**	**1,819.7**	**(1.4)**	**1,781.8**

Nature and purpose of other reserves

Net unrealised gains and losses reserve

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

Currency translation reserve

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

23. Trade and other payables (current)

	Group		Company	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Trade payables	**0.2**	56.9	**–**	–
Deposits due to customers	**112.0**	89.5	**–**	–
Amounts owed to Group companies	**–**	–	**413.4**	490.1
Other taxes and social security	**0.4**	1.0	**0.1**	0.1
Other payables	**18.9**	21.4	**0.5**	0.7
Accruals and deferred income	**11.5**	26.7	**4.3**	10.6
Total trade and other payables excluding current tax	**143.0**	195.5	**418.3**	501.5
Current tax liabilities	**0.2**	1.7	**0.2**	0.2
Total trade and other payables (current)	**143.2**	197.2	**418.5**	501.7

24. Trade and other payables (non-current)

	Group	
	2009 £m	2008 £m
Other payables	**–**	11.4
Accruals and deferred income	**0.6**	1.3
Total trade and other payables (non-current)	**0.6**	12.7

Notes to the Accounts
continued

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

	Fixed/ floating rate	Effective interest rate %	Repayment frequency	Maturity	Group Non-current 2009 £m	2008 £m	Current 2009 £m	2008 £m
Bank overdrafts	Floating	Various	On demand	On demand	–	–	**0.4**	0.5
Obligations under finance leases	Fixed	Various	Annual	2024	–	57.2	–	6.5
					–	57.2	**0.4**	7.0
Interest-bearing loans (US Dollar)								
European Investment Bank*	Fixed	3.0	Bi-annual	2009	–	–	–	2.9
Government of Tanzania (on-lending arrangement from the World Bank – International Development Association)**	Fixed	7.1	Monthly	2021	–	65.6	–	2.6
Government of Tanzania (on-lending arrangement from the European Investment Bank)**	Fixed	6.0	Monthly	2021	–	32.5	–	1.7
Government of Tanzania**	Fixed	7.4	Monthly	2017	–	11.0	–	0.8
FMO[1] and Tanzania Development Finance Company Limited preference shares (unsecured)**	Fixed	18.0	Bi-annual	2014	–	9.0	–	1.9
Government of Tanzania**	Fixed	7.7	Monthly	2016	–	7.4	–	0.6
Government of Tanzania**	Fixed	7.4	Monthly	2016	–	5.6	–	0.5
IFC[2]	Floating	7.7	Bi-annual	2015	**3.9**	5.3	**0.8**	0.9
PROPARCO[3] (part of Agence Française de Developpment)*	Floating	4.0	Bi-annual	2013	**2.5**	4.5	**1.2**	1.1
FMO*	Fixed	4.0	Bi-annual	2015	**2.7**	4.2	**0.5**	0.5
European Investment Bank*	Fixed	7.1	Quarterly	2014	**4.2**	4.4	**1.1**	–
CRDB[4] Bank*	Floating	8.0	Quarterly	2015	**5.6**	3.1	–	–
					18.9	152.6	**3.6**	13.5
Interest-bearing loans (other currencies)								
European Investment Bank*	Fixed	9.0	Annual	2015	**4.8**	7.2	**2.1**	0.9
FMO*	Fixed	11.0	Bi-annual	2016	**6.2**	1.4	**1.0**	1.0
European Investment Bank/MFI[5]	Fixed	9.0	Quarterly	2015	**3.8**	0.2	**0.8**	0.1
European Investment Bank Global*	Fixed	11.3	Bi-annual	2012	**2.4**	5.2	**1.7**	1.7
Uganda Government (KfW[6] IV loan)*	Fixed	nil	Bi-annual	2015	**2.4**	0.3	**0.5**	0.7
					19.6	14.3	**6.1**	4.4
Other (all of which are under £2.5m individually)					**11.3**	12.7	**6.5**	6.6
Total interest bearing loans and borrowings					**49.8**	236.8	**16.6**	31.5

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

** These loans were held by Songas Limited which was disposed in 2009.
[1] FMO: Netherlands Development Finance Company.
[2] IFC: International Finance Corporation.
[3] PROPARCO: Promotion et Participation pour la Coopération Economique.
[4] CRDB: Cooperative and Rural Development Bank.
[5] MFI: Microfinance Institutions.
[6] KfW: Kreditanstalt für Wiederaufbau.

