CDC Group plc Annual Report and Accounts 2010

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 to invest more than 50% of our funds in sub-Saharan Africa.

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* Those with an annual gross national income (GNI) per capita of less than US$905 in 2006.

2010 Highlights

£420m
New investments in developing countries

£269m
Total return after tax

US$1,378m[1]
Other capital mobilised

£237m
Fund cash generated for re-investment in developing countries

£1,933m
Value of investment portfolio

£231m
New commitments to funds

£1,430m
Outstanding commitments to funds

930
Underlying portfolio companies located in 70 countries

[1] See page 6 for an explanation of how mobilisation is measured

Statement from the Chairman and Chief Executive

Richard Gillingwater CBE and Richard Laing

Richard Gillingwater: In the developing world, having a job is the key to a better life for poor people and their families. The private sector provides employment opportunities. Businesses of all kinds, all sizes and in all sectors are essential for sustainable development. Plus there are broader benefits to society. Businesses also pay taxes to their local governments to fund essential services for the whole community such as hospitals, schools and infrastructure. Without successful businesses, there's no development.

Richard Laing: However businesses must be sustainable too and sustainability has two aspects. Firstly, it means operating businesses in a responsible manner, paying attention to environmental risks, social issues for workers as well as problems with corruption and poor governance. Secondly, a business is only sustainable if it's profitable. A company that loses money cannot attract investment and cannot grow. The company will go out of business and jobs will be lost. CDC's capital is helping 930 companies. Those companies support the lives of over three million in poor countries. When the companies are doing well, they're paying taxes to their governments. CDC backs businesses that generate annual taxes of over US$3.1bn. Profitability really matters. It matters for CDC as an institution too. So, it's good to be able to report on a year when CDC made returns of £269m, which will all be ploughed back into new investments in poor countries. Our own profitability means that we have not had any new money from government for over 15 years. We're self-sustaining and that's important in the present domestic economic climate.

Richard Gillingwater: One of the main problems is that in the poor countries of sub-Saharan Africa and parts of South Asia, finance is scarce for entrepreneurs and their businesses. Investors are reluctant because poor countries can be seen as too risky. This is holding back the developing world's potential. Although progress has been made, there's a long way to go. The World Bank estimates that for infrastructure alone, sub-Saharan Africa has an annual shortfall of US$50bn. It's true that the situation is better than it was ten years ago, but the global financial crisis has taken a heavy toll on poor countries.

Richard Laing: Which is why development finance institutions like CDC are so important. Investing in some of the world's most difficult markets is hard and we don't always get it right. But the vibrant entrepreneurial spirit needs risk capital to flourish. Another World Bank study showed that 50% of African companies identify lack of access to finance as a major constraint to doing business. Promising businesses urgently need patient, long-term, intelligent capital. In 2010, CDC invested £420m, mainly in sub-Saharan Africa and South Asia. But our capital alone is not enough – that's why it is so encouraging to see that other investors came alongside us and invested an additional US$1.9bn in funds where CDC has invested. Third party commercial investors really are the key to long-term development. Many poor countries, particularly in Africa, need to demonstrate to international capital markets that they are a good investment destination. Economic reform and tackling corruption are the main barriers. Progress is being made, but there's a long road ahead.

Richard Gillingwater: The picture is more encouraging in other parts of the developing world. India is growing at a strong pace. Investors see the opportunities and the private sector is making an enormous contribution to economic growth. Although it's easy to forget that one third of the world's poor live in India. The key task there for CDC is to focus investment so that the benefits of growth can be shared by all. Microfinance is a good example. It is developmentally powerful and it's right that CDC invests in microfinance institutions. The events linked to microloans in Andhra Pradesh in 2010 were a stark reminder of the importance of responsible business practices. CDC also ensures that when we identify a gap in funding, we aim to fill it, to the extent that our resources permit.

Richard Laing: A good recent example of this is the new fund we have set up for sub-Saharan sustainable forestry. We noticed that there was a severe shortage of capital for this essential sector. So we published an invitation to tender for the management of a specialised fund, selected a fund manager (the Global Environment fund) and committed US$50m last year. I am pleased to say that five other investors have now also committed an additional US$77m alongside us and the fund has already made its first investment.

Richard Gillingwater: CDC has always taken the management of environmental, social and governance matters – ESG issues – extremely seriously. Good management of ESG issues at investee businesses is one of the greatest benefits of private equity investing and is an example of the added value that fund managers can bring.

Richard Laing: In 2010 we extended our ESG work with fund managers. We launched a revised and extended toolkit for fund managers to help them manage ESG issues and work with their investee companies on the ESG journey. Our fund managers really welcomed this and, during the year, nine training sessions were held for 45 fund managers in eight locations. More broadly, there is the important task of building capital markets so that entrepreneurs and businesses have more routes to access the investment they need to grow. We are helping first-time teams build their track records and so increase the prospect of attracting future investors. 54% of CDC's managers are first-time teams and that's an indicator of our long-term development impact in building capital markets. CDC has shown that private equity can make a valuable contribution.

Richard Gillingwater: The needs of the private sector in poor countries are complex and one investment instrument alone cannot hope to meet all those needs. That's why we welcomed the review of CDC announced by the coalition government in 2010. We're enthusiastic about the possibility of extending our range of investment instruments. That would allow us to target capital in the places where it's most needed. Debt, guarantees and other mechanisms all have a contribution to make. Our task must always be to ensure that the poor benefit from economic growth. The changes will be finalised in mid-2011 and we relish the challenge of putting the new plans into effect.

Richard Laing: CDC is and always has been an innovative investor with development at its core. The organisation will adapt and incorporate change with its characteristic energy and creativity. After seven challenging but enjoyable years as CEO, I recently announced my decision to retire in early 2012. The Board will now work to identify a new CEO and then I will hand over the reins to the person who will lead the company in its next stage of development. In the meantime, I'm proud that so much was achieved by CDC in stimulating the private sector in poor countries in 2010. Of course much remains to be done. The need for capital is immense and the task of development finance institutions is far from being fulfilled.

Richard Gillingwater: I would like to thank Richard for his outstanding contribution to CDC during his 11 years with the organisation. CDC's value stands at £2.8bn today and under Richard's leadership £1.8bn in additional resource has been created for investment in poor countries. This is a significant achievement.

Also, after 13 years Professor Jonathan Kydd stepped down as a Non-executive Director of CDC in 2010. Two other long-serving Non-executive Directors, Arnab Banerji and Andrew Williams, also left the Board this year. They all made a significant and valuable contribution to the organisation and we are grateful for all their dedication, wisdom and hard work. Three new Non-executive Directors have joined the Board: Dr Ian Goldin, who has an internationally recognised reputation in the field of development finance and economics and is currently director of the James Martin 21st Century School at the University of Oxford; Valentine Chitalu, an entrepreneur in Zambia and southern Africa, previously at the Zambian Privatisation Agency; and Jeremy Sillem, who has a wealth of experience in international capital markets and fund management. All bring additional expertise to CDC along with a deep commitment to development. Thanks also to the whole of the CDC team who have achieved so much in a challenging year. As CDC moves forward to its next phase, that team will be instrumental in continuing to drive CDC forward successfully.

Richard Gillingwater CBE
Chairman

Richard Laing
Chief Executive

Performance Review

Godfrey Davies
Chief Financial Officer

CDC now has investments in 143 funds managed by 71 different fund managers.

Description of the business and its 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 sets overall policy but 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 the 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. For new commitments to funds from the start of 2009, new investments must meet two targets: 75% in low income countries (defined as countries with an annual Gross National Income (GNI) per capita below US$905 in 2006); and 50% in sub-Saharan Africa. In addition from 2009 to 2013, CDC may commit up to £125m in SME funds in middle income countries (defined as countries with an annual GNI per capita below US$11,115 in 2006). For commitments to funds up to the end of 2008, CDC's previous investment targets apply being: 70% of new investments in the poorest countries of the world (defined as countries with an annual GNI per capita below US$1,750 in 2001); and 50% in sub-Saharan Africa and South Asia. New investment targets are measured over a five-year rolling period.

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 and governance policies (ESG); 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 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 investment vehicles. As a fund of funds, CDC places its portfolio with 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 high 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 portfolio companies of the funds in which CDC invests pay taxes in their country of operation. However, under the CDC Act 1999, CDC Group plc was granted exemption from UK Corporation Tax from May 2003. CDC's fund investments are domiciled in countries with: good corporate governance; a respect for the law of contract and property rights; a legal system that can be relied upon to issue fair judgements in a timely fashion; and a tax system that allows fiscally efficient cross border investment with tax neutrality. Tax neutrality is a regime that does not subject entities to additional taxation over and above the tax liabilities of parties in their home jurisdictions.This allows CDC to recycle more portfolio receipts into new investments in developing countries.

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 31 onwards. The Directors' Report gives a summary of those results. However, in order to manage and explain more fully CDC's investment activities as a fund of funds, CDC provides information, in note 3 to the accounts on pages 45 and 46, on a full investment valuation basis where all its investments are included at fair value, consolidating only subsidiaries that are investment holding companies.

Market conditions
The MSCI Emerging Markets Index is designed to measure quoted equity performance in global emerging markets. In 2010, it rose by 19% (2009: 75%). However, index increases of individual countries varied widely in 2010 with rises from South Africa of 34%, Nigeria of 26%, India of 21% and China of 5%.

Key performance indicators
The individual country weightings within the MSCI Emerging Markets US$ 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 was developed to form a new MSCI benchmark for performance. CDC's performance in 2010 was 10% less than its MSCI benchmark, but on a three-year rolling basis CDC's performance was 2% short of the benchmark.

The investment policy new investment targets were all exceeded. New investments from commitments made after 1 January 2009 were 84% in sub-Saharan Africa and 92% in low income countries, exceeding the targets of 50% and 75% respectively.

With new investments at 77% in poorer countries and 62% in sub-Saharan Africa and South Asia, the rolling five-year targets of 70% and 50% respectively for the old book were exceeded.

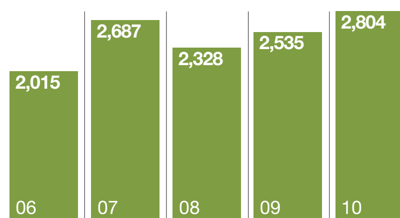
Also, new investments from commitments made prior to 2009 were 32% in sub-Saharan Africa and 52% in low income countries exceeding the targets of 27% and 40% respectively.

The ratio of capital mobilised to CDC capital on a three-year rolling basis is 378% which is ahead of the policy target of 200%.

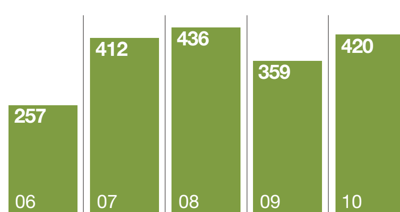
The fund total return after tax was 11% (2009: 9%), a net return for CDC's shareholder of 11% in the last five years.

Performance Review
continued

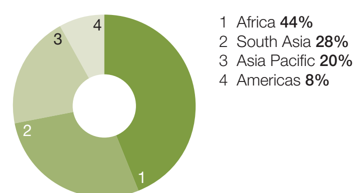
CDC value growth (£m)



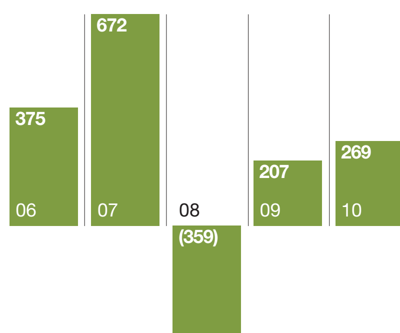
Fund drawdowns (£m)



New investments 2006 to 2010



Total return (£m)



Current performance

Portfolio return

The portfolio generated £1.6m of realised losses (2009: £61.0m profit) which arose mainly from exchange offset by yield.

The unrealised valuation gain was £260.1m (2009: £165.5m unrealised gain) driven by the rise in global markets.

Operating costs

Operating costs for the year of £12.4m (2009: £12.2m) have risen slightly with an increase in London office employees to 47 (2009: 46). Operating costs represent 0.5% of the company's net value which compares favourably to industry benchmarks of up to 1%.

Other net income

Other net income of £22.6m (2009: £7.3m expense) came mainly from currency translation gains. Interest on cash held remained low due to low interest rates.

Total return after tax

The overall result is a total return after tax of £268.7m (2009: £207.0m). As a return on opening total net assets on a valuation basis, this represents a return for CDC's shareholder of 11% (2009: 9%) this year and an average annual return of 11% over the last five years.

	2010 £m	2009 £m
Net realised profits	**(1.6)**	61.0
Unrealised value gains	**260.1**	165.5
Portfolio return	**258.5**	226.5
Operating costs	**(12.4)**	(12.2)
Other net income/ (expenses)	**22.6**	(7.3)
Total return after tax	**268.7**	207.0

Third party funds mobilised

One of CDC's prime objectives is to mobilise third party capital investment in emerging markets by demonstrating the benefits of successful investment to other capital providers. During 2010 third party funds mobilised alongside CDC's capital invested have been measured as follows:

- investments in fund closings prior to the one in which CDC participates are not counted; and
- 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 378% exceeded the target. In 2010 mobilisation amounted to US$1,378m (2009: US$1,200m). However, the ratio of capital mobilised in the year reduced from 452% in 2009 to 430% in 2010 with CDC committing more capital in 2010.

Portfolio and net assets

	2010 £m	2009 £m
Portfolio	**1,933.2**	1,410.9
Net cash and short-term deposits	**737.9**	977.9
Other net assets	**132.4**	146.0
Total net assets on a valuation basis	**2,803.5**	2,534.8

Total net assets increased in the year from £2,534.8m to £2,803.5m, a rise of 11% (2009: 9%).

	2010 £m	2009 £m
Portfolio at start of year	**1,410.9**	927.7
New investments	**419.7**	359.3
Realisations	**(161.2)**	(48.0)
Unrealised value gains	**263.8**	171.9
Portfolio at end of year	**1,933.2**	1,410.9

The portfolio, which consists of investments in funds managed by fund managers and the small remaining legacy portfolio, increased from £1,410.9m to £1,933.2m, a 37% increase. The increase came from new investments and valuation gains driven by market conditions. The 20 largest underlying investments are shown on pages 10 and 11.

	2010 £m	2009 £m
Fund drawdowns	**(419.7)**	(359.3)
Fund cash generated	**237.4**	161.6
Net fund flows	**(182.3)**	(197.7)
Hedging	**(77.9)**	(52.9)
Other cash flows	**20.2**	(39.7)
Net cash flow	**(240.0)**	(290.3)

Drawdowns by funds for new investments at £419.7m (2009: £359.3m) were higher than last year with increased drawdowns from Asia.

Fund cash generated

There was a higher level of portfolio cash generated this year at £237.4m (2009: £161.6m). The main fund receipts in 2010 were from Actis Latin America Fund 1 and Actis Africa Fund 1, legacy portfolio yields and loan 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 £737.9m (2009: £977.9m). 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 £1,430.2m, representing an overcommitment of 94%.

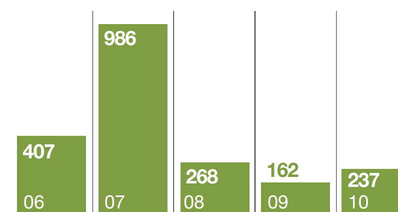
New commitments

CDC actively reviews fund proposals from private equity fund managers within its investment universe. In 2010, CDC made commitments of £231m (2009: £207m), of which 15 were new funds, as follows:

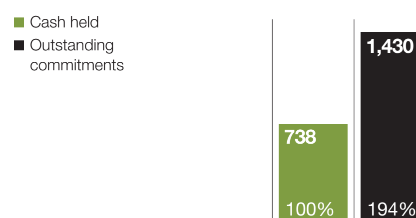
	£m
African Infrastructure Investment Fund 2 (US$30m)	19
AfricInvest Fund II (€12m)	10
Aureos South East Asia Fund II (US$15m)	10
Azito Guarantee (US$3m)	2
Catalyst Fund I (US$15m)	10
European Financing Partners IV (€25m)	21
Fonds Cauris Croissance II (€8m)	7
Frontier Private Equity (US$10m)	6
GEF Africa Sustainable Forestry Fund (US$50m)	32
GTLP Guarantee Facility (US$50m)	32
Interact Climate Change Facility (€25m)	21
Lok Capital II (US$10m)	6
Multiples Private Equity Fund I (INR1.3bn)	20
Peepul Capital Fund III (US$20m)	13
Renewable Energy Asia Fund (€5m)	4
Seedfund 2 International (US$12.6m)	8
VenturEast Life Fund III (US$15.4m)	10
Total commitments in 2010	231

CDC now has investments in 143 funds managed by 71 different fund managers.

