CDC Group plc
Annual Report & Accounts 2007

CDC

Generating wealth in emerging markets

Our mission

is to generate wealth, broadly shared, in emerging markets, particularly in poorer countries, by providing capital for investment in sustainable and responsibly managed private sector businesses.

Our target

is to make at least 70% of our investments in the poorer countries* in the world and the remaining 30% in countries which are classified as poor.**

We also target at least 50% of our investments in sub-Saharan Africa and South Asia.

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* Countries where Gross National Income (GNI) per head is less than US$1,750.
** Countries where GNI per head is less than US$9,075.
(both in 2001 terms)

Statement from the Chairman

Sir Malcolm Williamson Chairman

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

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

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

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

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

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

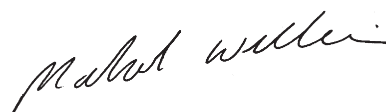
More generally, rising commodity prices are putting downward pressure on consumer spending in some countries. At the same time, company valuations are often high and investors should be circumspect about expectations of ever increasing returns from emerging markets.

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

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

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

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



Sir Malcolm Williamson
Chairman

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

1 CDC capital

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

2 Fund managers

We invest our capital with skilled and experienced private equity fund managers in our target markets. We expect our managers to achieve returns which are appropriate to the opportunities and risks in the relevant market.

3 Investee companies

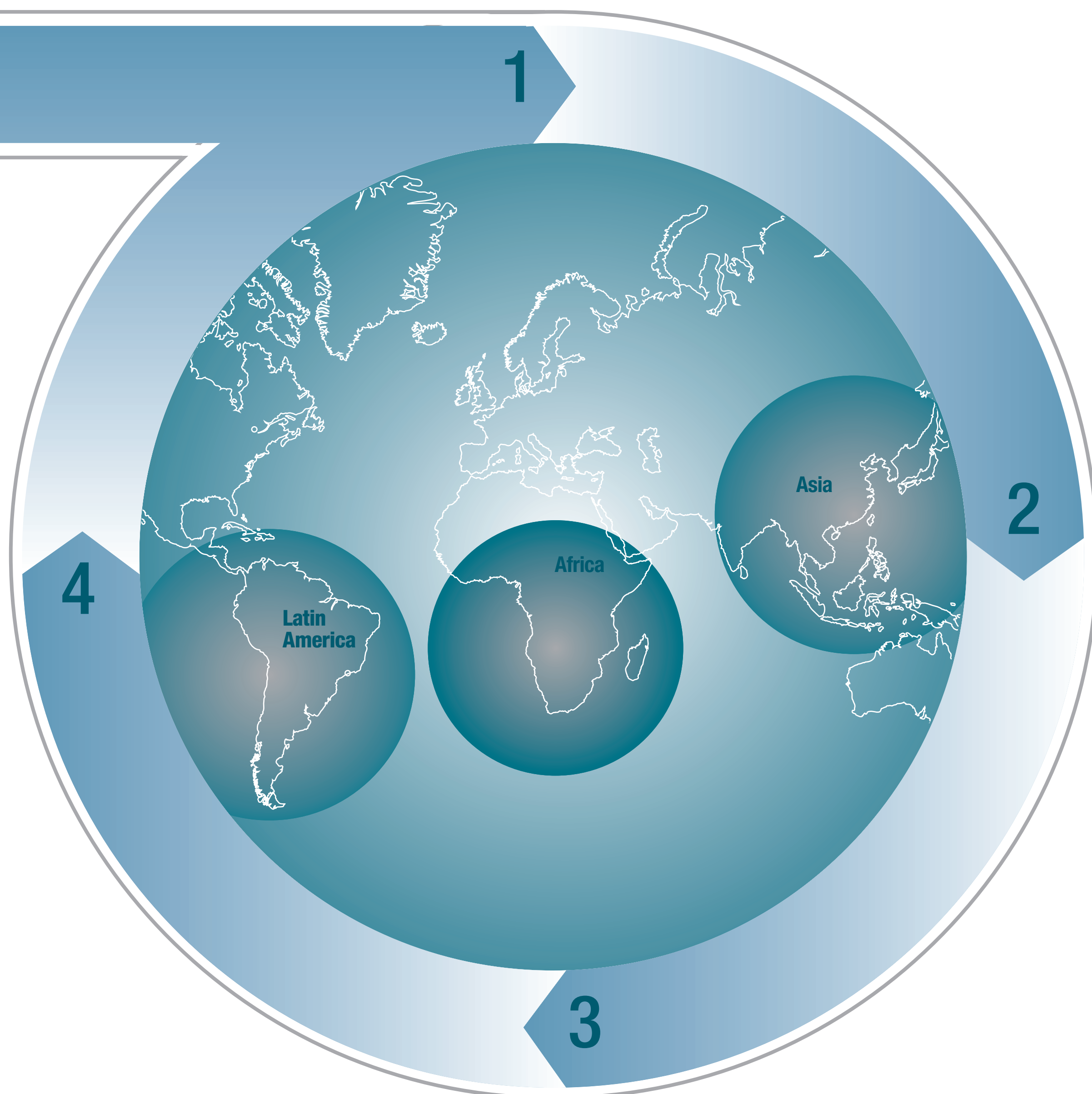
Fund managers deploy CDC's capital in profitable and responsibly managed private sector companies across a range of sectors. We require our fund managers to implement CDC's Best Practice Investment Code and to report on progress.

4 Economic growth

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

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

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



Statement from the Chief Executive

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

Extending relationships with fund managers

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

Taking the initiative

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

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

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

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

Responsible investing

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

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

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

Richard Laing Chief Executive

Investing capital where it is most needed

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

Private equity and emerging markets

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

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

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

Barriers to growth

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

Working with other development finance institutions

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

Investing for the long term

CDC's achievements in 2007 were impressive by any measure, outperforming the Morgan Stanley emerging markets index by 20%. Our significant returns are now being reinvested in poor countries where responsible and patient capital is urgently needed so that the process of the economic development cycle can continue.

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

Richard Laing

Richard Laing
Chief Executive

[1] Source: The Role of Financial Services in Alleviating Poverty and Delivering Economic Advancement in Developing Countries/Emerging Markets: Cass Business School 2007.

[2] Source: Department for International Development White Paper, 2006

[3] Source: World Bank's 'Doing Business' 2008 Report: www.doingbusiness.org

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

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

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

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

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

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

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

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

- our investment in V-Link through India Value Fund III is a strong example of the positive effect of CDC's capital. V-Link is a 1000-strong taxi company in Mumbai and the company has undertaken an extensive programme of driver health and safety awareness, management training and environmental improvement to the fleet. A community outreach programme has also been launched to support the educational needs of drivers' families.

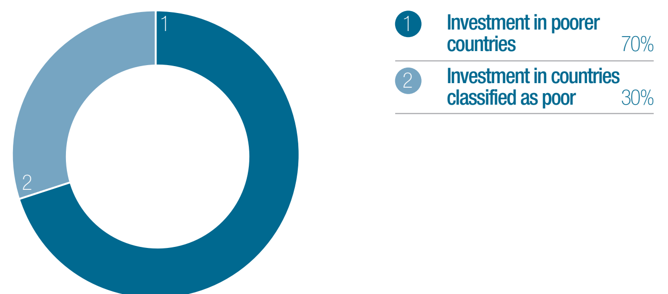
Along with 30 other development finance institutions (DFIs), CDC supported a joint statement positioning corporate governance at the forefront of sustainable development in emerging markets. The initiative highlighted the increasing role of good corporate governance as a facilitator of international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

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

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

CDC believes that supporting businesses across all sectors in emerging economies contributes to sustainable growth and development. Investing in the financial services sector is crucial. Microfinance, in particular, has an important role to play.

Target investment split



Performance review

Description of the business and objectives

CDC is a government-owned investment company that invests in private sector businesses in developing countries where it has been an innovative investor for nearly 60 years. CDC is part of the UK programme for promoting international development and the reduction of poverty. The Government has no involvement in, or responsibility for, CDC's day-to-day decision-making which is carried out by the CDC Board of Executive and Non-executive Directors based in London. CDC is required to operate commercially according to the highest standards of corporate governance.

CDC's mission is to generate wealth, broadly shared, in emerging markets, particularly the poorer countries, by providing capital for investment in sustainable and responsibly managed private sector businesses. CDC also plays a catalytic role, using our investments in funds to mobilise third party capital by demonstrating the benefits of successful investment to other capital providers. Profitable and sustainable private sector businesses are the principal drivers for creating economic growth, which is critical to reducing poverty and improving living standards. Scarcity and unequal access to long term risk capital constrains the establishment and growth of viable businesses in our target markets.

Our investment strategy is to align our activities with our shareholder's objective of reducing poverty. We currently have two investment targets: 50% of new investments in sub-Saharan Africa and South Asia; and 70% in the poorest countries of the world (defined as countries with an annual Gross National Income (GNI) per capita below US$1,750 in 2001). Both tests are measured over a five-year rolling period. We do not invest in countries which have a GNI per capita of over US$9,075 or EU accession countries. In making our investments we:

- target an appropriate commercial return, which may vary by geography, product or sector;
- require managers to invest in companies with a commitment to best practice including environmental, social policies and governance; and
- aim to be catalytic and innovative in what we do.

Our core values are:

- to be open and honest in all our dealings, while respecting commercial and personal confidentiality;
- to operate professionally in a performance-orientated culture and be committed to continuous improvement;
- to be objective, consistent and fair with all our stakeholders;
- to be a good corporate citizen, demonstrating integrity in each business and community in which we operate;
- to respect the dignity and well-being, safeguard the health and safety and treat fairly all our people and those with whom we are involved;
- to work over time towards full compliance of our investments with the International Labour Organisation Fundamental Conventions and with the UN Declaration of Human Rights; and
- to protect the environment, encourage the efficient use of natural resources and promote the improvement of the environment wherever possible.