25. Interest-bearing loans and borrowings (continued)

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

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

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

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

26. Provisions

	Group					
	2009 Post-retirement benefits £m	**2009 Other provisions £m**	**2009 Total £m**	2008 Post-retirement benefits £m	2008 Other £m	2008 Total £m
At 1 January	**0.5**	**2.3**	**2.8**	0.5	1.1	1.6
Charge in the year	**–**	**–**	**–**	0.1	1.2	1.3
Utilised	**(0.3)**	**–**	**(0.3)**	(0.1)	(0.1)	(0.2)
Exchange adjustment	**–**	**–**	**–**	–	0.1	0.1
At 31 December	**0.2**	**2.3**	**2.5**	0.5	2.3	2.8

	Company					
	2009 Post-retirement benefits £m	**2009 Other provisions £m**	**2009 Total £m**	2008 Post-retirement benefits £m	2008 Other £m	2008 Total £m
At 1 January	**0.4**	**2.0**	**2.4**	0.5	0.7	1.2
Charge in the year	**–**	**–**	**–**	–	1.3	1.3
Utilised	**(0.2)**	**–**	**(0.2)**	(0.1)	–	(0.1)
At 31 December	**0.2**	**2.0**	**2.2**	0.4	2.0	2.4

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

Notes to the Accounts
continued

27. Capital commitments and guarantees
Amounts contracted for but not provided for in the accounts amounted to £1,561.0m (2008: £1,971.5m) for subscriptions to debentures, loans and shares. Subsidiaries' capital commitments and guarantees relating to letters of credit, bank guarantees and subscriptions to debentures, loans and shares not provided for in their accounts amount to £10.7m (2008: £11.1m).

28. Obligations under service concession contracts, hire purchase and operating leases
Amounts payable under service concession contracts and hire purchase – Group as lessee
Future minimum payments under service concession contracts and hire purchase contracts together with the present value of the net minimum payments are as follows:

	Group			
	2009 Gross investment/ payments receivable £m	**2009 Present value of payments receivable £m**	2008 Gross investment/ payments receivable £m	2008 Present value of payments receivable £m
Within one year	**–**	**–**	10.3	6.5
After one year but not more than five years	**–**	**–**	41.1	32.5
After five years	**–**	**–**	52.1	24.7
Total minimum payments	**–**	**–**	103.5	63.7
Less finance charges allocated to future periods	**–**	**–**	(39.8)	–
Present value of minimum payments	**–**	**–**	63.7	63.7

Operating lease commitments – Group and Company as lessee
Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		Company	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Within one year	**1.3**	1.3	**1.3**	1.3
After one year but not more than five years	**5.2**	5.2	**5.2**	5.2
After five years	**3.6**	4.8	**3.6**	4.8
Total	**10.1**	11.3	**10.1**	11.3

29. Contingent liabilities
The Group and the Company had the following contingent liabilities:

- in support of the borrowings of third parties which had a principal value of £1.6m (2008: £2.4m);
- in respect of undertakings to power distributors and governments in connection with the operation of power generating subsidiaries with a maximum legal liability of £7.1m (2008: £8.2m);
- in respect of warranties under a sale and purchase agreement for a power company of £nil (2008: £16.0m);
- in respect of possible liabilities due under a claim by a former employee of a subsidiary of £nil (2008: £1.2m); and
- in respect of contingent tax liabilities for two power companies of £nil and £nil respectively (2008: £11.9m and £6.8m).

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

The Company, in addition to the above, had contingent liabilities in support of the facilities of subsidiaries which had a limit value of £nil (2008: £0.3m).

30. Related party transactions

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

	2009 £m	2008 £m
Statement of comprehensive income		
Interest income	**2.2**	3.9
Interest earned on deposit with Debt Management Office*	**4.2**	57.5
Dividend income	**21.4**	104.4
Profit on disposal of fair value financial assets	**20.1**	12.0
Loan and guarantee fee income	**0.2**	–
Management fee income	**–**	(0.1)
Interest payable	**(0.8)**	(5.5)
Statement of financial position		
Fair value financial assets	**753.9**	748.3
Loans and receivables	**106.9**	154.2
Deposit with Debt Management Office*	**475.0**	1,170.0
Trade and other receivables	**6.8**	42.3
Trade and other payables	**(413.4)**	(490.1)

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

31. Principal subsidiaries

The principal subsidiaries of CDC Group plc during the year to 31 December 2009 and the percentage of equity capital are set out below. The Company has taken advantage of section 231(5) of the Companies Act 2006 in not detailing all subsidiaries due to the length of the disclosure. A complete list of investments in subsidiaries will be attached to the Company's annual return made to the Registrar of Companies.

Region/country of incorporation	Company	Class of share	Percentage held by CDC	Principal activities
Africa				
Mauritius	CDC Fennec Limited	Ordinary	100	Investment holding
Mauritius	CDC Financial Services Mauritius Limited	Ordinary	100	Investment holding
		Preference	100	
Mauritius	CDC South Asia Limited	Ordinary	100	Investment holding
Uganda	DFCU Limited	Ordinary	60	Financial institution
Tanzania	Kilombero Valley Teak Co Limited	Ordinary	77	Agribusiness
Americas				
Bermuda	CDC Globeleq Holdings Limited	Ordinary	100	Investment holding

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Footnote

MSCI Emerging & Frontier Markets Custom Country Weighted Index

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