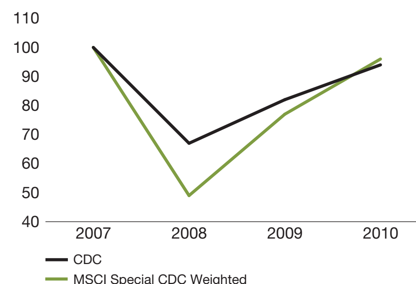
Portfolio cash generated (£m)



Cash and outstanding commitments at 31 December 2010 (£m)



MSCI benchmark



Performance Review
continued

Outstanding fund commitments and investments

	Outstanding commitments £m	Investment value £m
Actis 8 Legacy Funds	–	65.4
Actis Africa Empowerment Fund	2.1	8.3
Actis Africa Fund 2	2.5	164.9
Actis Africa Fund 3	53.6	57.4
Actis Africa Real Estate Fund	31.2	70.5
Actis Agribusiness Fund	2.8	15.3
Actis ASEAN Fund	18.2	7.1
Actis China Fund 2	0.9	30.1
Actis China Fund 3	39.3	35.8
Actis Emerging Markets Fund 3	55.7	85.1
Actis India Fund 2	3.3	82.4
Actis India Fund 3	38.7	27.0
Actis India Real Estate Fund	0.3	5.7
Actis Infrastructure Fund II	225.1	131.5
Actis Latin America Fund 3	40.9	18.9
Actis South Asia Fund 2	3.0	75.4
Actis Umbrella Fund	1.2	13.6
Canada Investment Fund for Africa	0.1	9.6
25 Actis managed funds	518.9	904.0
Aureos 5 Legacy Funds	–	0.6
Aureos Africa Fund	28.1	21.6
Aureos Central America Fund	1.7	1.2
Aureos Central Asia Fund	9.2	2.9
Aureos China Fund	5.2	10.1
Aureos East Africa Fund	0.1	5.2
Aureos Latin America Fund	8.2	11.6
Aureos Malaysia Fund	4.4	1.3
Aureos South Asia Fund I (Interim)	0.8	0.7
Aureos South Asia Fund	6.2	20.1
Aureos South East Asia Fund	1.4	15.8
Aureos South East Asia Fund II	9.6	–
Aureos Southern Africa Fund	1.0	7.4
Aureos West Africa Fund	0.8	5.8
Emerge Central America Growth Fund	1.1	1.9
Kula Fund II	0.8	2.4
20 Aureos managed funds	78.6	108.6

	Outstanding commitments £m	Investment value £m
Access Holdings	–	3.0
Adlevo Capital Africa	9.1	–
Advans SA	2.9	3.7
Advent Latin America Private Equity Fund IV	4.0	12.3
African Development Partners I	11.7	4.4
African Infrastructure Investment Fund 2	19.2	–
African Lion	0.5	0.1
African Lion 2	–	1.3
African Lion 3	6.9	3.1
AfricInvest Fund II	7.6	2.2
AIF Capital Asia III	4.8	25.8
Altra Private Equity Fund I	2.5	3.6
Ambit Pragma Fund	5.9	6.4
Ascent India Fund III	13.5	1.1
Atlantic Coast Regional Fund	7.0	1.9
Avigo SME Fund II	2.4	13.4
Avigo SME Fund III	8.7	3.6
Baring India Private Equity Fund II	1.9	5.5
Baring India Private Equity Fund III	27.0	5.1
BTS India Private Equity Fund	4.6	11.6
Business Partners International Kenya SME	0.4	0.5
Capital Alliance Private Equity I	–	16.3
Capital Alliance Private Equity II	–	12.9
Capital Alliance Private Equity III	20.5	12.5
Capital Alliance Property Investment Company	13.5	5.8
Capital Today China Growth Fund	2.8	26.5
Catalyst Fund I	9.6	–
Catalyst Microfinance Fund	5.6	3.5
CDH China Fund III	9.0	47.3
Central Africa Growth	–	4.3
CITIC Capital China	2.6	16.0
CVCI Africa Fund	20.8	48.0
Dynamic India Fund VII	9.3	23.6
ECP Africa Fund II	2.9	19.2

	Outstanding commitments £m	Investment value £m
ECP Africa Fund III	41.8	16.6
Ethos Private Equity Fund V	6.6	8.6
European Financing Partners	0.4	6.0
European Financing Partners III	3.6	0.7
European Financing Partners IV	21.5	–
Fonds Cauris Croissance II	6.9	–
FountainVest China Growth Fund	17.0	10.8
Frontier Private Equity	5.9	0.4
GEF Africa Sustainable Forestry Fund	26.5	4.8
Global Environment Emerging Markets Fund III	5.1	26.4
Global Trade Liquidity Programme	0.3	48.3
Global Trade Liquidity Programme Guarantee Facility	32.0	–
GroFin East Africa SME Fund	–	0.8
GroFin Africa Fund	14.6	2.3
Helios Investors	7.0	33.3
Helios Investors II	39.6	7.1
Horizon Fund III	2.3	1.5
Horizon Tech Ventures	–	1.1
I&P Capital II	2.4	2.5
IDFC Private Equity Fund II	0.9	14.3
IDFC Private Equity Fund III	9.3	7.3
India Agribusiness Fund	3.6	2.9
India Financial Inclusion Fund	6.4	7.5
India Infrastructure Fund	39.7	28.1
India Value Fund II	0.4	2.1
India Value Fund III	3.5	12.2
India Value Fund IV	23.7	1.4
Interact Climate Change Facility	21.5	–
International Finance Participation Trust (2004)	0.3	41.3
JS Private Equity I	18.1	3.3
Kendall Court Mezzanine (Asia) Fund I	0.6	6.5
Kendall Court Mezzanine (Asia) Bristol Merit Fund	10.5	9.3
Keytone Ventures	1.6	5.3
Kotak India Realty Fund	18.2	12.6
Kotak India Private Equity Fund	11.7	10.2
Legend Capital Fund IV	2.9	3.8
Lok Capital	–	3.0
Lok Capital II	6.2	–
Lombard Asia III	5.4	11.1
Maghreb Private Equity Fund II	3.9	14.1
Medu Capital Fund II	2.9	4.1
Minlam Microfinance Offshore Fund	–	18.6
Multiples Private Equity Fund I	18.2	–
Navis Asia Fund IV	–	7.1
Navis Asia Fund V	9.9	43.0
New Silk Route Fund I	12.8	18.3
Nexxus Capital Private Equity Fund III	1.4	12.7
Patria-Brazilian Private Equity Fund III	14.0	6.1
Peepul Capital Fund III	12.8	–
Qiming Venture Partners	5.8	16.1
Renewable Energy Asia Fund	11.7	0.7
Saratoga Asia II	15.4	14.3
Seedfund 2 International	7.3	0.7
SGAM AI Kantara Fund	13.9	1.0
Shorecap International	0.4	0.7
Shorecap II	5.4	0.7
Sierra Investment Fund	1.0	1.6
Sphere Fund 1	0.4	1.3
Travant Private Equity Fund I	16.6	1.5
Tripod Capital China Fund II	7.5	12.3
Vantage Mezzanine Fund	0.6	10.0
VenturEast Proactive Fund	6.2	6.6
VenturEast Life Fund III	6.5	5.8
Zana Capital Fund	2.9	13.3
98 other managed funds	832.7	908.5
6 co-investments	–	46.5
Forward foreign exchange contracts	–	(34.4)
Total legal commitment to 143 funds at end 2010	1,430.2	1,933.2

Performance Review
continued

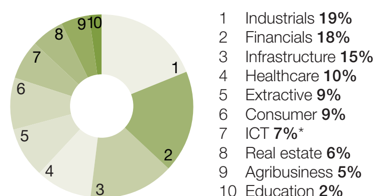
Largest 20 underlying investments of funds

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. This company has been successfully divested in 2011.
Globeleq Generation Invested by Actis Infrastructure Fund II	Develops, owns and operates power generation facilities across emerging markets including Tanzania, Kenya, Côte d'Ivoire and Honduras.
Alexander Forbes Invested by Actis Africa Empowerment Fund; Actis Africa Fund 2; Actis Umbrella Fund; Canada Investment Fund for Africa; Ethos Private Equity 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 but with the majority of its operations in South Africa.
ACTOM 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.
Commercial International Bank Invested by Actis Emerging Markets Fund 3; Actis Africa Fund 3	The largest private sector commercial bank in Egypt.
MTN Nigeria Invested by Capital Alliance Private Equity I; Capital Alliance Private Equity II	A provider of mobile telecom services, through the GSM platform. MTN Nigeria is part of the MTN Group, Africa's leading cellular telecommunications company.
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 in South Africa. Africa's largest private sector repairer of electric motors, transformers and traction drive systems.
DFCU Invested by Actis Africa Fund 1	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; CDC co-investment	The ninth largest bank in Nigeria (with a subsidiary in Benin Republic), with a strong focus on the SME and corporate sectors.
7 Days Group Holdings Invested by Actis China Fund 2; Actis China Fund 3; Actis Emerging Markets Fund 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.

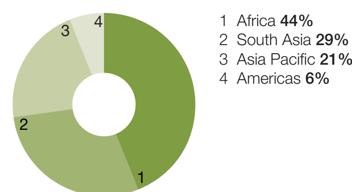
Company	Description
GVK Energy Invested by Actis Infrastructure Fund II	One of the first private sector power plant developers and operators in India with a balanced portfolio of assets across gas, coal and hydro technologies as well as two domestic coal mining concessions associated with its coal projects.
Xiabu Xiabu Invested by Actis China Fund 2; Actis China Fund 3; Actis Emerging Markets Fund 3; Actis Umbrella Fund	Pioneer of the bar-style hot pot format which features an individual pot for every customer, instead of a traditional communal hot pot. Based in China, most stores are in office blocks and shopping malls providing affordable, fresh, hygienic and healthy food.
Amoun Pharmaceuticals Invested by CVCI Africa Fund	A manufacturer of off-patent branded generic formulations. It is one of the largest pharmaceutical companies in Egypt.
Mineral Deposits Invested by Actis Africa Fund 2; Canada Investment Fund for Africa; African Lion 2; ECP Africa Fund II	A company with two mining projects in Senegal: The Sabodala Gold Project and the Grande Côte Zircon Project.
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.
INM Outdoor Invested by CVCI Africa Fund; Helios Investors	Africa's largest outdoor advertising company, with a large market share in South Africa and market leading operations in 13 other countries in southern and eastern Africa.
Ambow Invested by Actis China Fund 2; Actis China Fund 3; Actis Emerging Markets Fund 3; Actis Umbrella Fund	A leading supplementary education service provider in China.
Capital Properties Holdings Invested by Actis Africa Real Estate Fund	Owner of three office blocks totalling 19,000 square metres of space, on a single prime site in the heart of Dar es Salaam, Tanzania.
Gruppo Invested by Actis Africa Real Estate Fund 2	A Nigerian company with access to 5,136 hectares of land located in Ikeja, Lagos to develop a mixed use complex consisting of a 28,500m^2 retail shopping mall and a 10,400m^2 office building.
Sterling Add-Life India Invested by Actis India Fund 2; Actis India Fund 3; Actis South Asia Fund 2; Actis Umbrella Fund	A leading hospital company in the state of Gujarat with five multi-speciality hospitals in Ahmedabad, Baroda, Rajkot, Mundra and Bhavnagar. A unit is currently under construction in Baroda.

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 currently 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 private equity fund of funds investment

CDC invests in private equity funds in developing countries. Such investment is inherently risky with the potential for loss of portfolio value leading to lower cash inflows than expected. A long-term commitment is required from CDC, with no certainty of return. At 31 December 2010, CDC had significant undrawn commitments of £1,430.2m (2009: £1,561.0m), which is normal for a fund of funds business, representing 194% 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 £737.9m. However, market 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 and 25% in 2010. The timing of cash distributions from funds is uncertain and not within the direct control of CDC. The sale of interest in funds may require a lengthy time 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. 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.

The directors seek to mitigate these risks by maintaining as diversified a portfolio of investments as possible within the policy objectives set by CDC's shareholder. Portfolio exposure targets for each country and sector in which CDC invests help to mitigate the portfolio risk. However, given CDC's history the portfolio does remain concentrated with respect to the private equity fund manager Actis. The percentage of funds under management (CDC investment in funds plus outstanding commitments to the funds) by Actis has fallen from 46% at the end of 2009 to 42% at the end of 2010. CDC has investments in 143 private equity funds providing it with a portfolio of over 900 underlying companies that are diversified by vintage year, size, geography and industry sector. CDC's highest sector exposures are 19% in Industrials and 18% in Financials. The top 20 investments represent 35% of the portfolio with the largest individual investment representing 5%.

CDC's highest country exposures are 26% in India, 15% in China, 11% in South Africa and 9% in Nigeria.

Reputational risk

As mentioned earlier, CDC expects its fund managers and underlying investee companies to aim for the highest levels of achievement with regard to environmental, social and governance issues. However, there inevitably remains the possibility with such a diverse investment portfolio that an incident at a fund or underlying portfolio company fails to comply with CDC's Investment Code and CDC's reputation is damaged. CDC has recently strengthened the already high compliance requirement of investees in its legal documents and issued a new Investment Code Toolkit. During 2010 CDC carried out extensive training of fund managers on this Toolkit. Funds are monitored twice a year and there is an extensive evaluation of fund performance twice during the life of a fund to review adherence to the Investment Code and learn lessons for the future.

Currency risk

CDC's fund investments are in many currencies, particularly US$, therefore as a sterling corporation which is part of the UK Government, it has currency risks which require treasury policies to manage cash resources. 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 18 to the accounts on pages 60 to 69.

Pension funding risk

With the agreement of CDC, the Pensions Scheme Trustees purchased a bulk annuity policy, which covers the current entitlement of all members of the defined benefit section of the Pensions Scheme. Since then, the investment and longevity risks of the Pensions Scheme have been mitigated. Pension funding is therefore no longer a material risk for the company.

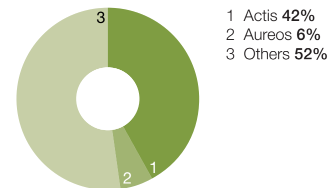
Valuation risk

CDC is now in its twelfth year of valuing its portfolio according to CDC valuation methodology.

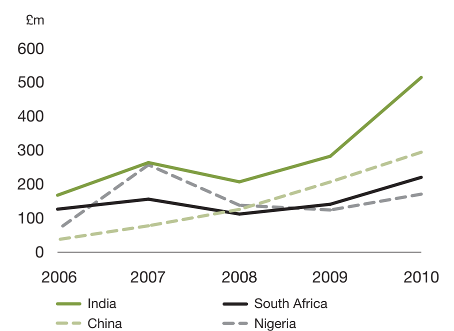
CDC valuation guidelines have been developed in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Investments are valued at fair value, which is the value at which an orderly transaction would take place between market participants at the reporting date. The detailed 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. The details of the valuation methodology are given in note 2 to the accounts under the Investments heading on pages 40 to 41.

Godfrey Davies
Chief Financial Officer

Funds under management by fund manager



Portfolio by major country 2006 – 2010



Corporate Sustainability Report

Shonaid Jemmett-Page
Chief Operating Officer

CDC's Investment Code defines our principles, objectives and management systems for sustainable and responsible investment.

As a development finance institution owned by the UK government, with the objective of investing in the creation and growth of private businesses in poorer countries of the world, CDC recognises that it has an effect on the environment, its people and the wider society in which we exist. CDC's Investment Code defines our principles, objectives, policies and management systems for sustainable and responsible investment with respect to environmental, social and governance matters. The Investment Code applies to CDC, its fund managers and the companies in which its fund managers invest. CDC strives to be a good corporate citizen and support the communities where it operates. We set out below how we apply the Investment Code within CDC.

CDC's values

We promote the highest possible standards of professionalism and integrity in all that we do. We ensure that we:

- **keep social responsibility at the heart of all that we do:** respect our staff and have balanced, clear policies at work, enabling our people to excel in delivering CDC's strategy;
- **contribute to the wider society around us:** share knowledge with the community in which we operate, endeavouring to communicate best practice and further the development aims in the CDC universe; and
- **minimise our impact on the environment:** taking measures to reduce our carbon footprint and to offset the remaining footprint to become carbon neutral.

During 2010, we established a Corporate Responsibility Committee, composed of CDC staff from across the organisation, that discusses current issues, suggests policy enhancements to management and reviews progress on implementation of policy. The committee has met regularly during 2010, focusing initially on the reduction of carbon emissions and later in the year on social responsibility.