Strategies for achieving the objects of the business

CDC carries out its mission mainly by investing in private equity and other intermediated collective investment vehicles. As a fund of funds, CDC places its portfolio with skilled and experienced private equity fund managers in our target markets. CDC also co-invests alongside certain fund managers. Before investing in a fund, extensive due diligence is undertaken to try to ensure that top quality fund managers have been chosen who will deliver above average returns in the chosen markets. CDC expects its managers to achieve returns that are appropriate to the opportunities and risks in the relevant market. Amongst the features that CDC seeks in making a decision to commit to a fund are:

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

CDC evaluates fund performance according to the financial performance of the funds and the development impact which the funds have had in terms of creating profitable businesses that are economically sustainable, environmentally non-distorting and have a positive impact on the private sectors in which they operate.

Presentation of results

CDC's financial results are presented in two ways. Firstly, following International Financial Reporting Standards, CDC consolidates all businesses where it has a controlling interest. These audited consolidated accounts can be found in full from page 23 onwards. The Directors' Report gives a summary of these results. Secondly, in order to explain more fully CDC's investment activities as a fund of funds, CDC has valued all its investments, including subsidiaries, at fair value and used the results of this valuation in a statement of total return and a summarised balance sheet. These valuation results are shown on page 13. Ernst & Young LLP has examined these statements and its report is also shown.

Godfrey Davies Chief Financial Officer

Key Performance Indicators

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

Current performance

Portfolio return

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

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

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

Operating costs

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

Other net income

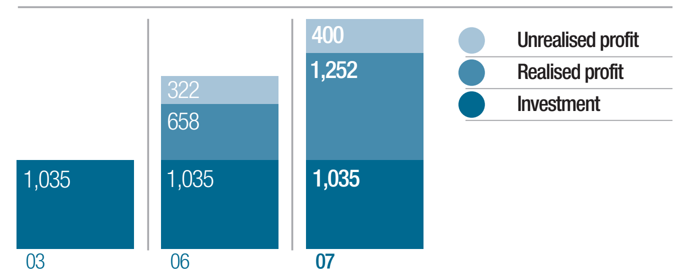
Other net income of £51.1m (2006: £44.3m), which is mainly interest income, was higher due to the higher average cash balance in 2007.

Total return

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

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

CDC value growth £m



Third-party funds mobilised

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

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

Portfolio continued

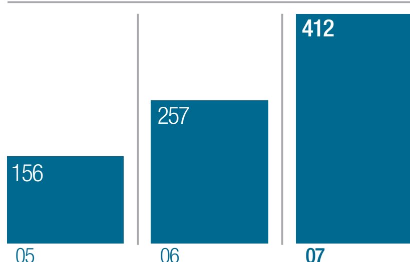
	2007 £m	2006 £m
Portfolio	**1,184.1**	1,125.3
Net cash and deposits	**1,405.0**	771.1
Other net assets	**97.7**	118.4
Total net assets on a valuation basis	**2,686.8**	2,014.8

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

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

Drawdowns by funds for new investments at £412.0m (2006: £257.3m) were significantly higher than last year with increased investment in Africa and increased drawdowns from non-Actis managed funds. The ten largest underlying investments are shown on page 12.

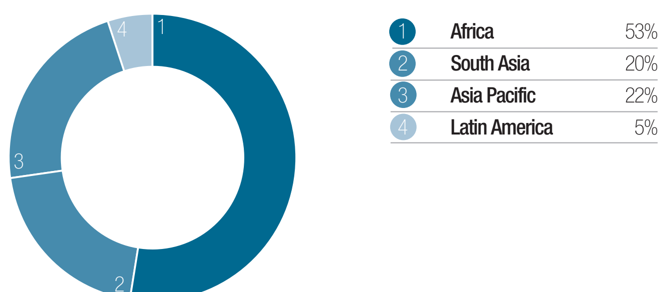
Fund drawdowns (£m)



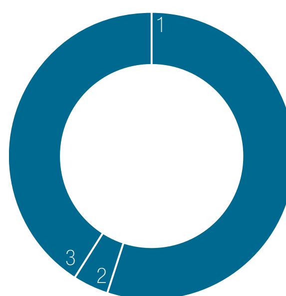
New investments

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

New investments by area



New investments by manager

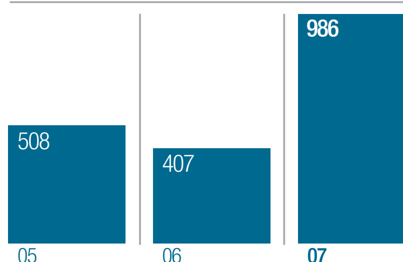


1	Actis	55%
2	Aureos	4%
3	Other	41%

Fund cash generated

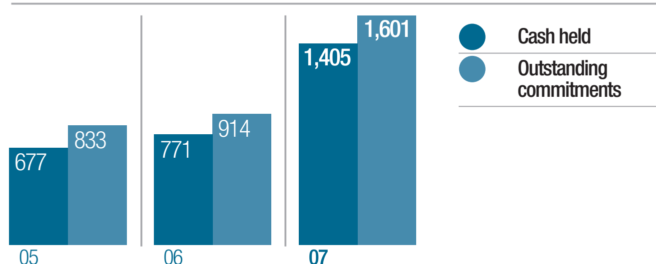
The higher level of portfolio cash generation this year at £985.5m (2006: £407.3m) was driven by legacy portfolio realisations, in particular Globeleq power assets which generated cash of £620.6m at a 1.7 multiple to cost and an 18% IRR. Other substantial legacy portfolio realisations were: Platmin platinum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

Portfolio cash generated (£m)



Cash and short term deposits held

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



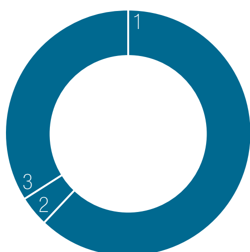
Fund managers

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

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

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

Funds under management by fund manager



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

Fund commitment and investment

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

Capital structure

In 2004, CDC was restructured, spinning out its fund management business, together with the majority of staff, into Actis. Since then, CDC as a fund of funds has invested in illiquid private equity funds and is funded by equity with no external borrowing.

Cash flow forecasting

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

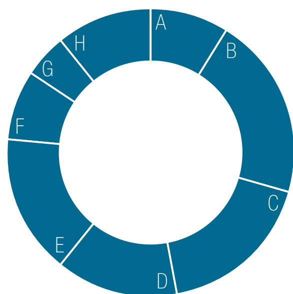
Risks and uncertainties

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

One of the main risks facing CDC is the loss of portfolio value due to a catastrophic event. Values have decreased as well as increased in the past. Whilst the MSCI Emerging Markets Index rose by 37% in 2007, it fell by 13% in January 2008. Portfolio exposure limits for each country and sector in which CDC invests help to mitigate the portfolio risk. CDC's highest country exposures are 22% in India, 22% in Nigeria and 13% in South Africa. CDC's highest sector exposure is 21% in financial institutions. The top ten underlying investments represent 8% of the portfolio with the largest individual investment representing 3.7%.

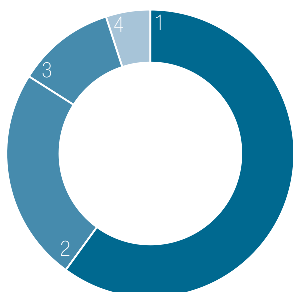
Performance review continued

Portfolio by sector (by underlying investee companies)



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

Portfolio by area (by underlying investee companies)



1	Africa	60%
2	South Asia	24%
3	Asia Pacific	11%
4	Americas	5%

Largest underlying investments

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

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

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

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

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

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

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

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

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

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

CDC has treasury policies to manage the Group's cash resources and currency exposure. To mitigate currency risks, CDC enters into derivative type currency exchange transactions to hedge currency risk in accordance with a currency hedging policy agreed by the Audit Compliance and Risk Committee. CDC does not trade in derivatives, nor does it enter into currency transactions of a speculative nature. Subsidiaries within the Group engaged in the purchase or supply of commodities, choose whether and how to hedge commodity price risk. More details on derivatives are given in note 20 to the accounts.

The defined benefits section of the CDC Pensions Scheme is very mature so the only two factors to have a material impact on the surplus or deficit in the scheme are the discount rate and longevity assumptions. An increase in the discount rate of 0.25% decreases the scheme liability by 5.1%. An increase in longevity by one year increases scheme liabilities by 2.7%. With reduced interest rates, an inverted yield curve and changed assumptions on longevity from the actuarial profession, the scheme's valuation as at 31 March 2006 showed a deficit of £48m, on a basis which takes into account the current investment strategy of the scheme. A contribution schedule was agreed under which CDC paid £11.6m in 2007 (2006: £10.5m) to the CDC Pensions Scheme. The estimated deficit if the scheme had been wound up on 31 March 2006, on a buy out basis, was some £150m. CDC therefore funded a contingent asset to provide additional assurance to the Pension Scheme Trustees. Accordingly, in 2006 CDC paid £74m into a contingent asset trust. The terms of the trust allow funds to be drawn by the CDC Pensions Scheme to fund any deficit, but funds can be returned to CDC if they are not required by the CDC Pensions Scheme.

Valuation methodology

CDC is now in its ninth year of valuing its portfolio according to our valuation methodology. CDC's equity valuation guidelines have been developed in accordance with the International Private Equity and Venture Capital Valuation Guidelines issued jointly by the British and European Venture Capital Associations. Investments are valued at fair value, which is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. The details of the valuation methodology are given on page 33.