Social responsibility

Objective

We aim to build leading edge, hard working and highly motivated teams with excellent skills who are committed to delivering CDC's strategy. In order to do this, we need to support our people and ensure we:

- recruit and retain high quality individuals to ensure we achieve our mission;
- invest in robust training programmes that deliver sustained performance and growth;
- maintain succession plans and develop our staff for future promotions, identifying, mentoring and retaining talent; and
- respect the dignity, well-being and diversity of all our staff.

Policy

CDC:

- endorses the principles set out in the Universal Declaration of Human Rights;
- complies with national laws as a minimum;
- clearly defines responsibilities and provides appropriate training and feedback on progress to all employees;
- establishes appropriate levels of salary which reflect market practice across all functions and levels by reviewing all salaries annually against appropriate externally-run market benchmarks;
- treats employees fairly in terms of recruitment, progression, terms and conditions of work and representation, irrespective of age, colour, disability, gender, HIV status, political opinion, race, religion, sexual orientation or social and ethnic origin;

- creates a working environment where our culture and values get the best out of our people;
- creates and maintains a healthy working environment, encouraging a good work-life balance for all staff and allowing for flexibility in working patterns where appropriate;
- assesses the health and safety risks arising from work activities, taking appropriate actions to eliminate or reduce risks to health and safety;
- supports staff undertaking voluntary work; and
- supports charitable initiatives as appropriate for an organisation with our strategy.

Implementation

CDC's performance against these objectives and policies in 2010 is as follows:

Staff engagement and training

We have rolled out the second year of our intensive training programme, which has been developed to deliver sustained performance and growth; focus in 2010 has been on negotiation skills, performance management and coaching skills. 36 staff attended the negotiation skills training which lasted for one to two days and 15 staff attended coaching skills which lasted for a day and a half.

Our team has delivered Investment Code toolkit training to enhance environmental, social and governance systems, both internally and to our fund managers.

There is a robust annual review process in place including a performance appraisal where staff are given constructive feedback of performance versus objectives; training needs are identified, acted upon and monitored and career aspirations are discussed.

There is a well established programme of regulatory training for all staff, such as anti-money laundering training.

Reward and recognition

CDC has compensation structures that reward performance. There is a detailed annual review of structures against the market to ensure they remain competitive.

CDC has a well established Human Resources committee that reviews this and reports to CDC's Remuneration Committee.

There is a comprehensive package of benefits for staff including non-contributory pensions, 25-30 days annual leave, private medical insurance and permanent health insurance.

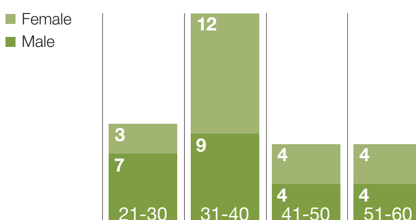
Diversity and culture

We engage with our staff on their opinions of CDC. In 2010, we conducted our first staff survey to understand how staff felt about CDC's mission, their role and aspects of working life at CDC. It was conducted electronically by an external company and all results were confidential. The staff survey had an outstanding 91% response rate.

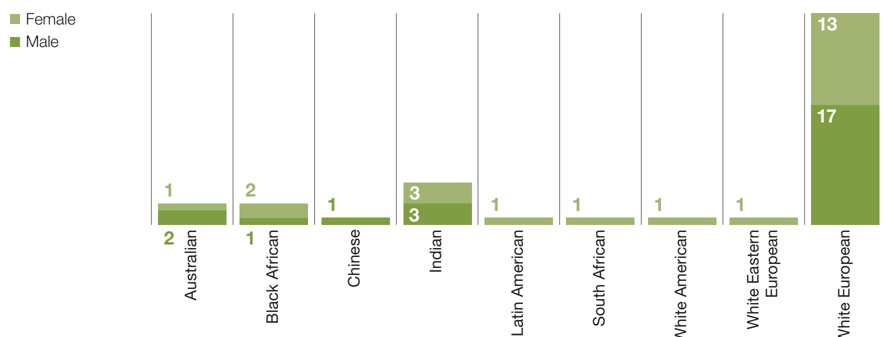
Of the staff who responded, 89% either agreed or strongly agreed that they were committed to CDC's strategy and understood it. 88% understood their role and how it fitted with CDC's overall goals. 90% of staff believed that CDC has a good working environment. However, only 61% of staff felt valued for their contribution and 59% of staff felt that communication could be better. These areas are being investigated and work has already been done to improve communication, with more informal staff meetings to discuss topical issues, to which all staff are invited, and a Communications Committee reporting ideas to management.

We have strong diversity statistics: 49% of the workforce is female and nine ethnicities are represented in our workforce of 47 people. There is a wide age profile, with an average age of 40 and five staff either work part-time or under flexible working arrangements. There is a good gender balance on the senior management team (measured as the Management Committee staff), where 40% of the team is female.

Number of staff by age



Staff ethnicity (number)



Corporate Sustainability Report
continued

CDC staff prepare the nursery wall for the mural.

The final painted mural to be enjoyed by local children, staff and parents alike. This was designed and painted entirely by CDC staff.

Our policies with regard to maternity and paternity allowances are better than the statutory minimum and we seek to implement family friendly policies, such as ensuring staff have a good work-life balance and can work under flexible working arrangements where appropriate.

CDC is supportive of staff with disabilities, ensuring where possible that they have equal opportunities in the workplace and that reasonable adaptations are made to their working environment to ensure they can fulfil their duties.

Health and safety
The first CDC Wellness Day, in conjunction with Pruhealth, who provide CDC's medical insurance, was held in November 2010, with the aim of promoting staff wellbeing, providing strategies for reducing stress and encouraging exercise and a healthy lifestyle, such as the cycle to work scheme.

There is a well established programme of medicals for regular travellers.

CDC subscribes to the Employee Assistance Programme which provides confidential support for staff, covering work, family, legal or other issues.

We comply with and, where possible, exceed health and safety legislation, providing full training to all Officers taking on Health and Safety responsibilities. CDC has six first aiders, five fire wardens and two health & safety officers trained and available, which is in excess of statutory requirements.

Community and social enterprise
CDC held a day for staff to help on a community project painting a mural in London in October 2010.

We are supportive of employees who volunteer or act as trustees for charities.

We promote the 'Give As You Earn' scheme administered by the Charities Aid Foundation (CAF). 6% of staff make monthly charitable donations through the payroll, for which CDC received a silver award from CAF during the year for the level of staff payroll giving.

CDC's staff have supported other charitable ventures during the year including fundraising days for breast cancer and genetic disorders.

In lieu of Christmas cards, CDC made a donation of £2,000 to L'Association Parrainage de l'Ecole de Yâ, a charity that supports a village school in Yâ in Burkina Faso.

During 2010, we contributed £25,000 to sponsor a workshop in Kenya as part of the Caine Prize for African Writing.

CDC recruits interns and work experience students to provide training and experience in the workplace. Throughout 2010, we had four interns across the organisation and one work experience student.

Environment: minimising our impact

Objective

CDC recognises that it has a responsibility for the environment above and beyond regulatory requirements. CDC staff practise the principles of reducing, re-using and recycling.

We aim to be carbon neutral in our own operations in the future and to offset in a manner that is aligned to our Investment Code and within the CDC universe.

Policy

CDC:

- measures the carbon footprint of the business and will re-measure it on an annual basis;
- sets a target to reduce its carbon footprint and reports on progress against this;
- seeks to use a carbon offset programme to reduce the company's footprint;
- minimises waste through careful and efficient use of all materials and energy;
- actively promotes recycling;
- seeks to minimise the use of energy in our activities, e.g. lights and equipment will be switched on only when needed and not out of routine;
- purchases recycled products and less environmentally damaging materials wherever possible;
- operates the business in an environmentally sensitive manner; and
- educates and involves staff in the implementation of this policy, aiming for greater commitment and personal responsibility.

Implementation

A reduction in carbon emissions will always be the first priority in mitigating the effect of damage to the environment. CDC has taken steps to reduce CO_2 emissions by introducing the following initiatives:

Office equipment and supplies:

- where possible, all printers and photocopiers are set to print double-sided so less paper is used; ink cartridges are recycled;
- where possible, office materials are made from recycled products, including pens, pencils, notepads and all paper materials;
- only recycled or FSC-certified paper is used in printers and photocopiers;
- general office waste bins have been removed and replaced with recycling pods, encouraging staff to recycle paper, plastics, glass, steel and aluminium; and
- as far as possible, we use suppliers with policies that respect the environment and endeavour to minimise carbon emissions. This includes food suppliers, where we try to use organic and fair trade products. All plastic cups and bottled water have been removed throughout CDC, having been replaced by glasses and water jugs.

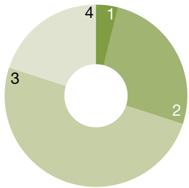
Travel:

- subsidised bicycles for staff who cycle to work;
- season ticket loans for staff wishing to use public transport;
- promoting audio and video conferencing as viable means of communicating with teams overseas to minimise long haul air travel; and

CDC's carbon offsetting with ClimateCare: cooking pots in Ghana that reflect local conditions and ensure families are exposed to fewer pollutants.

Corporate Sustainability Report
continued

CDC's carbon footprint



1 Purchased energy **4%**
2 Purchased materials and fuels **26%**
3 Transport related materials **50%**
4 Waste disposal and leased assets **20%**

2,027
total tonnes CO_2

CDC's carbon offsetting in India: smallholder farmers use treadle pumps for irrigation. These not only reduce the environmental damage caused by diesel-powered pumps but also reduce costs and improve yields.

- encouraging multi-visit trips rather than multiple trips involving more long haul flights.

Electricity usage:

- office lighting is movement sensitive and will switch off when there is no movement for a short period of time;
- staff are reminded to switch off lights in meeting rooms when they have finished;
- there is a master switch for all lighting to be extinguished by the last person leaving the office; and
- printers have auto-switches that turn off at 6pm.

Carbon footprint

In 2010, CDC measured its corporate carbon footprint, being the total greenhouse gas (GHG) emissions caused directly and indirectly by the organisation.

The carbon footprint has been calculated based on a hybrid methodology to map carbon emissions associated with the operation of CDC in accordance with the Greenhouse Gas Protocol. Three main approaches were used to calculate greenhouse gas emissions:

- calculating emissions from energy consumption data (electricity bills, fuel expense claims);

- calculating emissions from distances travelled to work and mode of transport; and
- calculating emissions for other activities from costs using an economic input – output approach. Standard emission factors from DEFRA have been used to calculate CO_2 emissions.

There are three types of emissions. Scope 1 emissions are from processes and operations under the control of the organisation that directly emit GHGs, such as fuels combustion or owned transport. Scope 2 emissions are those associated with purchased energy, such as electricity. Scope 3 emissions include all other emissions that are incurred throughout the organisation's total remaining supply chain.

CDC does not have Scope 1 emissions. CDC's Scope 2 emissions are 87,496kg of CO_2 from electricity usage. This accounts for 4.3% of CDC's carbon footprint.

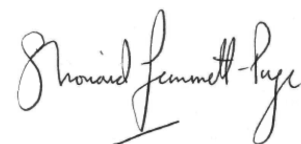
CDC's Scope 3 emissions are predominantly from air travel: transport related materials account for 1,022,517kg CO_2 or 50.4% of CDC's carbon footprint. The remaining amounts are from purchased materials and fuels i.e. those associated with supplies purchased by CDC such as stationery, printer and photocopier materials, IT equipment, catering supplies etc. This accounts for 525,523kg CO_2 or 25.9% of CDC's carbon footprint. The remaining 19.4% is attributable to the office and other leased assets (19.2% or 388,174kg CO_2) and waste disposal (0.2% or 3,526kg CO_2).

CDC's total carbon footprint is 2,027 tonnes. Although this is a relatively small footprint, CDC has chosen to offset this in line with the Investment Code and the environmental standards we expect our fund managers and portfolio companies to adhere to.

CDC has offset this via ClimateCare in a portfolio of projects in Africa and South Asia. In Uganda and Ghana, CDC is supporting the distribution of fuel efficient stoves that are manufactured locally. These stoves reduce emissions through lower usage of non-renewable charcoal and wood as well as ensuring that families are exposed to fewer pollutants. Being manufactured locally, they also ensure that jobs are created and technical skills are acquired within local communities. The stoves used in Uganda and Ghana are different from each other and have been created to reflect the local conditions. Without revenues from carbon finance, these projects would not have been viable as low income families would have continued to choose cheaper, less efficient stoves producing higher carbon emissions.

In India, CDC is supporting a low-tech method of irrigation which not only reduces the environmental damage caused by diesel-powered pumps but is also low-cost and helps smallholder farmers both reduce costs and improve yields. The treadle pumps project is based in six states in eastern India and means that farmers are able to irrigate on a more timely basis without the serious environmental consequences of diesel pumps, which are expensive to hire and can therefore only be used for short periods, meaning that they are an inefficient way of irrigating the land. Carbon finance has given the treadle pumps project the ability to expand as well as support improved training and education on better agricultural practices.

We will endeavour to reduce our footprint in future and continue to offset in appropriate businesses within the CDC universe to maintain a carbon neutral status.



Shonaid Jemmett-Page
Chief Operating Officer

CDC's carbon offsetting in Uganda: using new stoves that use less charcoal and reduce emissions.

Board of Directors

1. Richard Gillingwater CBE
Chairman
Nominations Chair, Co-Investment Chair, Audit, Compliance and Risk Chair (from November 2010 to 29 March 2011)

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

Richard 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 the Government's performance as a shareholder in Government-owned businesses.

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

2. 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 Plan UK, the international children's charity. Until January 2010 Richard was a Non-executive Director of Aureos Advisers Limited, the leading emerging markets private equity fund manager for small and medium enterprises and he is now on Aureos's Advisory Council.

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 & Spencer.

3. Arnab Banerji
Non-executive Director
Audit, Compliance and Risk Chair (until November 2010)

Appointed in July 2004 and resigned in November 2010.

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.

4. Valentine Chitalu
Non-executive Director
Audit, Compliance and Risk Chair (from 29 March 2011)

Appointed in May 2010.

Valentine is an entrepreneur in Zambia and Southern Africa, specialising in private equity and general investments. In the early part of his career, he worked at KPMG in London. Valentine was previously Chief Executive Officer at the Zambia Privatisation Agency where he was responsible for the divestiture of over 240 enterprises. He later worked for CDC in London and Lusaka as an investment executive.

He holds several other board positions in Zambia, Australia and the UK. He is currently Chairman of Zambian Breweries, MTN (Z) Limited and the Phatisa Group.

5. Ian Goldin
Senior Independent Director and Non-executive Director
Remuneration Chair (from May 2010)

Appointed as a Non-executive Director in January 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 2001 to 2006, Ian was at the World Bank, firstly as Director of Development Policy then as a Vice President. From 1996 to 2001 he was Chief Executive of the Development Bank of Southern Africa. Previously, Ian worked at the European Bank for Reconstruction and Development as Principal Economist.

6. Jonathan Kydd
Non-executive Director

Appointed in February 1997 and retired in May 2010.

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.

7. Jeremy Sillem
Non-executive Director

Appointed in March 2011.

Jeremy Sillem is the Managing Partner and Co-Founder of Spencer House Partners, a firm specialising in providing advice and capital to the asset management industry. Prior to that he had a 30 year career in investment banking, first at Lazard where he ran international capital markets and then at Bear Stearns where he was Chairman of the European business.

He sits on a number of boards including those of Martin Currie (Holdings) Limited, the Edinburgh based global equities manager, Harbourmaster Capital (Holdings) Limited, the Dublin based loan management business and RHJI, the Brussels based holding company whose principal subsidiary is Kleinwort Benson Group.

8. Fields Wicker-Miurin OBE
Non-executive Director
Best Practice and Development Chair (from May 2010)

Appointed in November 2004.

Fields is co-founder and partner of Leaders' Quest, where she leads the Advisory Council. Leaders' Quest works across the globe in the most dynamic and rapidly changing countries with people who want to be relevant and responsible leaders in the world of the future. An active supporter of the arts and of education, Fields is also a Governor of King's College London.

She has advised the European Union on financial sector reform and was a member of the NASDAQ Technology Council for many years. She served as a Non-executive Director at the UK's Department for Business for six years and chaired the Investment Committee advising on all government subsidies to business. Fields was awarded an OBE in 2007 for services to international business.

9. Andrew Williams
Non-executive Director
Remuneration Chair (until May 2010)

Appointed in July 2003 and resigned in November 2010.

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.

Andrew is also a Non-executive Director of Macquarie Bank International Plc.

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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 and on CDC's website.

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 2010. The Directors' Remuneration Report on pages 27 to 29 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 a few direct majority holdings in companies in agriculture and finance.

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 party investors 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 4 to 13, 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.

Financial statements

Basis of preparation

The audited financial statements of the Group are prepared in accordance with applicable UK law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Income

Income from continuing operations was £56.1m (2009: £46.0m).

Profit from operations

The profit from operations before tax and finance costs of £245.8m compares with £283.8m for 2009; the significant profits have been driven by fair value gains on the portfolio.

Taxation

The tax charge for 2010 was £1.9m compared with £8.9m in 2009. 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 £273.0m (2009: £263.8m). Comprehensive income for the year attributable to equity holders of CDC was £266.2m (2009: £253.7m).

Cash flow

Cash flows from operating activities were an outflow of £8.8m (2009: outflow of £34.2m).

Investment policy targets

The CDC Board regularly reviews investment performance against investment policy targets. At the end of 2010, new investments from commitments made after 1 January 2009 were 84% in sub-Saharan Africa and 92% in low income countries, exceeding the targets of 50% and 75% respectively. Also, new investments from commitments made prior to 2009 were 32% in sub-Saharan Africa and 52% 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 investment policy targets for the foreseeable future.

Statement of financial position

Total assets increased from £2,876.0m to £3,088.3m.

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. CDC makes contributions to the defined benefits section in accordance with an agreed schedule of contributions. Disclosures required under International Accounting Standards (IAS) show a net pension deficit of £nil (2009: £5.1m). Further details are shown in note 15 to the audited financial statements.

Dividend recommended

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

Post year end events

Since the year end, events in North Africa may have reduced the market value of CDC's investments. 4.9% of CDC's portfolio is in North Africa with 3.6% in Egypt, 0.7% in Tunisia, 0.3% in Morocco and 0.3% in Algeria. The total value of these investments at the end of December 2010 is £94.4m.

Regulation

CDC is authorised and regulated by the Financial Services Authority under the Financial Services and Markets Act 2000. Where applicable, certain Group subsidiaries' businesses outside the UK are regulated locally by applicable authorities.

Corporate governance

CDC supports established best practice in corporate governance and has complied with the provisions of the UK Corporate Governance Code published by the Financial Reporting Council broadly throughout 2010, so far as is practicable for a company that is wholly owned by the UK government. Following the resignation of the former Chair in November 2010, the Chairman of the Board served as Chair of the Audit, Compliance and Risk Committee, notwithstanding the UK Corporate Governance Code. This was a temporary measure and Valentine Chitalu was appointed the new Chair of the Audit, Compliance and Risk Committee on 29 March 2011.

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 maintaining 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 4 to 13.

In addition, note 19 to the financial statements includes the Group's policies and processes for managing its financial risk, details of its financial instruments and hedging activities and its exposures to credit and liquidity risk. The Group has considerable financial resources. As a consequence the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the 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

Directors' Report
continued

against the risks it faces; and ensure that employees apply appropriate ethical standards in the performance of their duties in accordance with CDC's Investment Code.

Certain matters are reserved for decision 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 Fields Wicker-Miurin and Valentine Chitalu. Being eligible, they offer themselves for re-election.

The Board met six times during 2010 and has scheduled six meetings for 2011. 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 General Counsel and Company Secretary and they may obtain independent professional advice at CDC's expense, if necessary. All Board meetings are appropriately minuted.

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. The Non-executive Directors 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 composition of the Board altered in 2010 with the departures of Jonathan Kydd on 26 May, Andrew Williams and Arnab Banerji on 16 November and the arrivals of Ian Goldin on 29 January and Valentine Chitalu on 26 May.

The table below indicates the attendance of all the Board Directors, whose biographies are on pages 20 and 21, during the year ended 31 December 2010:

Number of meetings during the year	6
Richard Gillingwater CBE (Chair)	6
Arnab Banerji (to 16 November 2010)	6
Valentine Chitalu (from 26 May 2010)	4
Ian Goldin (from 29 January 2010)	5
Jonathan Kydd (to 26 May 2010)	2
Richard Laing (Chief Executive)	6
Fields Wicker-Miurin OBE	6
Andrew Williams (to 16 November 2010)	6

An evaluation of the performance of the Board, the various committees of the Board and individual Directors was carried out by an independent evaluation consultancy, Independent Board Evaluation, in 2010. The results of the evaluation, including areas where its working practices could be developed further, have been formally reported to and considered by the Board.

At the end of 2010, 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. The terms of reference of all Board Committees are available for inspection at CDC's offices during normal working hours and on CDC's website.

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

Number of meetings during the year	3
Richard Gillingwater CBE (from 26 May 2010 and Chair from 16 November 2010)	1
Arnab Banerji (Chair to 16 November 2010)	3
Valentine Chitalu (from 26 May 2010)	1
Jonathan Kydd (to 26 May 2010)	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 also oversees changes in 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	4
Ian Goldin (Chair from 26 May 2010)	1
Andrew Williams (to 16 November 2010. Chair to 26 May 2010)	3
Arnab Banerji (to 16 November 2010)	3
Richard Gillingwater CBE	4
Fields Wicker-Miurin OBE	2

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 27 to 29.

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. The Chief Executive and the Chief Operating Officer attend by invitation.

Number of meetings during the year	5
Fields Wicker-Miurin OBE (Chair from 26 May 2010)	4
Valentine Chitalu (from 26 May 2010)	3
Richard Gillingwater CBE	3
Ian Goldin (from 29 January 2010)	3
Jonathan Kydd (Chair to 26 May 2010)	2
Andrew Williams (to 16 November 2010)	5

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 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	5
Richard Gillingwater CBE (Chair)	5
Arnab Banerji (to 16 November 2010)	5
Valentine Chitalu (from 26 May 2010)	2
Ian Goldin (from 29 January 2010)	3
Jonathan Kydd (to 26 May 2010)	2
Richard Laing	5
Fields Wicker-Miurin OBE	5
Andrew Williams (to 16 November 2010)	5

Co-Investment

The Co-Investment Committee did not meet in 2010. It meets as required, with a 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.

Directors' conflicts of interest

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company has processes to identify potential and actual conflicts of interest. Such conflicts are then considered for approval by the Board, subject, if necessary, to appropriate conditions.

General Counsel and Company Secretary

The Directors have access to the advice and services of the General Counsel and Company Secretary, who is responsible for advising the Board, through the Chairman, on governance matters.

Directors' Report
continued

Internal control
The Board is ultimately responsible for the Group's internal control system and for reviewing its effectiveness. The design and operation of the system is delegated to the executive management team. Its effectiveness is regularly reviewed by the Audit, Compliance and Risk Committee. CDC's internal control system provides the Board with reasonable assurance that potential problems will typically be prevented or detected early with appropriate action taken. Material breaches are reported to the Audit, Compliance and Risk Committee and are properly actioned. As with any system of internal control, CDC's system is designed to manage, rather than eliminate, the risk of failure and therefore cannot provide absolute assurance against material misstatement or loss. The Audit, Compliance and Risk Committee reviews the 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 material 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 2010, CDC made a charitable donation of £2,000 to L'Association Parrainage de l'Ecole de Yâ, France (2009: £2,000 Keep a Child Alive, United Kingdom), 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 2010 the Company had an average of 6 days purchases outstanding in trade creditors (2009: 6 days).

Auditors
In accordance with Section 489 of the Companies Act 2006, a resolution proposing the reappointment of KPMG Audit Plc as the Company's auditors will be put to members at the forthcoming Annual General Meeting.

The auditors were commissioned to undertake some non-audit assurance 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.

Website
The maintenance and integrity of CDC's website 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 website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Mark Kenderdine-Davies
General Counsel and Company Secretary
CDC Group plc
On behalf of the Board of Directors
29 March 2011

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 2010 comprised Andrew Williams (until 16 November 2010, Chair to 26 May 2010), Arnab Banerji (until 16 November 2010), Fields Wicker-Miurin, Ian Goldin (from 29 January 2010 and Chair from 26 May 2010) and Richard Gillingwater.

CDC appointed Towers Watson, Peter Newhouse & Co and Patterson Associates 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 between CDC and the CDC Pensions Scheme. In addition, CDC appointed Towers Watson and Sackers to advise on a Stakeholder pension arrangement which was introduced in February 2011.

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. The Remuneration Framework will be reviewed during 2011.

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 2011 will remain unchanged at the 2008 level of £225,000.

Short-term incentive plan (STIP)

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 2010 included progress on new products such as the sub-Saharan African forestry fund, enhancing the investment team performance, publication and deployment of the ESG toolkit and cash flow management. These objectives were met and the Chief Executive received a bonus payment of £270,000 in respect of achievements made during 2010.

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 put in place during 2008, after consultation with DFID, HM Treasury, The Shareholder Executive and CDC's advisors.

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

DFID has advised that the Remuneration Framework within which CDC operated during 2010 will be reviewed during 2011.

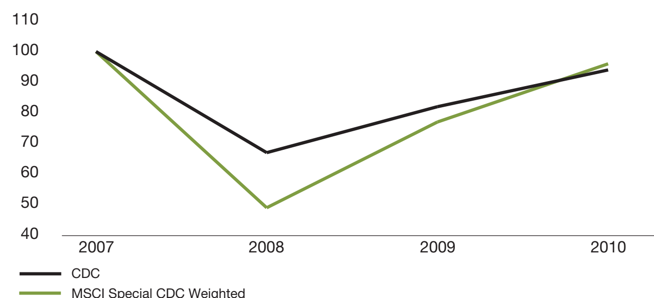
Directors' Remuneration Report
continued

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 covers three-year rolling periods. 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 is 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 Total Portfolio Return for the three years of the 2008 LTIP (2008 to 2010 inclusive) was less than 7%. CDC did not therefore achieve the hurdle rate of return required to trigger LTIP payments. No member of staff received any payment in respect of their 2008 LTIP award.

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 either four times base salary in the event of death, plus a dependent pension of 30% of salary, or eight times base salary with no dependent pension;
- 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 entitlements are shown in the table on page 29.

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 Executive Director would be approved by the Remuneration Committee. In February 2011, Richard Laing gave notice of his intention to retire from CDC with effect from 17 February 2012.

The Non-executive Directors have letters of appointment. The appointments of Non-executive Directors are fixed for three year terms from the effective date of appointment renewable for further three year terms at the election of CDC and 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 (2009: £22,000). The basic fee for the Chairman is £40,000 per annum (2009: £40,000). Non-executive Directors, except the Chairman, receive an additional £2,000 per annum (2009: £2,000) for each committee membership and £4,000 per annum (2009: £4,000) for each committee which they chair. The fees paid to Non-executive Directors in 2010 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 (to 16 November 2010)	9 July 2004	n/a
Valentine Chitalu (from 26 May 2010)	26 May 2010	3
Richard Gillingwater CBE	22 January 2009	3
Ian Goldin (from 29 January 2010)	10 February 2010	3
Jonathan Kydd (to 26 May 2010)	8 December 1999	n/a
Fields Wicker-Miurin OBE	7 October 2004	3
Andrew Williams (to 16 November 2010)	2 July 2003	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 sits on the Board of Plan UK. He receives no fees for these appointments.

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 £	Bonus STIP £	Bonus LTIP £	Benefits £	Total 2010 £	Total 2009 £
Executive Directors						
Richard Laing	**225,000**	**270,000**	**–**	**5,855**	**500,855**	494,501*
Non-executive Directors						
Arnab Banerji (to 16 November 2010)	**27,500**	**–**	**–**	**–**	**27,500**	28,333
Valentine Chitalu (from 26 May 2010)	**14,431**	**–**	**–**	**–**	**14,431**	–
Richard Gillingwater CBE	**40,000**	**–**	**–**	**–**	**40,000**	37,744
Ian Goldin (from 29 January 2010)	**24,985**	**–**	**–**	**–**	**24,985**	–
Jonathan Kydd (to 26 May 2010)	**12,500**	**–**	**–**	**–**	**12,500**	30,000
Fields Wicker-Miurin OBE	**31,121**	**–**	**–**	**–**	**31,121**	28,333
Andrew Williams (to 16 November 2010)	**26,500**	**–**	**–**	**–**	**26,500**	30,000

* The total remuneration for Richard Laing for 2009 includes the LTIP payment of £264,060 which was paid to him in 2009 in respect of his 2007 LTIP Award.

Pension entitlements (audited by KPMG Audit Plc)

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

	2010 £	2009 £
Contributions to defined contribution schemes	**93,892**	76,205
Contributions to defined benefit scheme	**98,138**	79,120

	Accumulated total accrued pension at 31 December 2010 £	Accumulated total accrued pension at 31 December 2009 £	Increase in accrued pension during year £	Transfer value at 31 December 2010 £	Transfer value at 31 December 2009 £	Increase in transfer value during year £
Defined benefit scheme	**33,733**	30,643	**3,090**	**950,314**	753,599	**196,715**

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

Independent Auditor's Report to the Members of CDC Group plc

We have audited the financial statements of CDC Group plc for the year ended 31 December 2010 set out on pages 31 to 78.

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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 23, 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/private.cfm.

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 2010 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

15 Canada Square
Canary Wharf
London E14 5GL
29 March 2011

Consolidated Statement of Comprehensive Income
For the 12 months to 31 December

	Notes	2010 Total £m	2009 Discontinued operations £m	2009 Continuing operations £m	2009 Total £m
Income	4a	**56.1**	172.9	46.0	218.9
Cost of sales		**(7.1)**	(86.5)	(3.4)	(89.9)
Gross profit		**49.0**	86.4	42.6	129.0
Fair value gains and losses	11	**255.3**	–	217.2	217.2
Other income	4b	**37.0**	3.1	42.5	45.6
Selling and distribution costs		**(0.9)**	(0.2)	(0.4)	(0.6)
Administrative expenses	4c	**(64.3)**	(44.3)	(37.0)	(81.3)
Other expenses	4d	**(30.3)**	(21.2)	(4.9)	(26.1)
		196.8	(62.6)	217.4	154.8
Profit from operations before tax and finance costs		**245.8**	23.8	260.0	283.8
Finance costs	5a	**(9.7)**	(6.8)	(10.2)	(17.0)
Finance income	5a	**3.4**	–	8.8	8.8
Net foreign exchange differences	5b	**25.7**	2.5	(28.2)	(25.7)
Profit from operations before tax		**265.2**	19.5	230.4	249.9
Tax charge	6	**(1.9)**	(7.3)	(1.6)	(8.9)
Profit for the year		**263.3**	12.2	228.8	241.0
Discontinued operations					
Profit on disposal of discontinued operations	12	**–**	29.0	–	29.0
Profit for the year		**263.3**	41.2	228.8	270.0
Other comprehensive income					
Exchange differences on translating foreign operations		**(10.6)**	–	(3.7)	(3.7)
Exchange gains on disposed subsidiaries		**(0.2)**	(8.0)	–	(8.0)
Cash flow hedges		**1.8**	–	0.3	0.3
		(9.0)	(8.0)	(3.4)	(11.4)
Total comprehensive income for the year		**254.3**	33.2	225.4	258.6
Profit/(loss) attributable to:					
Equity holders of the parent		**273.0**	41.4	222.4	263.8
Minority interests		**(9.7)**	(0.2)	6.4	6.2
Profit for the year		**263.3**	41.2	228.8	270.0
Total comprehensive income attributable to:					
Equity holders of the parent		**266.2**	33.4	220.3	253.7
Minority interests		**(11.9)**	(0.2)	5.1	4.9
Total comprehensive income for the year		**254.3**	33.2	225.4	258.6

Consolidated Statement of Financial Position
At 31 December

	Notes	2010 £m	2009 £m
Assets			
Non-current assets			
Property, plant and equipment	7	**15.6**	14.5
Biological assets	8	**20.0**	36.1
Investment property	9	**1.0**	3.4
Intangible assets	10	**–**	–
Fair value financial assets	11	**1,856.1**	1,344.1
Other financial assets	13	**89.3**	126.4
Deferred tax assets	14	**2.6**	2.3
Net pension assets	15	**123.3**	134.6
Derivative financial instruments	18	**3.5**	3.3
		2,111.4	1,664.7
Current assets			
Inventories	16	**1.4**	1.4
Trade and other receivables	17	**111.8**	122.9
Current tax assets		**0.8**	0.8
Prepayments		**1.4**	1.7
Derivative financial instruments	18	**19.5**	19.5
Treasury bills and bonds maturing after more than 90 days	20	**23.1**	41.5
Cash and cash equivalents	20	**818.9**	1,023.5
		976.9	1,211.3
Total assets		**3,088.3**	2,876.0
Equity and liabilities			
Attributable to the equity holders of the parent			
Issued capital	21	**765.0**	765.0
Net unrealised gains and losses reserve	21	**–**	(1.8)
Currency translation reserve	21	**(54.8)**	(46.2)
Retained earnings	21	**2,092.7**	1,819.7
		2,802.9	2,536.7
Minority interests		**2.3**	14.2
Total equity		**2,805.2**	2,550.9
Non-current liabilities			
Trade and other payables	23	**0.6**	0.6
Interest-bearing loans and borrowings	24	**53.3**	49.8
Provisions	25	**0.7**	2.5
Deferred tax liabilities	14	**3.8**	2.0
Derivative financial instruments	18	**2.5**	32.8
		60.9	87.7
Current liabilities			
Trade and other payables excluding current tax	22	**140.8**	143.0
Current tax liabilities	22	**0.2**	0.2
Interest-bearing loans and borrowings	24	**21.7**	16.6
Derivative financial instruments	18	**59.5**	77.6
		222.2	237.4
Total liabilities		**283.1**	325.1
Total equity and liabilities		**3,088.3**	2,876.0