The Summary Statement of Total Return and the Summarised Balance Sheet using this valuation basis, shown on page 13, have been prepared based on the financial statements, before the consolidation of any subsidiaries that are not primarily investment holding companies. The main effects of this have been:

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

Godfrey Davies
Chief Financial Officer

The financial statements

	2007 £m	2006 £m
Summary Statement of Total Return (for the year ended 31 December)		
Realised profits	**406.2**	67.4
Unrealised value movements	**223.0**	270.0
Portfolio return	**629.2**	337.4
Operating costs	**(8.3)**	(6.7)
Other net income	**51.1**	44.3
Total return after tax	**672.0**	375.0
Summarised Balance Sheet on a valuation basis (at 31 December)		
Portfolio	**1,184.1**	1,125.3
Net cash and short term deposits	**1,405.0**	771.1
Other net assets	**97.7**	118.4
Total net assets on a valuation basis	**2,686.8**	2,014.8

Basis of preparation

The summary statement of total return and the summarised balance sheet on a valuation basis have been prepared in accordance with valuation guidelines to comply with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines are detailed on page 33 under the valuation methodology heading. In addition, they have been compiled to include the following items for the parent company and investment holding subsidiaries:

Revenue account

Portfolio return comprises three items: First, portfolio yield, which includes dividend income in the equity portfolio and interest income on the loan portfolio, net of investment deal costs and management fees. Second, net realised profits, which represent gains and losses calculated by reference to cash proceeds less valuations at the last balance sheet date. Finally, portfolio return includes net unrealised profits which represent valuation gains and losses arising since the last balance sheet date, in accordance with the guidelines set out on page 33. Other revenue account items include operating costs, interest and other items (which comprise bank deposit interest, net of interest payable on external borrowings and other income that is not portfolio related) and tax.

Balance sheet

This comprises the portfolio at valuation on the basis outlined on page 25, net cash (which includes all cash and cash equivalents and is net of overdrafts), short term deposits over 90 days at initiation and other net assets / liabilities. Other net assets / liabilities include property, plant and equipment, employment benefits assets / liabilities, trade receivables and payables, short and long term external borrowings and other provisions and charges.

Review report to the shareholders of CDC Group plc

We have reviewed the accompanying Summary Statement of Total Return for the year ended 31 December 2007 and the Summarised Balance Sheet as at 31 December 2007 of CDC Group plc, which are prepared on the basis of accounting set out above and in accordance with the valuation methodology set out on page 33. These statements are the responsibility of the Company's management. Our responsibility is to issue a report on these statements based on our review.

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

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

Based on our review of the statements above, nothing has come to our attention that causes us to believe that the Summary Statement of Total Return and the Summarised Balance Sheet above are not presented fairly, in all material respects, in accordance with the basis of accounting set out above and in accordance with the valuation methodology set out on page 12.

Ernst & Young LLP
Registered Auditor
London 3 April 2008

Board of Directors

Sir Malcolm Williamson Chairman

Richard Laing Chief Executive

Sir Malcolm Williamson Chairman

Appointed in January 2004. Sir Malcolm was awarded a knighthood in the 2007 Queen's birthday honours list for services to the financial services industry. He is Chairman of Signet Group plc, Deputy Chairman of Resolution plc, a main Board member of National Australia Bank and Chairman of National Australia Group Europe Ltd. He is also a Board member of Group 4 Securicor plc and JP Morgan Cazenove Holdings. He chairs the Advisory Board of Youth Business International and is a Board member of the Prince of Wales International Business Leaders Forum.

Until February 2004, he was President and Chief Executive of Visa International. He held various positions with Standard Chartered Bank in the 1990s, including that of Group Chief Executive from 1993 to 1998. He also served as a member of the Post Office Board and was Managing Director of Girobank.

Richard Laing Chief Executive

Appointed in July 2004. Richard joined CDC in January 2000 as Finance Director and assumed the role of Chief Executive following the restructure of CDC in 2004. In 2007, he was Chairman of the Board of the Association of European Development Finance Institutions, a group of 15 bilateral institutions which provides long-term finance for private sector enterprises in developing and reforming economies. He is also a Trustee of the Overseas Development Institute, the UK's leading independent think tank on international development.

Prior to CDC, he spent 15 years at De La Rue where he held a number of positions both in the UK and overseas, latterly as Group Finance Director. He was also a non-executive Director of Camelot plc. He previously worked in agribusiness in developing countries, and at PricewaterhouseCoopers.

Board Committees

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

Arnab Banerji

Fields Wicker-Miurin OBE

Jonathan Kydd

Andrew Williams

Arnab Banerji Non-executive Director
Appointed in July 2004. Arnab is the partner responsible for emerging market investments at Lansdowne Partners.

He was the Prime Minister's Senior Policy Adviser on Financial and City Affairs from October 2001 to April 2005 and was also appointed the Prime Minister's Economic Adviser in January 2004. He was previously Investment Chairman of the Foreign & Colonial Group. He served on the Advisory Council of the UK's Export Credit Guarantee Department for three and a half years from January 1997. He was also a member of the Morgan Stanley Capital International Advisory Board for four years. He is a trustee of the Ethox Foundation (The Oxford Foundation for Ethics and Communication in Health Care Practice).

Jonathan Kydd Non-executive Director
Appointed in 1997. Jonathan is Chairman of the Best Practice Investment and Development Committee. A development economist, he is Dean of the University of London's External System and Visiting Professor at the Centre for Environmental Policy of Imperial College, London.

Up to February 2007, he was chairman of NR International Ltd., a company which manages research programmes in developing countries. He is Chairman of the Advisory Council of the UK's Export Credit Guarantee Department.

Fields Wicker-Miurin OBE Non-executive Director
Appointed in November 2004. Fields was awarded an Order of the British Empire in the 2007 Queen's birthday honours list for services to international business. She is co-founder and partner of Leaders' Quest, an international organisation which connects, engages and enables leaders around the world to be more effective and responsible leaders. She is also Chair of its Advisory Board. Fields is a non-executive director of Savills plc and a member of the Department for Business, Enterprise and Regulatory Reform's Executive and Strategy Boards. She is also a Governor of King's College, London.

Previously, Fields was Chief Financial Officer of the London Stock Exchange and Chief Operating Officer and Partner of Vesta Group, an international venture capital firm investing in early stage technology businesses in Europe.

Andrew Williams Non-executive Director
Appointed in July 2003. Andrew is a director of SVG Capital plc and Chief Executive Officer of its fund advisory business, SVG Advisers Limited. He is a Visitor of the Ashmolean Museum.

He was formerly Managing Director of Schroder Ventures (London) Limited, having worked for Schroders plc since 1983. This included a period as co-head of equity capital markets and four years in Japan where he was head of corporate finance. He was also head of the Schroders Securities Asian divisions, with operations in Singapore, Hong Kong, Korea and Indonesia.

Directors' Report

The Directors submit their report and the audited financial statements of CDC and its subsidiaries ('the Group') for the year ended 31 December 2007. The Directors' Remuneration Report is on pages 20 to 21, detailing Directors' interests during the year and incentive arrangements for Directors and employees.

Principal activities

CDC Group plc ('CDC' or 'the Company') is a leading emerging market investor. Its principal activity is intermediated risk capital investment in developing countries through investment funds. It has in the past also acquired majority holdings in companies in a range of sectors, including agriculture, finance, manufacturing and power.

Business review

The information that fulfils the requirements of the Business Review can be found in the Performance Review on pages 8 to 13, which is incorporated into this report by reference.

Best practice

CDC's investments are underpinned by a firm commitment to best practice. CDC's best practice policy includes procedures to ensure that business integrity, environmental, health and safety and social issues are assessed as a key part of the investment and monitoring process. CDC requires its fund managers to ensure that any company in which CDC's capital is invested is itself committed to international best practice in these areas and that any shortfalls are addressed through an effective action plan.

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 investment fund managers to encourage investee companies to adopt higher standards.

Financial statements

Basis of preparation

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

Income

Income from continuing operations was £417.1m (2006: £375.4m). The increase came mainly from investment realisations.

Profit from operations

Profit from continuing operations before tax and finance costs of £369.0m compares with £232.6m for 2006, with the significant increase driven by investment realisations and unrealised valuation gains.

Taxation

The tax charge for continuing operations in 2007 was £7.3m compared with £2.8m in 2006. CDC is exempt from corporation tax in the UK. However, the Group is still subject to corporate taxes outside the UK.

Changes in equity

Profit for the year attributable to equity holders of CDC was £608.5m (2006: £332.7m). Currency translation losses on retranslation of net assets of subsidiaries were £12.5m (2006: loss of £38.4m) following depreciation of the US dollar against sterling.

Cash flow

Cash inflow before financing and tax was £576.8m (2006: £329.6m) with substantially higher proceeds from equity realisations, including significant proceeds from the disposal of subsidiaries as shown in notes 12 and 13 to the audited financial statements.

Balance sheet

Total assets increased from £2,915.8m to £3,059.3m mainly due to valuation gains and a strong performance on realisations.

Pensions

CDC operates a single pension scheme in the UK. The defined benefits section of this scheme has been closed to new entrants since 1 April 2000. On the advice of the pension scheme actuary, CDC resumed contributions to the defined benefits section in 2003. Disclosures required under IAS 19 show a surplus of assets over liabilities of £61.6m (2006: £42.3m). Further details are shown in note 17 to the audited financial statements.

Dividend recommended

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

Post balance sheet events

There are no material post balance sheet events.

Corporate governance

CDC supports established best practice in corporate governance and has complied with the Combined Code on corporate governance throughout 2007, as far as is practicable for a company that is wholly owned by the UK Government.

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

Directors

Statement of Directors' responsibilities in relation to the financial statements

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

The Directors are required to prepare Company and Group financial statements for each financial year which present fairly 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 then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985 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.