The accounts were approved by the members of the Board on 29 March 2011 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	2010 £m	2009 £m
Cash flows from operating activities			
Profit from continuing operations before tax		**265.2**	230.4
Profit from discontinued operations before tax	12	**–**	19.5
Profit from operations before tax		**265.2**	249.9
Depreciation and impairment of property, plant and equipment	7	**3.8**	13.4
Amortisation and impairment of other intangible assets	10	**–**	9.8
Finance costs	5a	**9.7**	17.0
Finance income	5a	**(3.4)**	(8.8)
Provision charge/(release) on loans and receivables	13	**8.2**	(11.8)
Provision charges	25	**0.5**	–
Defined benefits pension costs	15	**22.6**	0.2
Change in value of fair value financial assets	11	**(255.3)**	(217.2)
Change in value of biological assets	8	**18.3**	(24.6)
Change in value of investment property	9	**(0.2)**	–
(Profit)/loss on disposal of fair value financial assets	4a	**(8.5)**	2.0
Loss on disposal of subsidiaries	4a	**1.6**	1.2
Loss on disposal of property, plant and equipment	4d	**–**	0.9
Exchange (gains)/losses		**(33.9)**	107.1
Profit from operations before changes in working capital and provisions		**28.6**	139.1
Decrease/(increase) in trade and other receivables		**14.0**	(67.6)
(Increase)/decrease in other financial assets		**(14.1)**	18.9
Increase in derivative financial instruments		**(48.7)**	(142.7)
Increase in inventories		**(0.1)**	(0.6)
Increase/(decrease) in treasury bills and bonds maturing after more than 90 days		**12.9**	(12.8)
Increase in trade and other payables		**19.0**	59.7
Utilisation of provisions	25	**(2.3)**	(0.3)
Cash flows from operations		**9.3**	(6.3)
Interest income from defined benefit pension scheme		**–**	3.9
Defined benefit pension contributions paid	15	**(11.3)**	(11.7)
Bank interest received	5a	**1.9**	4.9
Finance income on loans	5a	**1.5**	–
Interest paid		**(9.8)**	(13.5)
Interest element of finance lease rentals	5a	**–**	(5.4)
Tax payments		**(0.4)**	(6.1)
Cash flows from operating activities		**(8.8)**	(34.2)
Of which:			
Cash flows from continuing operations		**(8.8)**	(48.4)
Cash flows from discontinued operations	12	**–**	14.2

Consolidated Statement of Cash Flows

For the 12 months to 31 December
continued

	Notes	2010 £m	2009 £m
Cash flows from investing activities			
Proceeds from sale of fair value financial assets		**190.8**	118.9
Proceeds from sale of property, plant and equipment		**0.1**	–
Proceeds from sale of investment property		**2.4**	–
Disposal of subsidiaries, net of cash disposed	12	**–**	(17.3)
Acquisition of fair value financial assets	11	**(416.3)**	(317.5)
Acquisition of intangible assets	10	**–**	(15.3)
Acquisition of property, plant and equipment	7	**(5.9)**	(9.3)
Acquisition of biological assets	8	**(0.8)**	(1.1)
Loan advances	13	**(1.2)**	(51.4)
Loan repayments	13	**27.1**	16.9
Cash flows from investing activities		**(203.8)**	(276.1)
Of which:			
Cash flows from investing activities for continuing operations		**(203.8)**	(239.9)
Cash flows from investing activities for discontinued operations	12	**–**	(36.2)
Cash flows from financing activities			
Proceeds from borrowings		**25.1**	20.3
Repayment of borrowings		**(8.7)**	(3.1)
Dividends paid to minority interests		**(0.9)**	–
Repayment of capital elements of finance leases		**–**	(57.5)
Cash flows from financing activities		**15.5**	(40.3)
Of which:			
Cash flows from financing activities for continuing operations		**15.5**	6.1
Cash flows from financing activities for discontinued operations	12	**–**	(46.4)
Net decrease in cash and cash equivalents from continuing operations		**(197.1)**	(282.2)
Net decrease in cash and cash equivalents from discontinued operations		**–**	(68.4)
Net decrease in cash and cash equivalents		**(197.1)**	(350.6)
Cash and cash equivalents at 1 January		**1,023.1**	1,381.5
Effect of exchange rate fluctuations on cash held		**(8.8)**	(7.8)
Cash and cash equivalents at 31 December	20	**817.2**	1,023.1

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 2009	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
Changes in equity for 2010							
Exchange differences on translating foreign operations	**–**	**–**	**(8.4)**	**–**	**(8.4)**	**(2.2)**	**(10.6)**
Exchange gains on disposed subsidiaries recycled through statement of comprehensive income	**–**	**–**	**(0.2)**	**–**	**(0.2)**	**–**	**(0.2)**
Cash flow hedges	**–**	**1.8**	**–**	**–**	**1.8**	**–**	**1.8**
Net income recognised directly in equity	**–**	**1.8**	**(8.6)**	**–**	**(6.8)**	**(2.2)**	**(9.0)**
Profit for the year	**–**	**–**	**–**	**273.0**	**273.0**	**(9.7)**	**263.3**
Total comprehensive income for the year	**–**	**1.8**	**(8.6)**	**273.0**	**266.2**	**(11.9)**	**254.3**
At 31 December 2010	**765.0**	**–**	**(54.8)**	**2,092.7**	**2,802.9**	**2.3**	**2,805.2**

Company Statement of Changes in Equity

	Share capital £m	Net unrealised gains and losses reserve £m	Retained earnings £m	Total £m
At 1 January 2009	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
Cash flow hedges	**–**	**1.4**	**–**	**1.4**
Profit for the year	**–**	**–**	**235.3**	**235.3**
Total comprehensive income for the year	**–**	**1.4**	**235.3**	**236.7**
At 31 December 2010	**765.0**	**–**	**2,017.1**	**2,782.1**

Company Statement of Financial Position

At 31 December

	Notes	2010 £m	2009 £m
Assets			
Non-current assets			
Property, plant and equipment	7	**0.6**	0.9
Fair value financial assets	11	**2,172.9**	1,694.7
Other financial assets	13	**117.1**	178.6
Retirement benefit assets	15	**123.3**	134.6
Derivative financial instruments	18	**3.5**	3.3
		2,417.4	2,012.1
Current assets			
Trade and other receivables	17	**66.9**	54.5
Prepayments		**0.9**	0.9
Derivative financial instruments	18	**19.5**	19.5
Cash and cash equivalents	20	**735.8**	970.8
		823.1	1,045.7
Total assets		**3,240.5**	3,057.8
Equity and liabilities			
Issued capital	21	**765.0**	765.0
Net unrealised gains and losses reserve	21	**–**	(1.4)
Retained earnings	21	**2,017.1**	1,781.8
Total equity		**2,782.1**	2,545.4
Non-current liabilities			
Provisions	25	**0.6**	2.2
Derivative financial instruments	18	**2.5**	32.8
		3.1	35.0
Current liabilities			
Trade and other payables	22	**405.8**	418.3
Current tax liabilities	22	**0.2**	0.2
Derivative financial instruments	18	**49.3**	58.9
		455.3	477.4
Total liabilities		**458.4**	512.4
Total equity and liabilities		**3,240.5**	3,057.8

The accounts were approved by the members of the Board on 29 March 2011 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	2010 £m	2009 £m
Cash flows from operating activities			
Profit from operations before tax		**221.8**	29.8
Depreciation and impairment of property, plant and equipment	7	**0.3**	0.3
Finance costs		**–**	1.1
Finance income		**(3.4)**	(8.8)
Impairment/(reversal of impairment) of loans and receivables	13	**7.2**	(23.6)
Defined benefit pension costs	15	**22.6**	0.2
Change in value of fair value financial assets	11	**(194.5)**	42.1
Profit on disposal of fair value financial assets		**(1.8)**	(18.1)
Exchange (gains)/losses		**(5.9)**	86.1
Profit from operations before changes in working capital and provisions		**46.3**	109.1
Decrease in trade and other receivables		**20.4**	8.7
Decrease/(increase) in other financial assets		**0.6**	(0.2)
Increase in derivative financial instruments	18	**(40.1)**	(156.6)
Decrease in trade and other payables		**(12.6)**	(83.2)
Utilisation of provisions	25	**(2.0)**	(0.2)
Cash flows from operations		**12.6**	(122.4)
Defined benefit pension contributions paid	15	**(11.3)**	(11.7)
Bank interest received		**1.9**	4.9
Finance income on loans		**1.5**	–
Interest paid		**(0.4)**	(0.9)
Taxes paid		**(0.2)**	(0.6)
Cash flows from operating activities		**4.1**	(130.7)
Cash flows from investing activities			
Proceeds from sale of fair value financial assets		**136.3**	189.6
Acquisition of fair value financial assets	11	**(411.0)**	(301.9)
Investment transfers from subsidiary undertakings		**11.6**	–
Loan advances	13	**(18.5)**	(55.9)
Loan repayments	13	**42.5**	18.0
Cash flows from investing activities		**(239.1)**	(150.2)
Net decrease in cash and cash equivalents		**(235.0)**	(280.9)
Cash and cash equivalents at 1 January		**970.8**	1,251.7
Cash and cash equivalents at 31 December	20	**735.8**	970.8

Notes to the Accounts

1. Corporate information

The financial statements of CDC Group plc (CDC or the Company) for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Directors on 29 March 2011. 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 2010. 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 an exchange gain or loss 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 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 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 usually 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;
- 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 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 profit and loss.

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 profit and loss.

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 profit and loss.

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

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

Financial liabilities are initially measured at fair value through profit and loss minus transaction costs directly attributable to the issue of the financial liability. After initial measurement, 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 and guarantees 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.

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.

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.

Operating Segments

IFRS 8 Operating Segments 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.

The following standards and interpretations were effective for accounting periods commencing on or after 1 January 2010: IFRS 5 – Non current Assets Held for Sale and Discontinued Operations; IAS 7 – Statement of Cash Flows; and IAS 17 – Leases.

The Directors judge that the adoption of these standards has not had 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 4 to 13. 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				
	Notes	Fund of funds business management reports 2010 £m	Reclassify portfolio items 2010 £m	Consolidated subsidiaries valuation adjustments 2010 £m	Add in consolidated subsidiary accounts 2010 £m	Other items and re-classifications 2010 £m	Primary statements 2010 £m
Net realised (losses)/profits	4a	**(1.6)**	**30.7**	**–**	**18.3**	**1.8**	**49.2**
Unrealised value movements/ fair value gains and losses	11	**260.1**	**(15.2)**	**7.6**	**0.8**	**2.0**	**255.3**
Portfolio return		**258.5**	**15.5**	**7.6**	**19.1**	**3.8**	**304.5**
Operating costs/administrative expenses	4c	**(12.4)**	**(39.5)**	**–**	**(15.6)**	**3.2**	**(64.3)**
Other net income		**22.6**	**24.0**	**–**	**(6.1)**	**(9.4)**	**31.1**
Income from sale of goods	4a	**–**	**–**	**–**	**6.9**	**–**	**6.9**
Depreciation	4d	**–**	**–**	**–**	**(3.5)**	**(0.3)**	**(3.8)**
Finance costs	5a	**–**	**–**	**–**	**(9.3)**	**(0.4)**	**(9.7)**
Finance income	5a	**–**	**–**	**–**	**–**	**3.4**	**3.4**
Tax charge	6	**–**	**–**	**–**	**(1.6)**	**(0.3)**	**(1.9)**
Total return after tax/total comprehensive income		**268.7**	**–**	**7.6**	**(10.1)**	**–**	**266.2**
		2009 £m	2009 £m	2009 £m	2009 £m	2009 £m	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

Notes to the Accounts
continued

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

	Notes	Fund of funds business management reports 2010 £m	Reconciling items: Reclassify portfolio items 2010 £m	Reconciling items: Consolidated subsidiaries valuation adjustments 2010 £m	Reconciling items: Add in consolidated subsidiary accounts 2010 £m	Reconciling items: Other items and re-classifications 2010 £m	Primary statements 2010 £m
Portfolio	11 & 13*	**1,933.2**	**39.0**	**(43.6)**	**1.0**	**–**	**1,929.6**
Net cash and short-term deposits	20	**737.9**	**–**	**–**	**104.1**	**–**	**842.0**
Other net assets/(liabilities)		**132.4**	**(39.0)**	**–**	**(62.1)**	**–**	**31.3**
Total net assets attributable to equity holders of the Company		**2,803.5**	**–**	**(43.6)**	**43.0**	**–**	**2,802.9**
	Notes	2009 £m	2009 £m	2009 £m	2009 £m	2009 £m	2009 £m
Portfolio	11 & 13*	1,410.9	87.6	(51.5)	0.7	–	1,447.7
Net cash and short-term deposits	20	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

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

Cash flows

	Fund of funds business management reports 2010 £m	Reconciling items: Reclassify portfolio items 2010 £m	Reconciling items: Consolidated subsidiaries valuation adjustments 2010 £m	Reconciling items: Add in consolidated subsidiary accounts 2010 £m	Reconciling items: Other items and re-classifications 2010 £m	Primary statements 2010 £m
Fund drawdowns	**(419.7)**	**–**	**2.9**	**–**	**(0.7)**	**(417.5)**
Fund cash generated	**237.4**	**(6.4)**	**(4.6)**	**0.4**	**(8.9)**	**217.9**
Net fund flows	**(182.3)**	**(6.4)**	**(1.7)**	**0.4**	**(9.6)**	**(199.6)**
Hedging	**(77.9)**	**77.9**	**–**	**–**	**–**	**–**
Other cash flows	**20.2**	**(71.5)**	**–**	**43.7**	**10.1**	**2.5**
Net decrease in cash and cash equivalents	**(240.0)**	**–**	**(1.7)**	**44.1**	**0.5**	**(197.1)**
	2009 £m	2009 £m	2009 £m	2009 £m	2009 £m	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)

4. Income and expenses

	2010 Total £m	2009 Discontinued operations £m	2009 Continuing operations £m	2009 Total £m
4a. Income				
Sale of goods	**6.9**	171.7	4.9	176.6
Investment income:				
Interest income	**38.6**	0.5	37.8	38.3
Dividend income	**3.7**	0.5	6.7	7.2
Profit/(loss) on disposal of fair value financial assets	**8.5**	0.2	(2.2)	(2.0)
Loss on disposal of subsidiaries	**(1.6)**	–	(1.2)	(1.2)
Total income	**56.1**	172.9	46.0	218.9
4b. Other income				
Increase in value of biological assets	**–**	–	24.6	24.6
Loan and guarantee fee income	**2.5**	–	4.7	4.7
Provision releases on loans and receivables	**–**	–	11.8	11.8
Gain on disposal of property, plant and equipment	**6.2**	–	–	–
Release of other payables, accruals and deferred income	**21.0**	–	–	–
Other operating income	**7.3**	3.1	1.4	4.5
Total other income	**37.0**	3.1	42.5	45.6
4c. Administrative expenses				
Wages and salaries	**(10.8)**	(11.6)	(9.9)	(21.5)
Social security costs	**(1.1)**	(1.5)	(0.7)	(2.2)
Pension costs – defined benefit	**(0.3)**	–	(0.2)	(0.2)
Pension costs – defined contribution	**(0.1)**	–	(0.4)	(0.4)
Amortisation of net pension loss	**(22.3)**	–	–	–
Total employee benefits expense	**(34.6)**	(13.1)	(11.2)	(24.3)
Fund management expenses	**(13.0)**	–	(10.2)	(10.2)
Provisions against advances to customers	**(1.0)**	–	(1.5)	(1.5)
Provisions against trade receivables	**–**	(6.3)	–	(6.3)
Power maintenance costs	**(0.1)**	(5.4)	(0.1)	(5.5)
Insurance costs	**(0.5)**	(3.1)	(0.5)	(3.6)
Staff-related other expenses	**(1.8)**	(1.3)	(1.1)	(2.4)
Consultants' expenses	**(2.1)**	(4.3)	(2.1)	(6.4)
Office premises expenses	**(3.0)**	(0.9)	(2.7)	(3.6)
Travel expenses	**(1.3)**	(2.1)	(1.4)	(3.5)
Deal transaction costs	**(1.0)**	–	(0.5)	(0.5)
Operating lease rentals on plant and equipment	**–**	(0.9)	–	(0.9)
Communications costs	**(1.6)**	(0.8)	(1.5)	(2.3)
Auditors' remuneration (see 4e)	**(0.4)**	–	(0.3)	(0.3)
Other administrative expenses	**(3.9)**	(6.1)	(3.9)	(10.0)
Total administrative expenses	**(64.3)**	(44.3)	(37.0)	(81.3)

The average monthly number of Group employees during the year was 1,023 (2009: 2,154).

Notes to the Accounts
continued

4. Income and expenses (continued)

	2010 Total £m	2009 Discontinued operations £m	2009 Continuing operations £m	2009 Total £m
4d. Other expenses				
Amortisation of other intangible assets	**–**	(9.8)	–	(9.8)
Loss on disposal of property, plant and equipment	**–**	(0.9)	–	(0.9)
Depreciation and impairment of property, plant and equipment	**(3.8)**	(10.5)	(2.9)	(13.4)
Loans and receivables provision charges	**(8.2)**	–	–	–
Decrease in value of biological assets	**(18.3)**	–	–	–
Other expenses	**–**	–	(2.0)	(2.0)
Total other expenses	**(30.3)**	(21.2)	(4.9)	(26.1)
4e. Auditors' remuneration				
Audit of the financial statements*	**(0.2)**	–	(0.2)	(0.2)
Other fees to auditors				
Local statutory audits for subsidiaries	**(0.1)**	–	(0.1)	(0.1)
Other services	**(0.1)**	–	–	–
Total auditors' remuneration	**(0.4)**	–	(0.3)	(0.3)

* Audit fees for the Company amounted to £0.2m (2009: £0.2m).

5a. Finance costs and income

	2010 Total £m	2009 Discontinued operations £m	2009 Continuing operations £m	2009 Total £m
Interest payable on bank loans and overdrafts	**(0.7)**	–	(0.5)	(0.5)
Interest payable on other loans	**(9.0)**	(1.4)	(9.7)	(11.1)
Finance charges payable under finance leases and hire purchase contracts	**–**	(5.4)	–	(5.4)
Total finance costs	**(9.7)**	(6.8)	(10.2)	(17.0)
Pension credit	**–**	–	3.9	3.9
Bank interest received	**1.9**	–	4.9	4.9
Finance income on loans	**1.5**	–	–	–
Total finance income	**3.4**	–	8.8	8.8
Net finance costs	**(6.3)**	(6.8)	(1.4)	(8.2)

5b. Net foreign exchange differences

	2010 Total £m	2009 Discontinued operations £m	2009 Continuing operations £m	2009 Total £m
Exchange gains/(losses) arising on fair value financial assets	**43.9**	(9.6)	(104.1)	(113.7)
Exchange (losses)/gains arising on forward foreign exchange contracts	**(36.9)**	9.8	91.9	101.7
Other foreign exchange gains/(losses)	**18.7**	2.3	(16.0)	(13.7)
Total net foreign exchange differences	**25.7**	2.5	(28.2)	(25.7)

6. Tax

The major components of the tax charge are as follows:

	2010 Total £m	2009 Discontinued operations £m	2009 Continuing operations £m	2009 Total £m
Current tax				
Current UK tax charge	**(0.2)**	–	(0.6)	(0.6)
Current overseas tax charge	**(0.2)**	(5.2)	(1.2)	(6.4)
Deferred tax				
Tax charge relating to origination and reversal of temporary differences	**(1.5)**	(2.1)	0.2	(1.9)
Tax charge reported in the statement of comprehensive income	**(1.9)**	(7.3)	(1.6)	(8.9)

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

	2010 Total £m	2009 Discontinued operations £m	2009 Continuing operations £m	2009 Total £m
Accounting profit before tax	**265.2**	19.5	259.4	278.9
Tax charge on the accounting profit at the UK tax rate of 28.0% (2009: 28.0%)	**(74.3)**	(5.5)	(72.6)	(78.1)
(Increase)/decrease in charge due to:				
Effect of UK tax exemption*	**66.3**	–	8.2	8.2
Effect of overseas taxation	**17.3**	(4.2)	12.7	8.5
Tax over provided in earlier years	**(2.8)**	–	(0.1)	(0.1)
Deferred tax assets not recognised	**(8.5)**	–	6.1	6.1
Non-taxable income	**–**	2.4	–	2.4
Expenses not deductible for tax purposes	**–**	–	44.5	44.5
Utilisation of previously unrecognised losses brought forward	**0.1**	–	(0.4)	(0.4)
Tax charge at an effective tax rate of 0.7% (2009: 3.2%)	**(1.9)**	(7.3)	(1.6)	(8.9)

* The UK tax exemption figure above is the expected tax charge on the accounting profit of CDC Group plc on a company basis at the UK tax rate of 28.0% (2009: 28.0%).

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
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7. Property, plant and equipment

	Group					
	2010 Land and buildings £m	**2010 Plant and equipment £m**	**2010 Total £m**	2009 Land and buildings £m	2009 Plant and equipment £m	2009 Total £m
At 1 January	**4.0**	**10.5**	**14.5**	6.6	189.2	195.8
Additions	**0.7**	**5.2**	**5.9**	1.4	7.9	9.3
Disposals	**–**	**(0.1)**	**(0.1)**	–	(0.5)	(0.5)
Disposed with subsidiaries	**–**	**–**	**–**	(3.2)	(157.0)	(160.2)
Impairment	**(0.5)**	**(0.4)**	**(0.9)**	–	(1.6)	(1.6)
Depreciation charge for the year	**(0.3)**	**(2.6)**	**(2.9)**	(0.4)	(11.4)	(11.8)
Exchange adjustment	**(0.1)**	**(0.8)**	**(0.9)**	(0.4)	(16.1)	(16.5)
At 31 December	**3.8**	**11.8**	**15.6**	4.0	10.5	14.5
At 1 January						
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 1 January	**4.0**	**10.5**	**14.5**	6.6	189.2	195.8
At 31 December						
Cost	**5.5**	**29.7**	**35.2**	4.9	26.6	31.5
Accumulated depreciation and impairment	**(1.7)**	**(17.9)**	**(19.6)**	(0.9)	(16.1)	(17.0)
Net carrying amount at 31 December	**3.8**	**11.8**	**15.6**	4.0	10.5	14.5

Land and buildings with a carrying amount of £2.8m (2009: £3.4m) are subject to a first charge to secure loans due to the Group’s lenders. Plant and equipment of £0.6m (2009: £0.9m) are held within the United Kingdom. All other property, plant and equipment is held outside the United Kingdom.

The £0.9m impairment loss in 2010 (2009: £1.6m) relates to Equatoria Teak Company Limited.

Capital expenditure contracted for but not provided for in the accounts amounted to £0.1m (2009: £0.1m).

	Company			
	2010 Plant and equipment £m	**2010 Total £m**	2009 Plant and equipment £m	2009 Total £m
At 1 January	**0.9**	**0.9**	1.2	1.2
Depreciation charge for the year	**(0.3)**	**(0.3)**	(0.3)	(0.3)
At 31 December	**0.6**	**0.6**	0.9	0.9
At 1 January				
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 1 January	**0.9**	**0.9**	1.2	1.2
At 31 December				
Cost	**9.4**	**9.4**	9.4	9.4
Accumulated depreciation and impairment	**(8.8)**	**(8.8)**	(8.5)	(8.5)
Net carrying amount at 31 December	**0.6**	**0.6**	0.9	0.9

8. Biological assets

	Group	
	2010 £m	2009 £m
At 1 January, at fair value	**36.1**	12.5
Additions	**0.8**	1.1
(Decrease)/increase in fair value for the period	**(18.3)**	24.6
Exchange adjustment	**1.4**	(2.1)
At 31 December, at fair value	**20.0**	36.1

Biological assets consist of tea plantations and forests, held outside the United Kingdom. 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

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

	2010 Mature £m	**2010 Immature £m**	**2010 Total £m**	2009 Mature £m	2009 Immature £m	2009 Total £m
Tea plantations	**0.6**	**–**	**0.6**	0.5	–	0.5
Forests	**18.2**	**1.2**	**19.4**	18.2	17.4	35.6
At 31 December, at fair value	**18.8**	**1.2**	**20.0**	18.7	17.4	36.1

Biological assets with a carrying value of £1.7m (2009: £19.3m) were pledged as security for liabilities.

Output of agricultural produce in the period was as follows:

	2010 Tonnes	2009 Tonnes
Tea leaves	**4,583**	581
Timber	**8,309**	27

9. Investment property

	Group	
	2010 £m	2009 £m
At 1 January, at fair value	**3.4**	31.1
Transfers to fair value financial assets	**–**	(27.4)
Disposals	**(2.4)**	–
Exchange adjustment	**–**	(0.3)
At 31 December, at fair value	**1.0**	3.4

Investment properties, which are held outside the United Kingdom, 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 2010 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.

Notes to the Accounts
continued

10. Intangible assets

	Group					
	2010 Brands, patents and copyrights £m	**2010 Goodwill £m**	**2010 Total £m**	2009 Brands, patents and copyrights £m	2009 Goodwill £m	2009 Total £m
At 1 January	**–**	**–**	**–**	75.8	–	75.8
Additions	**–**	**–**	**–**	15.3	–	15.3
Disposals	**–**	**–**	**–**	(3.7)	–	(3.7)
Disposed with subsidiaries	**–**	**–**	**–**	(71.9)	–	(71.9)
Amortisation charge for the year	**–**	**–**	**–**	(9.8)	–	(9.8)
Exchange adjustment	**–**	**–**	**–**	(5.7)	–	(5.7)
At 31 December	**–**	**–**	**–**	–	–	–
At 1 January						
Cost	**–**	**–**	**–**	90.8	0.8	91.6
Accumulated amortisation and impairment	**–**	**–**	**–**	(15.0)	(0.8)	(15.8)
Net carrying amount at 1 January	**–**	**–**	**–**	75.8	–	75.8
At 31 December						
Cost	**–**	**–**	**–**	–	0.8	0.8
Accumulated amortisation and impairment	**–**	**–**	**–**	–	(0.8)	(0.8)
Net carrying amount at 31 December	**–**	**–**	**–**	–	–	–

Additions of assets held under finance leases held by subsidiaries disposed of during the year were £nil (2009: £15.3m).

11. Fair value financial assets

	Group					
	2010 Shares – listed £m	**2010 Shares – unlisted £m**	**2010 Total £m**	2009 Shares – listed £m	2009 Shares – unlisted £m	2009 Total £m
At 1 January, at fair value	**2.8**	**1,341.3**	**1,344.1**	0.6	937.4	938.0
Additions	**–**	**416.3**	**416.3**	–	317.5	317.5
Disposals	**–**	**(182.2)**	**(182.2)**	(2.8)	(118.1)	(120.9)
Disposed with subsidiaries	**–**	**–**	**–**	–	(9.1)	(9.1)
Transfers to investment properties	**–**	**–**	**–**	–	27.4	27.4
Increase in fair value for the period	**1.4**	**253.9**	**255.3**	4.7	212.5	217.2
Transfers	**–**	**(0.8)**	**(0.8)**	–	106.1	106.1
Exchange adjustment	**–**	**23.4**	**23.4**	0.3	(132.4)	(132.1)
At 31 December, at fair value	**4.2**	**1,851.9**	**1,856.1**	2.8	1,341.3	1,344.1

11. Fair value financial assets (continued)

	Company							
	2010 Shares – listed £m	**2010 Shares – unlisted £m**	**2010 Shares held in Group companies £m**	**2010 Total £m**	2009 Shares – listed £m	2009 Shares – unlisted £m	2009 Shares held in Group companies £m	2009 Total £m
At 1 January, at fair value	**–**	**1,225.6**	**469.1**	**1,694.7**	0.6	873.6	748.3	1,622.5
Additions	**–**	**411.0**	**–**	**411.0**	–	301.9	–	301.9
Disposals	**–**	**(134.5)**	**–**	**(134.5)**	(2.8)	(118.0)	(48.7)	(169.5)
Increase/(decrease) in fair value for the period	**–**	**229.2**	**(34.7)**	**194.5**	2.0	186.4	(230.5)	(42.1)
Transfers	**–**	**(11.5)**	**–**	**(11.5)**	–	79.1	–	79.1
Exchange adjustment	**–**	**20.3**	**(1.6)**	**18.7**	0.2	(97.4)	–	(97.2)
At 31 December, at fair value	**–**	**1,740.1**	**432.8**	**2,172.9**	–	1,225.6	469.1	1,694.7

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 £33.5m (2009: £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 £m
Income	4a	172.9
Cost of sales		(86.5)
Gross profit		86.4
Fair value gains and losses		–
Other income	4b	3.1
Selling and distribution expenses		(0.2)
Administrative expenses	4c	(44.3)
Other expenses	4d	(21.2)
Profit from operations before tax and finance costs		23.8
Finance costs	5a	(6.8)
Finance income		–
Net foreign exchange differences		2.5
Profit before tax		19.5
Tax charge	6	(7.3)
Profit for the year		12.2

Notes to the Accounts
continued

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

	2009 £m
Profit from discontinued operations before tax and finance cost	19.5
Cash flows from operating activities from discontinued operations	14.2
Cash flows from investing activities from discontinued operations	(36.2)
Cash flows from financing activities from discontinued operations	(46.4)
Net increase in cash and cash equivalents from discontinued operations	(68.4)

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

	Notes	2009 £m
Property, plant and equipment	7	160.2
Intangible assets	10	71.9
Fair value financial assets		9.1
Deferred tax assets	14	0.1
Non-current assets		241.3
Inventories		10.8
Trade and other receivables		46.3
Prepayments		4.7
Derivative financial instruments		0.2
Cash and cash equivalents		96.9
Current assets		158.9
Total assets		400.2
Trade and other payables within one year		113.1
Interest-bearing loans and borrowings within one year		84.7
Current liabilities		197.8
Interest-bearing loans and borrowings		164.7
Deferred income tax liabilities	14	15.1
Non-current liabilities		179.8
Total liabilities		377.6
Total net assets at book value		22.6
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. Other financial assets (non-current)

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Loans and receivables due from third parties	**29.7**	71.7	**29.7**	70.4
Loans and receivables due from Group undertakings	**–**	–	**85.9**	106.1
Advances to customers	**58.1**	52.6	**–**	–
Other receivables	**1.5**	2.1	**1.5**	2.1
At 31 December	**89.3**	126.4	**117.1**	178.6

The movement in loans and receivables was as follows:

	Group		Company			
	2010 £m	2009 £m	**2010 Due from third parties £m**	**2010 Due from Group undertakings £m**	2009 Due from third parties £m	2009 Due from Group undertakings £m
At 1 January	**103.6**	61.2	**83.1**	**106.1**	42.3	154.2
New loans advanced	**1.2**	51.4	**1.2**	**17.3**	50.1	5.8
Loan repayments	**(27.1)**	(16.9)	**(13.6)**	**(28.9)**	(16.8)	(1.2)
Provision (charge)/release for the year	**(8.2)**	11.8	**(1.1)**	**(6.1)**	10.6	13.0
Transfers	**–**	0.3	**–**	**–**	–	(44.9)
Exchange adjustment	**4.0**	(4.2)	**3.9**	**1.3**	(3.1)	(20.8)
At 31 December	**73.5**	103.6	**73.5**	**89.7**	83.1	106.1
Less: Loans and receivables due within one year (note 17)	**(43.8)**	(31.9)	**(43.8)**	**(3.8)**	(12.7)	–
At 31 December	**29.7**	71.7	**29.7**	**85.9**	70.4	106.1

14. Deferred tax assets and liabilities

	Group	
	2010 £m	2009 £m
Deferred tax assets		
Biological assets	**–**	1.1
Fair value financial assets	**0.3**	0.4
Losses	**2.3**	0.8
Total deferred tax assets	**2.6**	2.3
Deferred tax liabilities		
Biological assets	**(0.2)**	–
Property, plant and equipment	**(3.4)**	(0.1)
Investment property	**(0.2)**	(0.2)
Intangible assets	**–**	(0.9)
Other financial assets	**–**	(0.1)
Other liabilities	**–**	(0.7)
Total deferred tax liabilities	**(3.8)**	(2.0)
Net deferred tax (liabilities)/assets	**(1.2)**	0.3

Notes to the Accounts
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14. Deferred tax assets and liabilities (continued)

Included within deferred tax assets is £2.3m (2009: £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 2010, the Group had carried forward losses of £nil (2009: £17.5m) for which no deferred tax asset was recognised due to the uncertainty of future profits. These unrecognised deferred tax assets amount to £8.4m (2009: £4.9m).