Disclosure of information to auditors

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

Role of Chairman and Chief Executive

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

Role of the Board and processes

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

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

Board membership

The Board structure ensures that no single individual or group dominates. There are procedures for planning, investing, reporting and measuring performance. CDC'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 Jonathan Kydd and Andrew Williams. Being eligible, they offer themselves for re-election.

The Board met 11 times during 2007 and has scheduled 12 meetings for 2008. The Chairman and the Chief Executive agree the agenda for Board meetings, but all Board members are entitled to raise other issues. The Chairman ensures that the Board is properly briefed on all issues arising at Board meetings. The Chief Executive supplies the Board with information which is timely and of a quality that enables it to carry out its duties. Training, where appropriate, is provided to the Board and employees. All Directors have access to the advice and services of the Company Secretary and they can take independent professional advice at CDC's expense, if necessary. All Board meetings are appropriately minuted.

The Board has not appointed a senior independent director from the Non-executive Directors as it is not felt to be appropriate for a company that has one beneficial shareholder.

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

Board Directors

The table below gives the attendance of all the Board Directors, whose biographies are on pages 14 and 15, during the year ended 31 December 2007:

Number of meetings during the year	11
Sir Malcolm Williamson (Chairman)	11
Richard Laing (Chief Executive)	11
Arnab Banerji	8
Jonathan Kydd	11
Fields Wicker-Miurin OBE	10
Andrew Williams	8

A performance evaluation of the Board was carried out during the year by way of an anonymous survey of the Directors. The results of the survey were duly considered by the Board.

The Chairman, the Chief Executive and the Chief Financial Officer meet DFID quarterly to discuss shareholder issues.

None of the Directors at any time during the year ended 31 December 2007, or in the period between that date and 3 April 2008, had any interest in any shares or debentures of the Company or its subsidiaries. The Chief Executive is, however, entitled to participate in the long term incentive plan, details of which are set out in the Directors' Remuneration Report on page 20. None of the Directors at any time during the aforesaid period had any material interest in any contracts with the Company or its subsidiaries.

Directors' Report continued

At the end of 2007, Sir Malcolm Williamson held eight directorships excluding his CDC directorship. Three of these directorships were as chairman and one as deputy chairman and senior independent director. The Board considers that Sir Malcolm Williamson has sufficient time to undertake his duties at CDC.

Board committees

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

Audit, Compliance and Risk

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

Number of meetings during the year	2
Arnab Banerji (Chairman)	2
Jonathan Kydd	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 continued independence of the external auditors; direct the internal audit function; monitor the management accounting and valuations procedures and policies; investigate any irregularities; oversee the Company's regulated activities and compliance function; and monitor the Company's risk management function. The committee also reviews CDC's system of internal control, further details of which are set out below.

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

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

The Audit, Compliance and Risk Committee has established policies determining the non-audit services that the external auditor can provide and the procedures required for pre-approval of any such engagement. These policies provide for the auditors to be engaged only for work that is not prohibited by professional or other regulatory requirements. This essentially limits work to tax services and assurance services that are of an audit nature, but excludes internal audit services. Even where the policy allows for the external auditor to be engaged to provide non-audit services, prior approval is required from the Chief Financial Officer.

Remuneration

The table below indicates each member's attendance during the year. The quorum is two members. The Chief Executive attends by invitation.

Number of meetings during the year	3
Andrew Williams (Chairman)	3
Arnab Banerji	3
Fields Wicker-Miurin OBE	3
Sir Malcolm Williamson	2

The 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 20-21.

Best Practice and Development

The table below indicates each member's attendance during the year. The committee was formerly known as the Business Principles and Development Committee. The quorum is two members, which must include those nominated by DFID, currently Jonathan Kydd and Andrew Williams. The Chief Executive attends by invitation.

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

Nominations

The members of the Nominations Committee are: Sir Malcolm Williamson (Chairman), Jonathan Kydd, Andrew Williams and Richard Laing. The committee has not met during the year. The committee meets as required, with a minimum quorum of two members who are Non-executive Directors. Its responsibilities include appointing new Board members and reviewing the Board's structure, size and composition, and succession planning (having regard to the rights of the Secretary of State for International Development ('The Secretary of State') as holder of the special share).

Co-Investment

The Co-investment Committee met twice in 2007. The committee meets as required, with a minimum quorum of three Directors, one of whom must be the Chairman or the Chief Executive. It is authorised to approve direct co-investments (of up to US$50m) alongside investment funds that CDC has committed capital to.

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

Going concern

The Directors are satisfied that CDC has adequate resources to continue in existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's and Company's financial statements.

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 normally be prevented or detected early with appropriate action taken. Material breaches are reported to the Audit, Compliance and Risk Committee and are properly actioned. As with any system of internal control, CDC's system is designed to manage, rather than eliminate, the risk of failure and therefore cannot provide absolute assurance against material misstatement or loss. The Audit, Compliance and Risk Committee has conducted, in accordance with the Turnbull guidance, a review of effectiveness of the Group's internal controls. The key elements of the system include:

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

The most substantial risk to CDC is a significant reduction in the value of its portfolio. This can be affected considerably by external factors beyond CDC's control. However, the Board is satisfied that the valuation process, described on page 33, is rigorous and effective. CDC has an outsourced internal audit function, which operates to a programme approved by the Audit, Compliance and Risk Committee, concentrating on areas of higher risk. In addition, CDC's external auditors review the system of internal controls and their description in CDC's annual report and accounts to the extent necessary in forming their opinion. CDC's executive management team operates a continuous process, agreed with the Audit, Compliance and Risk Committee, of identifying, evaluating and managing any significant risk, financial or non-financial, faced by the Company. This process also ensures that appropriate internal control mechanisms are in place. The team provides regular reports to the Audit, Compliance and Risk Committee.

Ownership

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

Political and charitable contributions

In 2007, CDC made a charitable donation to the Tony Waite Foundation in Kariba, Zimbabwe of £2,000 (2006: £2,000 Manzil Welfare Society), 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 2007 the Company had an average of 6 days' purchases outstanding in trade creditors (2006: 10 days).

Auditors

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

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

Employees

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

Mark Kenderdine-Davies
Company Secretary
CDC Group plc
On behalf of the Board of Directors
3 April 2008

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 2007 comprised Andrew Williams (Chairman), Arnab Banerji and Fields Wicker-Miurin OBE.

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

Remuneration policy for Executive Directors and senior executives

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

Elements of remuneration

Base salary

Individual base salaries reflect job responsibilities, market rates and the sustained level of individual performance. CDC sets base salaries taking account of market data derived from appropriate salary surveys, especially those covering the private equity industry, and aims to pay around the median. All salaries are reviewed annually.

Annual bonus

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

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. In 2007, Richard Laing's objectives included items such as the implementation of a programme to invest CDC's capital, strengthening the management team, and developing proposals for the future strategy of CDC.

Long term incentive plan ('LTIP')

The LTIP provides all employees, including the Executive Director, with the opportunity to share in the growth of the Company over the longer term. The plan was devised, after consultation with DFID, HM Treasury, Government advisors and CDC's advisors, to match the needs of CDC after the spin-out of Actis. All awards granted under the LTIP are subject to corporate performance targets set by the Remuneration Committee. The 2005 to 2007 LTIP awards give the right to receive a cash bonus in the future subject to the rules of the plan and the satisfaction of certain corporate performance targets. The amount of any cash payment depends on the extent to which the performance targets granted to the participant have been satisfied at the end of a 36 month performance period which runs from January to December. If performance meets or exceeds the target level set by the Remuneration Committee for all the performance targets, participants would be entitled to a cash bonus that is capped at a maximum of between 25% and 240% of their basic annual salary at the end of the performance period, depending on seniority. A performance graph has not been provided as the shares of CDC are not traded.

At a meeting held on 21 February 2008, the Remuneration Committee of CDC approved payments of bonuses to all eligible staff under the 2005 LTIP scheme, where performance targets have been exceeded. Richard Laing will receive a payment of £470,712 (2006: £407,520) as reviewed by Ernst & Young LLP.

Peter Newhouse & Company was retained to undertake a review of the LTIP scheme for 2007 onwards. Discussions have taken place between representatives of the Remuneration Committee, DFID and the Shareholder Executive with a view to implementing, with effect from 1 January 2008, an appropriate LTIP Scheme, in line with the future strategy of CDC.

Benefits in kind

Benefits in kind are offered to all employees, including the Executive Director. These are:

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

Pension arrangements

Richard Laing is a member of CDC's non-contributory defined benefit pension scheme, and receives a contribution to a defined contribution scheme of his choice. Details of pension contributions are shown in the table on page 21.

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 specific termination provision. However, any compensation claim from a departing director would be scrutinised by the Remuneration Committee.

The Non-executive Directors do not have service agreements. The appointments of Non-executive Directors have no contractual termination date, but each Non-executive Director will be subject to re-election at an annual general meeting in accordance with the provisions for retirement of directors by rotation contained in the Company's Articles of Association.

The remuneration of the Non-executive Directors takes the form solely of fees which were originally set in 2004. The level of fees was reviewed in 2007 and agreed with DFID. The basic fee for all Non-executive Directors (except for the Chairman) is £22,000 per annum (2006: £22,000). The basic fee for the Chairman is £40,000 per annum (2006: £35,000). Non-executive Directors, except the Chairman, receive an additional £2,000 per annum (2006: £1,000) for each committee membership and £4,000 per annum (2006: £2,000) for each committee which they chair. The fees paid to Non-executive Directors in 2007 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		
Sir Malcolm Williamson	5 January 2004	n/a
Jonathan Kydd	8 December 1999	n/a
Andrew Williams	2 July 2003	n/a
Arnab Banerji	9 July 2004	n/a
Fields Wicker-Miurin OBE	7 October 2004	n/a

Outside directorships

The Company believes that it can benefit from Executive Directors holding non-executive appointments; it also believes that such appointments provide a valuable opportunity for personal and professional development. Such appointments are subject to the approval of the Board. Richard Laing is a Trustee of the Overseas Development Institute and was chairman of the Association of European Development Finance Institutions until 4 December 2007.