Movement in temporary differences during the year

	At 1 January 2010 £m	Disposed with subsidiaries £m	Utilised during the year £m	(Charge)/ credit for the year £m	Exchange adjustment £m	At 31 December 2010 £m
Property, plant and equipment	**(0.1)**	**–**	**–**	**(3.3)**	**–**	**(3.4)**
Biological assets	**1.1**	**–**	**–**	**(1.3)**	**–**	**(0.2)**
Investment property	**(0.2)**	**–**	**–**	**–**	**–**	**(0.2)**
Intangible assets	**(0.9)**	**–**	**–**	**0.9**	**–**	**–**
Fair value financial assets	**0.4**	**–**	**–**	**(0.1)**	**–**	**0.3**
Other financial assets	**(0.1)**	**–**	**–**	**0.1**	**–**	**–**
Losses	**0.8**	**–**	**–**	**1.5**	**–**	**2.3**
Other assets/liabilities	**(0.7)**	**–**	**–**	**0.7**	**–**	**–**
Total	**0.3**	**–**	**–**	**(1.5)**	**–**	**(1.2)**

	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

15. Pension commitments

The Company and Group operate 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 2009. The valuation showed a deficit of £91m (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). 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, £88.3m of assets in a Contingent Asset Trust were utilised. The Company also made contributions of £11.3m in 2010.

The actuarial valuation also showed that after the buy-in, Technical Provisions reduce to £9m and the Scheme assets reduce to £14m giving a funding surplus of £5m (after excluding the assets and liabilities covered by the buy-in insurance contract and subject to any transitional truing up adjustments). The buy-in 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, Towers Watson. The agreed schedule of contributions from 2010 is £1.1m per year. 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.

	2010 %	2009 %	2008 %	2007 %
Main assumptions:				
Discount rate	**5.3**	5.6	6.3	5.6
Inflation assumption	**3.7**	3.7	2.8	3.4
Rate of salary increases	**5.3**	5.3	4.3	4.9
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**	3.7	3.0	3.4
Rate of increase for deferred pensions	**3.7**	3.7	2.8	3.4
Expected rates of return on scheme assets:				
Equities	**n/a**	n/a	8.1	8.1
Bonds	**5.3**	5.6	5.5	5.2
Property	**n/a**	n/a	7.2	7.0
Cash/net current assets	**4.2**	4.5	3.6	5.3
Contingent Asset Trust 2006	**n/a**	n/a	5.2	5.0

The demographic assumptions adopted have 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 long cohort improvements 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 2009 valuation are shown in brackets. The expected return on bonds, which comprise the bulk annuity contract, is assumed to be the same as the discount rate used to derive the value of the scheme liabilities that are insured by the policy. The expected return on cash and other assets reflects current short-term returns on such liquid deposits.

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15. Pension commitments (continued)

Life expectancy of a pensioner reaching age 60	Male	Female	Male joint	Female joint
In 2019	29.9	33.3	35.5	34.7
In 2018	(29.8)	(33.2)	(35.5)	(34.7)
In 2010	29.1	32.6	34.9	34.1
In 2009	(29.0)	(32.5)	(34.8)	(34.0)

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 4.8%. An increase in life expectancy by one year increases scheme liabilities by 2.9%.

	2010 £m	2009 £m
Assets and liabilities of the scheme at 31 December		
Bonds	–	2.4
Property	–	8.6
Buy-in contract with Rothesay Life	**290.3**	271.2
Net current assets/(liabilities)	**10.0**	(7.5)
Pension assets	**300.3**	274.7
Present value of pension liabilities	**(300.3)**	(279.8)
Deficit at end of year	–	(5.1)
Unrecognised actuarial loss	**123.3**	139.7
Net pension asset	**123.3**	134.6

	2010 £m	2009 £m
Changes in the fair value of plan assets		
At 1 January	**274.7**	340.4
Expected return on scheme assets	**15.3**	18.8
Employer contributions	**11.3**	11.7
Benefits paid	**(11.4)**	(9.7)
Expected value of plan assets at end of year	**289.9**	361.2
Actuarial gain/(loss) on scheme assets	**10.4**	(86.5)
At 31 December	**300.3**	274.7

	2010 £m	2009 £m
Return on assets for the year		
Expected return on scheme assets	**15.3**	18.8
Actuarial gain/(loss) on scheme assets	**10.4**	(86.5)
Actual return on scheme assets	**25.7**	(67.7)

	2010 £m	2009 £m
Changes in the present value of the defined benefit pension obligations		
At 1 January	**(279.8)**	(241.9)
Current service cost	**(0.3)**	(0.2)
Interest cost	**(15.3)**	(14.9)
Benefits paid	**11.4**	9.7
Expected defined benefit obligation at end of year	**(284.0)**	(247.3)
Actuarial loss on defined benefit obligation	**(16.3)**	(32.5)
At 31 December	**(300.3)**	(279.8)

15. Pension commitments (continued)

	2010 £m	2009 £m
Amortisation of unrecognised net loss in year		
Corridor	**30.0**	28.0
Accumulated unrecognised net loss at 31 December	**123.3**	139.7
Accumulated unrecognised net loss at 31 December above corridor	**93.3**	111.7
Amount amortised and recognised in next year	**18.7**	22.3

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

	2010 £m	2009 £m
Development of unrecognised net loss		
Accumulated unrecognised net loss at 1 January	**139.7**	20.7
Amount recognised in year	**(22.3)**	–
Actuarial loss on defined benefit obligation	**16.3**	32.5
Actuarial (gain)/loss on scheme assets	**(10.4)**	86.5
Accumulated unrecognised net loss at 31 December	**123.3**	139.7

	2010 £m	2009 £m
Amounts recognised in the Group's statement of comprehensive income for the year		
Current defined benefit service cost	**(0.3)**	(0.2)
Recognition of net loss from prior year	**(22.3)**	–
Administrative expenses (note 4c)	**(22.6)**	(0.2)
Expected return on scheme assets	**15.3**	18.8
Interest cost on scheme liabilities	**(15.3)**	(14.9)
Finance income (note 5a)	**–**	3.9
Total defined benefit pension (expense)/income	**(22.6)**	3.7

	2010 £m	2009 £m
Reconciliation of net pension asset:		
At 1 January	**134.6**	119.2
Pension (cost)/income	**(22.6)**	3.7
Employer contributions to the CDC Pensions Scheme	**11.3**	11.7
At 31 December	**123.3**	134.6

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
History of experience gains and losses:					
Fair value of scheme assets	**300.3**	274.7	340.4	342.9	326.3
Present value of defined benefit obligation	**(300.3)**	(279.8)	(241.9)	(281.3)	(284.0)
(Deficit)/surplus in the scheme	**–**	(5.1)	98.5	61.6	42.3
Actuarial gain/(loss) on plan assets	**10.4**	(86.5)	(25.5)	(3.5)	(0.7)
Loss on assets as a percentage of assets at end of year	**3.5%**	(31.5%)	(7.5%)	(1.0%)	(0.2%)
Gain/(loss) on defined benefit obligation due to experience	**0.4**	5.6	3.1	(0.5)	(2.1)
(Loss)/gain on defined benefit obligation due to experience as a percentage of defined benefit obligation at end of year	**(0.1%)**	2.0%	1.3%	(0.2%)	(0.7%)

Notes to the Accounts
continued

16. Inventories

	Group	
	2010 £m	2009 £m
Raw materials	**1.1**	0.7
Finished goods	**0.3**	0.7
Total inventories	**1.4**	1.4

17. Trade and other receivables

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Trade receivables	**1.6**	0.1	**–**	–
Loans and receivables due from third parties	**43.8**	31.9	**43.8**	12.7
Loans and receivables due from Group undertakings	**–**	–	**3.8**	–
Advances to customers	**50.7**	52.8	**–**	–
Amounts owed by Group undertakings	**–**	–	**6.9**	6.8
VAT recoverable	**0.7**	0.2	**0.7**	0.2
Other receivables*	**15.0**	37.9	**11.7**	34.8
Total trade and other receivables	**111.8**	122.9	**66.9**	54.5

* Other receivables includes £10.4m (2009: £32.3m), an advance to former subsidiaries divested in 2009.

18. Financial instruments

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

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Foreign exchange contracts in profit	**23.0**	22.8	**23.0**	22.8
Foreign exchange contracts in loss	**(51.8)**	(94.2)	**(51.8)**	(91.7)
Other derivatives in loss	**(10.2)**	(16.2)	**–**	–
Total	**(39.0)**	(87.6)	**(28.8)**	(68.9)

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

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Non-current assets	**3.5**	3.3	**3.5**	3.3
Current assets	**19.5**	19.5	**19.5**	19.5
Non-current liabilities	**(2.5)**	(32.8)	**(2.5)**	(32.8)
Current liabilities	**(59.5)**	(77.6)	**(49.3)**	(58.9)
Total	**(39.0)**	(87.6)	**(28.8)**	(68.9)

18. Financial instruments (continued)

Cash flow hedges

During the year, nil FFECs (2009: nil FFECs) which were designated as cash flow hedges were settled when their forecast transactions occurred. Consequently, losses of £nil (2009: losses of £0.7m) which were previously recognised directly in equity were transferred to profit and loss.

Net investment in foreign operations

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 profit and loss. In 2010 £nil was recognised in profit and loss following the settlement of these FFECs (2009: £9.8m). 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 2010, the Group held 118 FFECs (2009: 117 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$1,858.4m (2009: US$1,582.9m) at an average spot price of 1.5899 (2009: 1.7258) to sell US$ for £1,168.9m (2009: £917.2m) on a range of dates to December 2012; ZAR123.4m (2009: ZAR127.9m) at an average spot price of 12.5718 (2009: 15.4477) to sell ZAR for £9.8m (2009: £8.3m) on a range of dates to September 2011; €40.8m (2009: €21.7m) at an average spot price of 1.1642 (2009: 1.1701) to sell Euros for £35.0m (2009: £18.5m) on a range of dates to September 2011; and INR 4,124.5m (2009: INR nil) at an average spot price of 74.8548 (2009: nil) to sell INR for £55.1m (2009: £2.0m) on a range of dates to November 2011.

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 13.

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.

Notes to the Accounts
continued

18. Financial instruments (continued)
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
2010 Financial assets: Cash							
Sterling	**–**	**1.0**	**–**	**1.0**	**–**	**–**	*****
US dollars	**–**	**9.3**	**3.5**	**12.8**	**–**	**–**	*****
Other currencies	**–**	**2.3**	**7.0**	**9.3**	**–**	**–**	*****
Total	**–**	**12.6**	**10.5**	**23.1**	**–**	**–**	*****
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	–	–	*
2010 Financial assets: Short-term deposits receivable within 90 days							
Sterling	**0.2**	**416.7**	**–**	**416.9**	**–**	**–**	*****
US dollars	**17.2**	**288.4**	**0.7**	**306.3**	**1.0**	**1.0**	*****
Other currencies	**3.1**	**20.6**	**12.2**	**35.9**	**1.0**	**0.5**	*****
Total	**20.5**	**725.7**	**12.9**	**759.1**	**1.0**	**1.0**	*****
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	*

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

18. Financial instruments (continued)

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
2010 Financial assets: Treasury bills and bonds							
Other currencies	**59.8**	**–**	**–**	**59.8**	**1.0**	**–**	**–**
Total	**59.8**	**–**	**–**	**59.8**	**1.0**	**–**	**–**
2009 Financial assets: Treasury bills and bonds							
Other currencies	49.4	–	–	49.4	1.0	–	–
Total	49.4	–	–	49.4	1.0	–	–
2010 Financial assets: Advances to customers							
Sterling	**–**	**–**	**–**	**–**	**–**	**–**	**–**
US dollars	**31.5**	**–**	**–**	**31.5**	**–**	**–**	**–**
Other currencies	**77.3**	**–**	**–**	**77.3**	**–**	**–**	**–**
Total	**108.8**	**–**	**–**	**108.8**	**–**	**–**	**–**
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	–	–	–
2010 Financial assets: Loans and receivables							
Sterling	**–**	**–**	**–**	**–**	**–**	**–**	**–**
US dollars	**–**	**71.3**	**–**	**71.3**	**–**	**–**	**–**
Other currencies	**–**	**2.2**	**–**	**2.2**	**–**	**–**	**–**
Total	**–**	**73.5**	**–**	**73.5**	**–**	**–**	**–**
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	–	–	–

Notes to the Accounts
continued

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

	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
2010 Financial liabilities: Deposits due to customers							
Sterling	**(0.1)**	**–**	**–**	**(0.1)**	**4.4**	**–**	**–**
US dollars	**(15.1)**	**–**	**–**	**(15.1)**	**8.6**	**0.1**	**–**
Other currencies	**(114.4)**	**–**	**–**	**(114.4)**	**9.6**	**0.1**	**–**
Total	**(129.6)**	**–**	**–**	**(129.6)**	**9.5**	**0.1**	**–**
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	–	–
2010 Financial liabilities: Interest-bearing loans and borrowings							
Sterling	**–**	**(1.7)**	**–**	**(1.7)**	**–**	**–**	**–**
US dollars	**(6.2)**	**(37.3)**	**(0.5)**	**(44.0)**	**6.1**	**1.0**	**–**
Other currencies	**(28.8)**	**(0.5)**	**–**	**(29.3)**	**1.0**	**1.0**	**–**
Total	**(35.0)**	**(39.5)**	**(0.5)**	**(75.0)**	**4.0**	**1.0**	**–**
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	–

18. Financial instruments (continued)

Interest rate exposures – Company

	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
2010 Financial assets: Cash							
Sterling	–	**0.9**	–	**0.9**	–	–	–
US dollars	–	**7.7**	–	**7.7**	–	–	–
Other currencies	–	**1.8**	–	**1.8**	–	–	–
Total	–	**10.4**	–	**10.4**	–	–	–
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	–	–	–
2010 Financial assets: Short-term deposits receivable within 90 days							
Sterling	–	**416.6**	–	**416.6**	–	–	–
US dollars	–	**288.3**	–	**288.3**	–	–	–
Other currencies	–	**20.5**	–	**20.5**	–	–	–
Total	–	**725.4**	–	**725.4**	–	–	–
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	–	–	–
2010 Financial assets: Loans and receivables							
Sterling	–	–	–	–	–	–	–
US dollars	–	**163.2**	–	**163.2**	–	–	–
Other currencies	–	–	–	–	–	–	–
Total	–	**163.2**	–	**163.2**	–	–	–
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	–	–

Notes to the Accounts
continued

18. Financial instruments (continued)

Currency exposures – Group

The table below shows the Group's currency exposures that give rise to exchange rate gains and losses that are recognised in the 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	2010 Sterling £m	2010 US dollars £m	2010 Other £m	2010 Total £m	2009 Sterling £m	2009 US dollars £m	2009 Other £m	2009 Total £m
Sterling	–	308.7	0.6	309.3	–	492.5	3.1	495.6
US dollars	–	–	0.4	0.4	0.7	–	0.6	1.3
Ugandan shillings	0.1	33.9	1.4	35.4	–	24.6	10.7	35.3
Other currencies	–	(2.2)	–	(2.2)	–	(4.4)	(0.7)	(5.1)
Total	0.1	340.4	2.4	342.9	0.7	512.7	13.7	527.1

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

	2010 Listed equity at valuation £m	2010 Unlisted equity at valuation £m	2010 Total £m	2009 Listed equity at valuation £m	2009 Unlisted equity at valuation £m	2009 Total £m
US dollars	–	1,013.1	1,013.1	–	755.4	755.4
South African rand	4.2	40.5	44.7	2.8	39.2	42.0
Indian rupees	–	379.2	379.2	–	220.8	220.8
Chinese yuan	–	243.0	243.0	–	160.6	160.6
Nigerian naira	–	119.6	119.6	–	100.6	100.6
Other	–	56.5	56.5	–	64.7	64.7
Total	4.2	1,851.9	1,856.1	2.8	1,341.3	1,344.1

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	2010 US dollars £m	2010 Other £m	2010 Total £m	2009 US dollars £m	2009 Other £m	2009 Total £m
Sterling	(54.9)	–	(54.9)	147.5	–	147.5
Total	(54.9)	–	(54.9)	147.5	–	147.5

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

	2010 Listed equity at valuation £m	2010 Unlisted equity at valuation £m	2010 Total £m	2009 Listed equity at valuation £m	2009 Unlisted equity at valuation £m	2009 Total £m
Sterling	–	109.9	109.9	–	162.7	162.7
US dollars	–	1,168.3	1,168.3	–	878.0	878.0
South African rand	–	40.7	40.7	–	39.4	39.4
Indian rupees	–	364.0	364.0	–	241.3	241.3
Chinese yuan	–	243.7	243.7	–	161.3	161.3
Nigerian naira	–	118.6	118.6	–	100.6	100.6
Other	33.5	94.2	127.7	–	111.4	111.4
Total	33.5	2,139.4	2,172.9	–	1,694.7	1,694.7