Directors' remuneration

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

	Base Salary/Fee £	Benefits £	Performance Related Bonus Award £	**Total 2007 £**	Total 2006 £
Executive Directors					
Richard Laing	220,000	4,266	275,000	**499,266**	453,001
Non-executive Directors					
Sir Malcolm Williamson	40,000	–	–	**40,000**	35,000
Jonathan Kydd	30,000	–	–	**30,000**	26,000
Andrew Williams	30,000	–	–	**30,000**	26,000
Arnab Banerji	28,000	–	–	**28,000**	25,000
Fields Wicker-Miurin OBE	28,000	–	–	**28,000**	25,000

Pension entitlements (audited by Ernst & Young LLP)

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

	2007 £	2006 £
Contributions to defined contribution schemes:	**76,072**	49,301

	Accumulated total accrued pension at 31 December 2007 £	Accumulated total accrued pension at 31 December 2006 £	Increase in accrued pension during year £	**Transfer value at 31 December 2007 £**	Transfer value at 31 December 2006 £	Increase in transfer value during year £
Defined benefit scheme	**22,325**	18,779	3,546	**352,798**	283,177	69,621

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

Auditors' Report

We have audited the Group and parent company financial statements (the "financial statements") of CDC Group plc for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statement of Changes in Equity and the related notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP
Registered auditor
London
3 April 2008

Consolidated Income Statement

For the 12 months to 31 December

	Notes	2007 £m	2006 Restated £m
Income	3a	**417.1**	375.4
Cost of sales		**(133.7)**	(127.2)
Gross profit		**283.4**	248.2
Other income	3b	**232.3**	147.6
Selling and distribution costs		**(9.2)**	(13.5)
Administrative expenses	3c	**(122.8)**	(115.5)
Other expenses	3d	**(14.7)**	(34.2)
		85.6	(15.6)
Profit from operations before tax and finance costs		**369.0**	232.6
Finance costs	4	**(15.9)**	(20.8)
Finance income	4	**62.0**	37.9
Net foreign exchange differences		**10.3**	12.8
Profit before tax from continuing operations		**425.4**	262.5
Tax charge for continuing operations	5	**(7.3)**	(2.8)
Profit for the year from continuing operations		**418.1**	259.7
Profit on disposal of discontinued operations, net of exchange losses recycled from equity	12	**163.0**	–
Profit before tax from discontinued operations	12	**45.2**	102.6
Tax charge for discontinued operations	5/12	**(7.6)**	(23.7)
Profit for the year from discontinued operations		**200.6**	78.9
Profit for the year		**618.7**	338.6
Attributable to:			
Equity holders of the parent		**608.5**	332.7
Minority interests		**10.2**	5.9
Profit for the year		**618.7**	338.6

Consolidated Balance Sheet

At 31 December

	Notes	2007 £m	2006 £m
Assets			
Non-current assets			
Property, plant and equipment	6	**200.8**	504.6
Biological assets	7	**9.6**	29.8
Investment property	8	**0.2**	6.0
Intangible assets	9	**2.1**	56.6
Fair value financial assets	10	**960.8**	679.5
Other financial assets	15	**114.3**	319.1
Deferred tax assets	16	**0.1**	5.9
Retirement benefit assets	17	**104.8**	93.1
Derivative financial instruments	20	**23.4**	34.0
		1,416.1	1,728.6
Current assets			
Inventories	18	**11.8**	49.9
Trade and other receivables	19	**111.5**	171.5
Current tax assets		**1.5**	1.4
Prepayments		**7.8**	18.0
Derivative financial instruments	20	**14.3**	24.6
Treasury bills and bonds maturing after more than 90 days	22	**25.2**	9.6
Short term deposits receivable after more than 90 days	22	**–**	2.0
Cash and cash equivalents	22	**1,471.1**	910.2
		1,643.2	1,187.2
Total assets		**3,059.3**	2,915.8
Equity and liabilities			
Attributable to the equity holders of the parent			
Issued capital	23	**765.0**	765.0
Net unrealised gains and losses reserve	23	**(0.7)**	(0.7)
Currency translation reserve	23	**(11.3)**	(31.4)
Retained earnings	23	**1,868.5**	1,260.0
		2,621.5	1,992.9
Minority interests		**10.0**	50.1
Total equity		**2,631.5**	2,043.0
Non-current liabilities			
Trade and other payables	25	**12.1**	9.4
Interest bearing loans and borrowings	26	**186.1**	503.5
Provisions	27	**1.6**	4.3
Deferred tax liabilities	16	**9.2**	48.2
Derivative financial instruments	20	**20.4**	21.5
		229.4	586.9
Current liabilities			
Trade and other payables	24	**159.2**	173.7
Current tax liabilities	24	**1.8**	8.0
Interest bearing loans and borrowings	26	**24.8**	85.5
Derivative financial instruments	20	**12.6**	18.7
		198.4	285.9
Total liabilities		**427.8**	872.8
Total equity and liabilities		**3,059.3**	2,915.8

The accounts were approved by the members of the Board on 3 April 2008 and were signed on their behalf by:

Sir Malcolm Williamson
Chairman

Richard Laing
Chief Executive

Consolidated Statement of Cash Flows

For the 12 months to 31 December

	Notes	2007 £m	2006 £m
Cash flows from operating activities			
Profit from continuing operations before tax and finance costs		**369.0**	232.6
Profit from discontinued operations before tax and finance costs	12	**207.8**	97.0
Profit from operations before tax and finance costs		**576.8**	329.6
Depreciation and impairment of property, plant and equipment	6	**35.3**	43.7
Impairment of goodwill and amortisation/impairment of other intangible assets	9	**1.5**	2.0
Impairment reversal on loans and receivables	15	**(3.9)**	(4.7)
Provision charges	27	**0.7**	0.7
Defined benefits pension costs	17	**3.9**	0.5
Change in value of fair value financial assets	10	**(234.5)**	(130.5)
Change in value of biological assets	7	**(1.6)**	(25.4)
Change in value of investment property	8	**2.6**	(1.4)
Profit on disposal of fair value financial assets	3a	**(70.9)**	(52.6)
(Profit)/loss on disposal of subsidiaries	3a/3d	**(202.0)**	2.8
Loss on disposal of property, plant and equipment	3d	**1.7**	1.1
Exchange (gains)/losses		**(16.9)**	1.5
Profit from operations before changes in working capital and provisions		**92.7**	167.3
(Increase)/decrease in trade and other receivables		**(15.0)**	7.5
Increase/(decrease) in other financial assets		**15.6**	(15.5)
Decrease/(increase) in derivative financial instruments		**27.2**	(39.3)
Increase in inventories		**(17.2)**	(4.4)
Increase in treasury bills and bonds maturing after more than 90 days		**(13.2)**	(6.7)
Increase in trade and other payables		**37.3**	8.9
Utilisation of provisions	27	**(0.5)**	(0.7)
Cash flows from operations		**126.9**	117.1
Defined benefit pension contributions paid	17	**(11.6)**	(84.5)
Bank interest received	4	**61.3**	38.8
Finance lease income received	4	**17.2**	33.6
Interest paid		**(38.6)**	(49.7)
Taxes paid		**(19.2)**	(4.8)
Cash flows from operating activities		**136.0**	50.5
Of which:			
Cash flows from continuing operations		**110.6**	140.7
Cash flows from discontinued operations	12	**25.4**	(90.2)
Cash flows from investing activities			
Proceeds from sale of fair value financial assets		**262.3**	244.7
Proceeds from sale of property, plant and equipment		**6.8**	6.4
Proceeds from sale of biological assets		**3.0**	4.2
Proceeds from sale of investment property		**3.0**	6.9
Disposal of subsidiaries, net of cash disposed	12/13	**604.2**	8.3
Acquisition of subsidiaries, net of cash acquired	11	**–**	(1.6)
Acquisition of fair value financial assets	10	**(367.2)**	(173.6)
Acquisition of intangible assets	9	**–**	(0.5)
Acquisition of property, plant and equipment		**(31.8)**	(51.3)
Acquisition of biological assets	7	**(1.1)**	(1.4)
Acquisition of investment property	8	**–**	(0.2)
Decrease in short term deposits receivable after more than 90 days		**–**	217.0
Loan advances	15	**(25.6)**	(19.2)
Loan repayments	15	**18.0**	39.1
Cash flows from investing activities		**471.6**	278.8

Consolidated Statement of Cash Flows continued

At 31 December

	Notes	2007 £m	2006 £m
Of which:			
Cash flows from investing activities for continuing operations		**(28.9)**	142.0
Cash flows from investing activities for discontinued operations	12	**500.5**	136.8
Cash flows from financing activities			
Proceeds from borrowings		**9.7**	77.2
Repayment of borrowings		**(28.8)**	(61.5)
Dividends paid to minority interests		**(14.1)**	(4.0)
Repayment of capital elements of finance leases		**(3.7)**	(4.7)
Cash flows from financing activities		**(36.9)**	7.0
Of which:			
Cash flows from financing activities for continuing operations		**(24.8)**	43.5
Cash flows from financing activities for discontinued operations	12	**(12.1)**	(36.5)
Net increase in cash and cash equivalents from continuing operations		**56.9**	326.2
Net increase in cash and cash equivalents from discontinued operations		**513.8**	10.1
Net increase in cash and cash equivalents		**570.7**	336.3
Cash and cash equivalents at 1 January		**900.9**	578.5
Effect of exchange rate fluctuations on cash held		**(1.2)**	(13.9)
Cash and cash equivalents at 31 December	22	**1,470.4**	900.9