18. Financial instruments (continued)

Liquidity risk – Group

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

2010 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	**759.1**	**59.8**	**50.7**	**43.8**	**19.5**
Due within one to two years	–	–	**58.1**	**23.6**	**3.5**
Due within two to three years	–	–	–	**1.8**	–
Due within three to four years	–	–	–	**1.1**	–
Due within four to five years	–	–	–	**1.9**	–
Due after five years	–	–	–	**1.3**	–
Total	**759.1**	**59.8**	**108.8**	**73.5**	**23.0**

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

2010 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	**1.7**	–	–	–	**10.2**
Due within one year, but not on demand	–	**129.6**	**20.0**	**59.5**	–
Due within one to two years	–	–	**11.9**	**2.5**	–
Due within two to three years	–	–	**2.0**	–	–
Due within three to four years	–	–	**1.9**	–	–
Due within four to five years	–	–	**11.7**	–	–
Due after five years	–	–	**25.8**	–	–
Total	**1.7**	**129.6**	**73.3**	**62.0**	**10.2**

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

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

Notes to the Accounts
continued

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

2010 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	**725.4**	**47.6**	**19.5**
Due within one to two years	–	**23.7**	**3.5**
Due within two to three years	–	**1.7**	–
Due within three to four years	–	**61.1**	–
Due within four to five years	–	**1.9**	–
Due after five years	–	**27.2**	–
Total	**725.4**	**163.2**	**23.0**

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

2010 Financial liabilities: Maturity profile	**Forward foreign exchange contracts £m**
Due on demand	–
Due within one year, but not on demand	**49.3**
Due within one to two years	**2.5**
Due within two to three years	–
Due within three to four years	–
Due within four to five years	–
Due after five years	–
Total	**51.8**

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

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

18. Financial instruments (continued)

Fair value of financial assets and liabilities – Group and Company

Financial assets

Quoted and unquoted equity investments are included in the 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:

	2010 Book value £m	**2010 Fair value £m**	**2010 Gross cash flow £m**	2009 Book value £m	2009 Fair value £m	2009 Gross cash flow £m
Within one year	**(13.8)**	**(15.9)**	**(16.1)**	(11.1)	(14.7)	(13.7)
After one year and not more than five years	**(55.3)**	**(58.3)**	**(58.8)**	(44.2)	(47.2)	(48.4)
After five years	**(5.9)**	**(5.7)**	**(5.7)**	(11.1)	(11.0)	(11.0)
Total	**(75.0)**	**(79.9)**	**(80.6)**	(66.4)	(72.9)	(73.1)

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

19. Financial risk management

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

Liquidity risk

The Group's and Company's policy on liquidity risk is to ensure that they always have sufficient funding to meet all short to medium-term funding requirements. The Group's cash balance at 31 December 2010 was £842.0m (2009: £1,065.0m) and its capital commitments including long-term commitment were £1,430.2m (2009: £1,567.0m).

	Group		Company	
Analysis of total cash balance	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Cash at bank and in hand	**23.1**	23.8	**10.4**	7.4
Short-term deposits receivable within 90 days	**759.1**	991.8	**725.4**	963.4
Treasury bills and bonds maturing within 90 days	**36.7**	7.9	**–**	–
Treasury bills and bonds maturing after more than 90 days	**23.1**	41.5	**–**	–
Total	**842.0**	1,065.0	**735.8**	970.8

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

Notes to the Accounts
continued

19. Financial risk management (continued)

Fund commitments: maturity profile

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

	2010 £m	2009 £m
2003 and prior	**4.4**	4.4
2004	**31.2**	59.2
2005	**15.5**	25.5
2006	**132.3**	231.4
2007	**599.7**	793.6
2008	**293.4**	326.7
2009	**107.5**	120.2
2010	**246.2**	–
Total	**1,430.2**	1,561.0

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	
	Notes	2010 £m	2009 £m	2010 £m	2009 £m
Fair value financial assets	11	**1,856.1**	1,344.1	**2,172.9**	1,694.7
Loans and receivables	13	**73.5**	103.6	**163.2**	189.2
Derivative financial instruments	18	**(39.0)**	(87.6)	**(28.8)**	(68.9)
Trade and other receivables (excluding loans and advances to customers)	17	**17.3**	38.2	**19.3**	41.4
Advances to customers	13/17	**108.8**	105.4	**–**	–
Short-term deposits	20	**759.1**	991.8	**725.4**	963.4
Treasury bills and bonds	20	**59.8**	49.4	**–**	–
Cash and cash equivalents	20	**23.1**	23.8	**10.4**	7.4
Total		**2,858.7**	2,568.7	**3,062.4**	2,827.2

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

	Group					
	Loans and receivables		Advances to customers		Trade receivables	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Not past due	**73.5**	103.6	**104.6**	99.8	**17.3**	38.2
Past due	**–**	–	**4.2**	5.6	**–**	–
Total	**73.5**	103.6	**108.8**	105.4	**17.3**	38.2

	Company					
	Loans and receivables		Advances to customers		Trade receivables	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Not past due	**163.2**	189.2	**–**	–	**19.3**	41.8
Past due	**–**	–	**–**	–	**–**	–
Total	**163.2**	189.2	**–**	–	**19.3**	41.8

19. Financial risk management (continued)

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

	Group			
	Loans and receivables		Advances to customers	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Balance at 1 January	**39.3**	41.4	**3.8**	4.4
Impairment loss recognised/(released)	**8.2**	(11.8)	**0.2**	(0.2)
Exchange	**(11.0)**	9.7	**(0.6)**	(0.4)
Balance at 31 December	**36.5**	39.3	**3.4**	3.8

	Company			
	Loans and receivables		Advances to customers	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Balance at 1 January	**46.9**	40.6	**–**	–
Impairment loss (released)/recognised	**(7.2)**	6.4	**–**	–
Exchange	**(6.1)**	(0.1)	**–**	–
Balance at 31 December	**33.6**	46.9	**–**	–

The ageing of financial assets impaired during the year was:

	Group			
	Loans and receivables		Advances to customers	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Not past due	**–**	–	**0.2**	92.9
Past due	**–**	–	**4.1**	16.6
Total	**–**	–	**4.3**	109.5

The fair value of collateral held on overdue advances to customers was £8.3m (2009: £8.6m).

Credit risk

The Group's and Company's policy is to recognise an impairment loss only when objective evidence exists that an event or combination of events has resulted in the decrease in the estimated future cash flows of the asset and that this decrease can be reliably estimated. Several factors are considered when identifying indicators of impairment including breach of contract or financial difficulties being experienced by the obligor. Based on historical trends the Group believes that other than those financial assets already impaired no impairment allowance is necessary in respect of financial assets not part due.

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's 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 (2009: nil).

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.

Notes to the Accounts
continued

19. Financial risk management (continued)

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 2010, the average interest rate earned on the Group's and Company's bank deposit was 0.4% (2009: 0.4%). A 0.75% (2009: 0.75%) change in all interest rates, with all other variables held constant, would have a 0.7%, £1.9m impact on the Group's profit before tax (2009: 0.7%, £1.8m). 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 2010, £1,826.2m, 94.4% of the funds in which the Group and Company invest in are denominated in US dollars (2009: £1,306.0m (88.0%)). 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 £72.6m (2009: 16 cent (10%) movement, impact: £33.0m).

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 2010, the Group and Company had legal commitments to invest in 143 funds (2009: 134 funds) with 71 fund managers (2009: 65 fund managers). As at 31 December 2010 and 2009, 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 £185.6m (2009: 10% change, impact £131.7m).

Valuation risk

The Group values 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 a year. These valuations are reviewed by CDC managements and then considered by the Audit, Compliance and Risk Committee. The details of the valuation methodology are given in note 2 to the accounts under the investments heading on pages 40-41.

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.

20. Cash and cash equivalents

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Cash at bank and in hand	**23.1**	23.8	**10.4**	7.4
Short-term deposits receivable within 90 days	**759.1**	991.8	**725.4**	963.4
Treasury bills and bonds maturing within 90 days	**36.7**	7.9	**–**	–
Total cash and cash equivalents	**818.9**	1,023.5	**735.8**	970.8

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 £818.9m (2009: £1,023.5m).

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	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Treasury bills and bonds maturing after more than 90 days	**23.1**	41.5	**–**	–
Total amounts maturing after more than 90 days	**23.1**	41.5	**–**	–

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

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Cash at bank and in hand	**23.1**	23.8	**10.4**	7.4
Short-term deposits receivable within 90 days	**759.1**	991.8	**725.4**	963.4
Treasury bills and bonds maturing within 90 days	**36.7**	7.9	**–**	–
Bank overdrafts	**(1.7)**	(0.4)	**–**	–
Total cash and cash equivalents per statement of cash flows	**817.2**	1,023.1	**735.8**	970.8

21. Issued capital and reserves

	2010 £m	2009 £m
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 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.

Parent company

The Company's parent is the Secretary of State for International Development.

Notes to the Accounts
continued

21. Issued capital and reserves (continued)
Other reserves

	Group			Company	
	Net unrealised gains and losses reserve £m	Currency translation reserve £m	Retained earnings £m	Net unrealised gains and losses reserve £m	Retained earnings £m
At 1 January 2009	(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)	–	–	–
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
Profits on cash flow hedges taken to equity	**1.8**	**–**	**–**	**1.4**	**–**
Currency translation differences on retranslation of net assets of subsidiaries	**–**	**(8.6)**	**–**	**–**	**–**
Profit for the year attributable to equity shareholders	**–**	**–**	**273.0**	**–**	**235.3**
At 31 December 2010	**–**	**(54.8)**	**2,092.7**	**–**	**2,017.1**

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.

22. Trade and other payables (current)

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Trade payables	**0.4**	0.2	**–**	–
Deposits due to customers	**129.6**	112.0	**–**	–
Amounts owed to Group companies	**–**	–	**401.5**	413.4
Other taxes and social security	**0.2**	0.4	**0.1**	0.1
Other payables	**5.7**	18.9	**0.7**	0.5
Accruals and deferred income	**4.9**	11.5	**3.5**	4.3
Total trade and other payables excluding current tax	**140.8**	143.0	**405.8**	418.3
Current tax liabilities	**0.2**	0.2	**0.2**	0.2
Total trade and other payables (current)	**141.0**	143.2	**406.0**	418.5

23. Trade and other payables (non-current)

	Group 2010 £m	Group 2009 £m
Other payables	**0.6**	–
Accruals and deferred income	**–**	0.6
Total trade and other payables (non-current)	**0.6**	0.6

24. Interest-bearing loans and borrowings

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

	Fixed/ floating rate	Effective interest rate %	Repayment frequency	Maturity	Group Non-current 2010 £m	Group Non-current 2009 £m	Group Current 2010 £m	Group Current 2009 £m
Bank overdrafts	Floating	Various	On demand	On demand	**–**	–	**1.7**	0.4
					–	–	**1.7**	0.4
Interest-bearing loans (US Dollar)								
IFC[1]*	Floating	3.0	Bi-annual	2015	**3.2**	3.9	**0.9**	0.8
PROPARCO[2]	Floating	4.0	Quarterly	2016	**8.0**	–	**1.4**	–
European Investment Bank*	Fixed	5.2	Quarterly	2016	**4.0**	4.2	**1.2**	1.1
East African Development Bank	Floating	1.1	Bi-annual	2017	**2.7**	–	**0.5**	–
CRDB[3] Bank*	Floating	8.0	Quarterly	2015	**4.6**	5.6	**1.2**	–
					22.5	13.7	**5.2**	1.9
Interest-bearing loans (other currencies)								
European Investment Bank*	Fixed	9.0	Annual	2015	**3.9**	4.8	**2.5**	2.1
FMO LDC[4]	Fixed	8.2	Quarterly	2020	**5.6**	–	**0.2**	–
European Investment Bank/MFI[5]	Fixed	12.0	Bi-annual	2016	**2.5**	3.8	**1.0**	0.8
European Investment Bank Global*	Fixed	11.3	Bi-annual	2014	**1.9**	2.4	**1.5**	1.7
Uganda Government (KfW[6] IV loan)*	Fixed	nil	Bi-annual	2019	**3.0**	2.4	**0.4**	0.5
					16.9	13.4	**5.6**	5.1
Others (all of which are under £2.5m individually)					**13.9**	22.7	**9.2**	9.2
Total interest bearing loans and borrowings					**53.3**	49.8	**21.7**	16.6

* 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.

[1] IFC: International Finance Corporation.
[2] PROPARCO: Promotion et Participation pour la Coopération Economique (part of Agence Française de Developpment).
[3] CRDB: Cooperative and Rural Development Bank.
[4] FMO LDC: Netherlands Development Finance Company – Least Developed Countries.
[5] MFI: Microfinance Institutions.
[6] KfW: Kreditanstalt für Wiederaufbau.

Notes to the Accounts
continued

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

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

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

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

25. Provisions

	Group					
	2010 Post-retirement benefits £m	2010 Other provisions £m	2010 Total £m	2009 Post-retirement benefits £m	2009 Other provisions £m	2009 Total £m
At 1 January	**0.2**	**2.3**	**2.5**	0.5	2.3	2.8
Charge in the year	**0.5**	**–**	**0.5**	–	–	–
Utilised		**(2.3)**	**(2.3)**	(0.3)	–	(0.3)
Exchange adjustment	**–**	**–**	**–**	–	–	–
At 31 December	**0.7**	**–**	**0.7**	0.2	2.3	2.5

	Company					
	2010 Post-retirement benefits £m	2010 Other provisions £m	2010 Total £m	2009 Post-retirement benefits £m	2009 Other provisions £m	2009 Total £m
At 1 January	**0.2**	**2.0**	**2.2**	0.4	2.0	2.4
Charge in the year	**0.4**	**–**	**0.4**	–	–	–
Utilised	**–**	**(2.0)**	**(2.0)**	(0.2)	–	(0.2)
At 31 December	**0.6**	**–**	**0.6**	0.2	2.0	2.2

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.

26. Capital commitments and guarantees

Amounts contracted for but not provided for in the accounts amounted to £1,430.2m (2009: £1,561.0m) 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 £nil (2009: £10.7m).

27. Obligations under operating leases

Operating lease commitments – Group and Company as lessee

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

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Within one year	**1.3**	1.3	**1.3**	1.3
After one year but not more than five years	**2.0**	5.2	**2.0**	5.2
After five years	**–**	3.6	**–**	3.6
Total	**3.3**	10.1	**3.3**	10.1

28. Contingent liabilities

The Group and the Company had the following contingent liabilities:

- in support of the borrowings of third parties which had a principal value of £1.2m (2009: £1.6m); and
- in respect of undertakings to power distributors and governments in connection with the operation of power generating subsidiaries with a maximum legal liability of £9.8m (2009: £7.1m).

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

29. Related party transactions

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

	2010 £m	2009 £m
Statement of comprehensive income		
Interest income	**2.5**	2.2
Interest earned on deposit with Debt Management Office*	**1.1**	4.2
Dividend income	**68.1**	21.4
Profit on disposal of fair value financial assets	**–**	20.1
Loan and guarantee fee income	**–**	0.2
Management fee income	**0.1**	–
Interest payable	**(0.4)**	(0.8)
Statement of financial position		
Fair value financial assets	**432.8**	753.9
Loans and receivables	**89.7**	106.9
Deposit with Debt Management Office*	**390.0**	475.0
Trade and other receivables	**6.8**	6.8
Trade and other payables	**(401.5)**	(413.4)

* 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.

Notes to the Accounts
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30. Principal subsidiaries

The principal subsidiaries of CDC Group plc during the year to 31 December 2010 and the percentage of equity capital are set out below. The Company has taken advantage of section 410(2) 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	CAC Holdings (Latin America) Limited	Ordinary	100	Investment holding
Mauritius	CDC South Asia Limited	Ordinary	100	Investment holding
Uganda	DFCU Limited	Ordinary	60	Financial institution
Americas				
Bermuda	CDC Globeleq Holdings Limited	Ordinary	100	Investment holding

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Footnote

MSCI Emerging & Frontier Markets Custom Country Weighted Index

Source: MSCI. The MSCI data is comprised of a custom index calculated by MSCI for and as requested by CDC. The MSCI data is for internal use only and may not be redistributed or used in conjunction with creating or offering any securities, financial products or indices. Neither MSCI nor any other third party involved in or related to compiling, computing or creating the MSCI data (the "MSCI Parties") makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and the MSCI Parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to such data. Without limiting any of the foregoing, in no event shall any of the MSCI Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.