Consolidated Statement of Changes in Equity

At 31 December

	Attributable to equity holders of the parent						
	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 2006	765.0	(2.4)	7.0	927.3	1,696.9	40.8	1,737.7
Changes in equity for 2006							
Exchange differences on translating foreign operations	–	–	(38.4)	–	(38.4)	3.1	(35.3)
Cash flow hedges:							
Profits taken to equity	–	1.5	–	–	1.5	–	1.5
Transferred to retained earnings for the year	–	0.2	–	–	0.2	–	0.2
Net income recognised directly in equity	–	1.7	(38.4)	–	(36.7)	3.1	(33.6)
Profit for the year	–	–		332.7	332.7	5.9	338.6
Total recognised income and expense for the year	–	1.7	(38.4)	332.7	296.0	9.0	305.0
Arising on acquisitions in the year	–	–	–	–	–	5.1	5.1
Arising on disposals in the year	–	–	–	–	–	(0.8)	(0.8)
Dividends paid to minority shareholders	–	–	–	–	–	(4.0)	(4.0)
At 31 December 2006	765.0	(0.7)	(31.4)	1,260.0	1,992.9	50.1	2,043.0
Changes in equity for 2007							
Exchange differences on translating foreign operations	**–**	**–**	**(12.5)**	**–**	**(12.5)**	**(0.1)**	**(12.6)**
Exchange losses on disposed subsidiaries recycled though income statement	**–**	**–**	**32.6**	**–**	**32.6**	**2.4**	**35.0**
Net income recognised directly in equity	**–**	**–**	**20.1**	**–**	**20.1**	**2.3**	**22.4**
Profit for the year	**–**	**–**	**–**	**608.5**	**608.5**	**10.2**	**618.7**
Total recognised income and expense for the year	**–**	**–**	**20.1**	**608.5**	**628.6**	**12.5**	**641.1**
Arising on acquisitions in the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Arising on disposals in the year	**–**	**–**	**–**	**–**	**–**	**(38.5)**	**(38.5)**
Dividends paid to minority shareholders	**–**	**–**	**–**	**–**	**–**	**(14.1)**	**(14.1)**
At 31 December 2007	**765.0**	**(0.7)**	**(11.3)**	**1,868.5**	**2,621.5**	**10.0**	**2,631.5**

Company Statement of Changes in Equity

	Share capital £m	Net unrealised gains and losses reserve £m	Retained earnings £m	Total £m
At 1 January 2006	765.0	(2.4)	794.0	1,556.6
Cash flow hedges:				
Profits taken to equity	–	1.5	–	1.5
Transferred to retained earnings for the year	–	0.2	–	0.2
Net income recognised directly in equity	–	1.7	–	1.7
Profit for the year	–	–	457.2	457.2
Total recognised income and expense for the year	–	–	457.2	458.9
At 31 December 2006	765.0	(0.7)	1,251.2	2,015.5
Profit for the year	**–**	**–**	**815.0**	**815.0**
Total recognised income and expense for the year	**–**	**–**	**815.0**	**815.0**
At 31 December 2007	**765.0**	**(0.7)**	**2,066.2**	**2,830.5**

Company Balance Sheet

At 31 December

	Notes	2007 £m	2006 £m
Assets			
Non-current assets			
Property, plant and equipment	6	**0.1**	0.3
Fair value financial assets	10	**1,509.1**	1,049.3
Other financial assets	15	**171.5**	212.6
Retirement benefit assets	17	**104.8**	93.1
Derivative financial instruments	20	**23.4**	31.9
		1,808.9	1,387.2
Current assets			
Trade and other receivables	19	**37.7**	127.2
Prepayments		**0.8**	1.5
Derivative financial instruments	20	**13.9**	22.5
Cash and cash equivalents	22	**1,371.4**	759.4
		1,423.8	910.6
Total assets		**3,232.7**	2,297.8
Equity and liabilities			
Issued capital	23	**765.0**	765.0
Net unrealised gains and losses reserve	23	**(0.7)**	(0.7)
Retained earnings	23	**2,066.2**	1,251.2
Total equity		**2,830.5**	2,015.5
Non-current liabilities			
Interest bearing loans and borrowings	26	**–**	0.2
Provisions	27	**1.2**	1.3
Derivative financial instruments	20	**16.4**	17.8
		17.6	19.3
Current liabilities			
Trade and other payables	24	**371.6**	247.2
Current tax liabilities	24	**0.2**	0.2
Interest bearing loans and borrowings	26	**0.2**	9.5
Derivative financial instruments	20	**12.6**	6.1
		384.6	263.0
Total liabilities		**402.2**	282.3
Total equity and liabilities		**3,232.7**	2,297.8

The accounts were approved by the members of the Board on 3 April 2008 and were signed on their behalf by:

Sir Malcolm Williamson
Chairman

Richard Laing
Chief Executive

Company Statement of Cash Flows

For the 12 months to 31 December

	Notes	2007 £m	2006 £m
Cash flows from operating activities			
Profit from operations before tax and finance costs		**759.3**	408.5
Depreciation and impairment of property, plant and equipment	6	**0.1**	0.1
Impairment of loans and receivables	15	**(5.9)**	(11.1)
Defined benefit pension costs	17	**3.9**	0.5
Change in value of fair value financial assets	10	**(310.6)**	(382.9)
Profit on disposal of fair value financial assets		**(48.1)**	(17.2)
Profit on disposal of property, plant and equipment		**(0.2)**	(0.6)
Exchange losses		**3.5**	54.9
Profit from operations before changes in working capital and provisions		**402.0**	52.2
Decrease in trade and other receivables		**3.1**	13.1
Decrease in other financial assets		**0.4**	0.1
Decrease/(increase) in derivative financial instruments		**22.2**	(42.1)
Increase in trade and other payables		**123.9**	137.9
Utilisation of provisions	27	**(0.1)**	–
Cash flows from operations		**551.5**	161.2
Defined benefit pension contributions paid		**(11.6)**	(84.5)
Bank interest received		**56.1**	34.2
Interest paid		**(5.6)**	(8.8)
Taxes paid		**(0.3)**	(1.2)
Cash flows from operating activities		**590.1**	100.9
Cash flows from investing activities			
Proceeds from sale of fair value financial assets		**272.4**	359.0
Proceeds from sale of property, plant and equipment		**0.2**	0.7
Acquisition of fair value financial assets	10	**(339.8)**	(165.8)
Decrease in short term deposits receivable after more than 90 days		**–**	217.0
Loan advances	15	**(83.9)**	(97.5)
Loan repayments	15	**184.0**	201.4
Cash flows from investing activities		**32.9**	514.8
Cash flows from financing activities			
Repayment of borrowings		**(10.0)**	(306.1)
Cash flows from financing activities		**(10.0)**	(306.1)
Net increase in cash and cash equivalents		**613.0**	309.5
Cash and cash equivalents at 1 January		**758.4**	448.9
Cash and cash equivalents at 31 December	22	**1,371.4**	758.4

Notes to the Accounts

1. Corporate information

The financial statements of CDC Group plc ('CDC') for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the Directors on 3 April 2008. CDC Group plc, the Company, is a limited company incorporated in England and Wales whose shares are not publicly traded.

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

2. Summary of significant accounting policies

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

(a) Statement of compliance

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

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

(b) Basis of preparation

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

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

The areas involving significant levels of estimates and judgement are in estimating the fair value of unquoted equity, which is explained in further detail on page 33, in assessing the impairment provisions for loans and receivables, as described on page 34, and finally in estimating the pension obligation. The latter is detailed in note 17 on pages 53-55.

Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of CDC Group plc and its subsidiaries for the year ended 31 December 2007. The financial statements of subsidiaries are prepared for the same reporting year as the parent 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 Group 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 Group controls another entity. Subsidiaries are fully consolidated from the date on which control passes to the Group 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.

2. Summary of significant accounting policies (continued)

Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented within equity in the consolidated balance sheet, separately from parent shareholders' 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 20-50% holdings) under the provisions of IAS 39 'Financial Instruments: recognition and measurement'. These are designated as fair value through profit and loss assets, with changes in fair value being recognised in the income statement for the period.

Foreign currency translation

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

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

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

Assets and liabilities: Closing rate at the date of the balance sheet

Income and expenses: Weighted average rate

Cash flows: Weighted average rate

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

Intangible assets

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

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

Goodwill

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

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

Notes to the Accounts continued

2. Summary of significant accounting policies (continued)

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

Biological assets

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

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

Investment property

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

Property, plant and equipment

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

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

The following useful lives apply:

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

Investments

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

2. Summary of significant accounting policies (continued)

Financial assets at fair value through profit and loss

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

CDC Group's fair value methodology has been derived using the International Private Equity and Venture Capital Association 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;
- a marketability discount to reflect the return market participants demand may be applied for unquoted equity to derive the net attributable enterprise value;
- the net attributable enterprise value is apportioned between the financial instruments held according to their ranking; and
- the amounts derived are allocated according to the holding in each financial instrument, representing their fair value.

Valuation methodologies used are as follows:

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

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

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

2. Summary of significant accounting policies (continued)

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 company in the form of loans with no intention of trading it, or, in the case of trade receivables, in the normal course of business.

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

Derivative instruments and hedging

The Group and Company use derivative instruments as part of their asset management activities to manage exposures to foreign currency and interest rate risk. CDC 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 highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated, and that actual results are within a range of 80% to 125%. In the case of hedging a forecast transaction, the transaction must be highly probable and must present an exposure to variations in cash flows that could ultimately affect reported net profit or loss. The Group and Company discontinue hedge accounting when it is determined that a derivative is not, or has ceased to be, highly effective as a hedge; when the derivative expires; when the hedged item matures or is sold or repaid; or when a forecast transaction is no longer deemed highly probable.

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

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

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

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

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

Cash and cash equivalents

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

2. Summary of significant accounting policies (continued)

Inventories

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

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

Impairment of assets

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

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

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

Financial liabilities

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

Provisions, contingent liabilities and contingent assets

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

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

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

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and Company 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 sales eliminated within the Group. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

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

Dividends

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

Interest

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

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

Notes to the Accounts continued

2. Summary of significant accounting policies (continued)

Employee benefits

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

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

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

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

Income tax

The CDC Act 1999 provided CDC Group plc 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 included in 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.

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

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

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Finance leases

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

Group as lessee: Finance leases, where substantially all the risks and rewards of ownership lie with the Group and 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.

Group as lessor: During 2006, the Group adopted IFRIC 4 'Determining whether an arrangement contains a lease'. It was concluded that an arrangement at Sidi Krir, an electricity generating company in Egypt, in which CDC held a 100% interest (which was subsequently disposed in 2007), constitutes and should be reported as a finance lease in accordance with IAS 17 'Leases'.

2. Summary of significant accounting policies (continued)

Operating leases

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

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

Standards and interpretations adopted in the year

The standards or interpretations that were adopted during the year were IFRS 7 'Financial Instruments: disclosures' and amendment to IAS 1 'Capital Disclosures'. Disclosures for IFRS 7 can be seen in note 21.

The disposal of the Globeleq power subsidiaries has been classified as a discontinued operation under IFRS 5, as these formed a material part of the Group balance sheet. Disclosures in note 12 explain the effect on the results in the period, the cash flows and the overall impact on the balance sheet.

There were no changes in accounting policy and no effect on current or prior year results or net assets of the Group and Company.

New standards and interpretations not applied

IFRIC 12 'Service Concession Arrangements' was issued in November 2007 and is required to be applied for accounting periods beginning on or after 1 January 2008. Applying IFRIC 12 – Service Concession Agreements' interpretation to the results of Umeme Limited would result in the de-recognition of property, plant and equipment, and in the recognition of intangible assets. Umeme Limited's property, plant and equipment as at 31 December 2007 was £50.3m.

IFRS 8 'Operating segments' replaces IAS 14, and is required to be applied by listed entities for accounting periods beginning on or after 1 January 2009. The standard requires explanation of the basis on which the segmental information is prepared and reconciliations to the amounts recognised in the income statement and balance sheet. Since CDC's shares are not publicly traded, and the presentation of financial information by strategic business unit would not be helpful in assisting the users of the accounts to understand CDC's business, this standard will not be adopted.

IFRIC 14's interpretation of IAS 19 'The Limit on a Defined Benefit Assets, Minimum Funding Requirements and Their Interaction' was issued in the year. The interpretation provides general guidance on how the limit in IAS 19 Employee Benefits affects the amount of surplus that can be recognised as an asset. CDC's existing accounting policies meet the requirements of IFRIC 14.

IAS 27 Revised Consolidated and Separate Financial Statements (as amended in 2008) was issued in January 2008 and supersedes IAS 27 Consolidated and Separate Financial Statements. The amendment relates primarily to accounting for non-controlling interests and the loss of control of a subsidiary. The amended IAS 27, which is not expected to have a material impact on the Group, is required to be applied from 1 July 2009.

IAS 23 Revised Borrowing Costs supersedes IAS 23 Borrowing Costs and is required to be applied from 1 January 2009. The revised standard, which is not expected to have a material impact on the Group, requires the capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

IFRS 3 Revised Business Combinations comes into effect for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard, which aims to improve financial reporting while promoting international convergence of accounting standards by requiring the use of one method of accounting – the acquisition method, is not expected to have a material impact on the Group as the Group no longer makes direct equity investments.

Notes to the Accounts continued

3. Income and expenses

3a. Income	2007 Discontinued operations £m	2007 Continuing operations £m	2007 Total £m	2006 Discontinued operations £m	2006 Continuing operations £m	2006 Total £m
Sale of goods	**136.4**	**238.4**	**374.8**	139.1	255.5	394.6
Investment income:						
Interest income	**0.1**	**37.2**	**37.3**	0.7	33.2	33.9
Dividend income	**5.2**	**31.6**	**36.8**	14.5	25.0	39.5
Rental income	**–**	**–**	**–**	–	4.9	4.9
Other investment income	**–**	**–**	**–**	–	4.2	4.2
Profit on disposal of fair value financial assets	**–**	**70.9**	**70.9**	–	52.6	52.6
Profit on disposal of subsidiaries	**163.0**	**39.0**	**202.0**	–	–	–
Total income	**304.7**	**417.1**	**721.8**	154.3	375.4	529.7

3b. Other income	2007 Discontinued operations £m	2007 Continuing operations £m	2007 Total £m	2006 Discontinued operations £m	2006 Continuing operations £m	2006 Total £m
Increase in value of fair value financial assets	**14.0**	**220.5**	**234.5**	45.9	84.6	130.5
Increase in value of biological assets	**–**	**1.6**	**1.6**	–	25.4	25.4
Increase in value of investment property	**–**	**–**	**–**	–	1.4	1.4
Excess of acquirers' interest in the net fair value of assets acquired versus cost	**–**	**–**	**–**	–	26.3	26.3
Impairment reversals on loans and receivables	**–**	**3.9**	**3.9**	–	4.7	4.7
Loan and guarantee fee income	**–**	**3.1**	**3.1**	–	3.3	3.3
Government grant income	**–**	**0.2**	**0.2**	–	–	–
Other operating income	**9.5**	**3.0**	**12.5**	7.1	1.9	9.0
Total other income	**23.5**	**232.3**	**255.8**	53.0	147.6	200.6

3c. Administrative expenses	2007 Discontinued operations £m	2007 Continuing operations £m	2007 Total £m	2006 Discontinued operations £m	2006 Continuing operations £m	2006 Total £m
Wages and salaries	**(4.6)**	**(25.5)**	**(30.1)**	(6.7)	(28.5)	(35.2)
Social security costs	**(0.1)**	**(2.3)**	**(2.4)**	(0.3)	(2.1)	(2.4)
Pension costs – defined benefit	**–**	**(3.9)**	**(3.9)**	–	(0.5)	(0.5)
Pension costs – defined contribution	**–**	**(0.1)**	**(0.1)**	–	(0.2)	(0.2)
Total employee benefits expense	**(4.7)**	**(31.8)**	**(36.5)**	(7.0)	(31.3)	(38.3)
Fund management expenses	**–**	**(32.9)**	**(32.9)**	–	(33.0)	(33.0)
Power maintenance costs	**(1.9)**	**(6.3)**	**(8.2)**	(5.5)	(6.4)	(11.9)
Insurance costs	**(0.9)**	**(3.7)**	**(4.6)**	(2.8)	(3.6)	(6.4)
Staff related other expenses	**(0.5)**	**(3.7)**	**(4.2)**	(1.0)	(4.6)	(5.6)
Consultants expenses	**(1.1)**	**(11.3)**	**(12.4)**	(3.7)	(7.3)	(11.0)
Office premises expenses	**(0.1)**	**(2.9)**	**(3.0)**	(0.7)	(4.5)	(5.2)
Travel expenses	**(0.1)**	**(4.9)**	**(5.0)**	(0.2)	(4.6)	(4.8)
Deal transaction costs	**(0.5)**	**(5.8)**	**(6.3)**	(1.3)	(2.8)	(4.1)
Operating lease rentals on property	**–**	**(1.1)**	**(1.1)**	(0.1)	(0.5)	(0.6)
Operating lease rentals on plant and equipment	**–**	**–**	**–**	–	(0.9)	(0.9)
Communications costs	**(0.1)**	**(2.1)**	**(2.2)**	(0.2)	(2.4)	(2.6)
Auditors' remuneration (see 3e)	**(0.1)**	**(1.7)**	**(1.8)**	(0.9)	(1.3)	(2.2)
Other administrative expenses	**(2.9)**	**(14.6)**	**(17.5)**	(1.9)	(12.3)	(14.2)
Total administrative expenses	**(12.9)**	**(122.8)**	**(135.7)**	(25.3)	(115.5)	(140.8)

The average monthly number of employees during the year was 6,785 (2006: 9,351)

3. Income and expenses (continued)

3d. Other expenses	2007 Discontinued operations £m	2007 Continuing operations £m	2007 Total £m	2006 Discontinued operations £m	2006 Continuing operations £m	2006 Total £m
Impairment of goodwill	**–**	**(0.2)**	**(0.2)**	–	(0.2)	(0.2)
Amortisation of other intangible assets	**(0.9)**	**(0.4)**	**(1.3)**	(1.0)	(0.8)	(1.8)
Loss on disposal of property, plant and equipment	**(0.3)**	**(1.4)**	**(1.7)**	(0.2)	(0.9)	(1.1)
Depreciation and impairment of property, plant and equipment	**(10.4)**	**(24.9)**	**(35.3)**	(12.3)	(31.4)	(43.7)
Provision charges	**–**	**(0.7)**	**(0.7)**	–	(0.5)	(0.5)
Fall in value of investment property	**–**	**(2.6)**	**(2.6)**	–	–	–
Other expenses	**(0.1)**	**(0.4)**	**(0.5)**	(2.4)	(0.4)	(2.8)
Decrease in value of fair value financial assets – intragroup	**(15.9)**	**15.9**	**–**	–	–	–
Total other expenses	**(27.6)**	**(14.7)**	**(42.3)**	(15.9)	(34.2)	(50.1)

3e. Auditors' remuneration	2007 Discontinued operations £m	2007 Continuing operations £m	2007 Total £m	2006 Discontinued operations £m	2006 Continuing operations £m	2006 Total £m
Audit of the financial statements*	**(0.1)**	**(0.2)**	**(0.3)**	(0.1)	(0.2)	(0.3)
Other fees to auditors:						
Local statutory audits for subsidiaries	**–**	**(1.2)**	**(1.2)**	(0.8)	(0.6)	(1.4)
Taxation services	**–**	**(0.1)**	**(0.1)**	–	(0.3)	(0.3)
Other services	**–**	**(0.2)**	**(0.2)**	–	(0.2)	(0.2)
Total auditors' remuneration	**(0.1)**	**(1.7)**	**(1.8)**	(0.9)	(1.3)	(2.2)

* Audit fees for the Company amounted to £0.3m (2006:£0.3m)

4. Finance costs and income

	2007 Discontinued operations £m	2007 Continuing operations £m	2007 Total £m	2006 Discontinued operations £m	2006 Continuing operations £m	2006 Total £m
Interest payable on bank loans and overdrafts	**(6.6)**	**(3.2)**	**(9.8)**	(1.0)	(6.7)	(7.7)
Interest payable on other loans	**(14.0)**	**(8.2)**	**(22.2)**	(27.8)	(9.5)	(37.3)
Fall in value of interest rate swaps	**(0.2)**	**–**	**(0.2)**	–	–	–
Finance charges payable under finance leases and hire purchase contracts	**–**	**(4.5)**	**(4.5)**	–	(4.6)	(4.6)
Total finance costs	**(20.8)**	**(15.9)**	**(36.7)**	(28.8)	(20.8)	(49.6)
Pension credit	**–**	**4.0**	**4.0**	–	1.3	1.3
Bank interest receivable	**3.3**	**58.0**	**61.3**	2.3	36.5	38.8
Finance lease income	**17.2**	**–**	**17.2**	33.5	0.1	33.6
Total finance income	**20.5**	**62.0**	**82.5**	35.8	37.9	73.7
Net finance (costs)/income	**(0.3)**	**46.1**	**45.8**	7.0	17.1	24.1

5. Tax

The major components of the tax charge are as follows:	2007 Discontinued operations £m	2007 Continuing operations £m	2007 Total £m	2006 Discontinued operations £m	2006 Continuing operations £m	2006 Total £m
Current tax						
Current UK tax charge	**–**	**(0.3)**	**(0.3)**	–	(0.2)	(0.2)
Current overseas tax (charge)/credit	**(6.4)**	**(6.4)**	**(12.8)**	15.3	(7.8)	7.5
Tax charge in respect of current tax of previous years	**–**	**(0.1)**	**(0.1)**	(17.9)	6.1	(11.8)
Deferred tax						
Tax charge relating to origination and reversal of temporary differences	**(1.2)**	**(0.5)**	**(1.7)**	(21.1)	(0.9)	(22.0)
Tax charge reported in consolidated income statement	**(7.6)**	**(7.3)**	**(14.9)**	(23.7)	(2.8)	(26.5)

5. Tax (continued)

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

	2007 Discontinued operations £m	2007 Continuing operations £m	2007 Total £m	2006 Discontinued operations £m	2006 Continuing operations £m	2006 Total £m
Accounting profit before tax	**208.2**	**425.4**	**633.6**	102.6	262.5	365.1
Tax charge on the accounting profit at the UK tax rate of 30% (2006: 30%)	**(62.5)**	**(127.6)**	**(190.1)**	(30.7)	(78.8)	(109.5)
(Increase)/decrease in charge due to:						
Effect of UK tax exemption	**–**	**244.5**	**244.5**	–	–	–
Effect of overseas taxation	**55.6**	**(126.0)**	**(70.4)**	47.4	54.4	101.8
Tax over provided in earlier years	**–**	**(0.1)**	**(0.1)**	(17.9)	6.2	(11.7)
Deferred tax relating to origination and reversal of temporary differences	**(1.2)**	**(0.5)**	**(1.7)**	(21.1)	(0.9)	(22.0)
Deferred tax assets not recognised	**–**	**(0.7)**	**(0.7)**	–	(1.3)	(1.3)
Deferred tax liabilities not recognised	**–**	**–**	**–**	(0.1)	0.9	0.8
Non-taxable income and expenses not deductible for tax purposes	**0.5**	**1.6**	**2.1**	(1.3)	13.8	12.5
Utilisation of previously unrecognised losses brought forward	**–**	**1.5**	**1.5**	–	2.9	2.9
Tax charge at an effective tax rate of 2.4% (2006: 7.3%)	**(7.6)**	**(7.3)**	**(14.9)**	(23.7)	(2.8)	(26.5)

UK tax exemption

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

6. Property, plant and equipment

	Group					
	2007 Land and buildings £m	2007 Plant and equipment £m	2007 Total £m	2006 Land and buildings £m	2006 Plant and equipment £m	2006 Total £m
At 1 January	**19.5**	**485.1**	**504.6**	31.2	560.1	591.3
Additions	**3.1**	**36.8**	**39.9**	4.9	68.4	73.3
Disposals	**(1.4)**	**(7.0)**	**(8.4)**	(5.1)	(2.4)	(7.5)
Acquired with subsidiaries	**–**	**–**	**–**	2.0	17.7	19.7
Disposed with subsidiaries	**(14.4)**	**(274.0)**	**(288.4)**	(8.2)	(39.3)	(47.5)
Impairment	**–**	**(1.7)**	**(1.7)**	(0.4)	(0.3)	(0.7)
Depreciation charge for the year	**(0.9)**	**(32.7)**	**(33.6)**	(1.5)	(41.5)	(43.0)
Exchange adjustment	**–**	**(11.6)**	**(11.6)**	(3.4)	(77.6)	(81.0)
At 31 December	**5.9**	**194.9**	**200.8**	19.5	485.1	504.6
At 1 January						
Cost	**28.3**	**600.3**	**628.6**	41.6	686.1	727.7
Accumulated depreciation and impairment	**(8.8)**	**(115.2)**	**(124.0)**	(10.4)	(126.0)	(136.4)
Net carrying amount at 1 January	**19.5**	**485.1**	**504.6**	31.2	560.1	591.3
At 31 December						
Cost	**12.9**	**307.9**	**320.8**	28.3	600.3	628.6
Accumulated depreciation and impairment	**(7.0)**	**(113.0)**	**(120.0)**	(8.8)	(115.2)	(124.0)
Net carrying amount at 31 December	**5.9**	**194.9**	**200.8**	19.5	485.1	504.6

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2007 is £50.3m (2006: £68.1m). Additions of plant and equipment held under finance leases were £8.1m (2006: £22.0m).

6. Property, plant and equipment (continued)

Land and buildings with a carrying amount of £1.4m (2006: £11.0m) are subject to a first charge to secure loans due to the Group's lenders.

The £1.7m impairment loss in 2007 relates to Cenergica SA and Songas Limited. The £0.7m impairment loss in 2006 related to Mpongwe Development Company Limited and to Kelvin Power (Pty) Limited.

Capital expenditure contracted for but not provided for in the accounts amounted to £0.9m (2006: £9.8m).

	Company					
	2007 Land and buildings £m	**2007 Plant and equipment £m**	**2007 Total £m**	2006 Land and buildings £m	2006 Plant and equipment £m	2006 Total £m
At 1 January	**–**	**0.3**	**0.3**	0.1	0.4	0.5
Disposals	**–**	**(0.1)**	**(0.1)**	(0.1)	–	(0.1)
Depreciation charge for the year	**–**	**(0.1)**	**(0.1)**	–	(0.1)	(0.1)
At 31 December	**–**	**0.1**	**0.1**	–	0.3	0.3
At 1 January						
Cost	**–**	**8.5**	**8.5**	0.4	8.5	8.9
Accumulated depreciation and impairment	**–**	**(8.2)**	**(8.2)**	(0.3)	(8.1)	(8.4)
Net carrying amount at 1 January	**–**	**0.3**	**0.3**	0.1	0.4	0.5
At 31 December						
Cost	**–**	**8.5**	**8.5**	–	8.5	8.5
Accumulated depreciation and impairment	**–**	**(8.4)**	**(8.4)**	–	(8.2)	(8.2)
Net carrying amount at 31 December	**–**	**0.1**	**0.1**	–	0.3	0.3

7. Biological assets

	Group	
	2007 £m	2006 £m
At 1 January, at fair value	**29.8**	26.9
Additions	**1.1**	1.4
Harvested	**(0.1)**	(0.7)
Disposals	**(3.0)**	(4.2)
Acquired with subsidiaries	**–**	3.1
Disposed with subsidiaries	**(20.6)**	(12.1)
Increase in fair value for the period	**1.6**	25.4
Exchange adjustment	**0.8**	(10.0)
At 31 December, at fair value	**9.6**	29.8

Biological assets consist of tea plantations, forests, an arable farm, livestock and sugarcane. CDC sold subsidiaries holding orange groves and a rubber plantation during 2007. 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
Arable farm	Cost as approximation to fair value	Little biological change since planting
Sugarcane	Net present value of future cash flows	Constant climate conditions, estimated inflation
Livestock	Market prices	Livestock of similar age, breed, genetic merit

7. Biological assets (continued)

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

	2007 Mature £m	2007 Immature £m	2007 Total £m	2006 Mature £m	2006 Immature £m	2006 Total £m
Tea plantations	**0.4**	**–**	**0.4**	2.6	0.1	2.7
Forests	**0.1**	**6.4**	**6.5**	–	5.5	5.5
Orange groves	**–**	**–**	**–**	5.7	–	5.7
Rubber plantations	**–**	**–**	**–**	4.9	1.8	6.7
Arable farm	**0.1**	**–**	**0.1**	6.8	–	6.8
Sugarcane	**0.4**	**1.2**	**1.6**	–	–	–
Livestock	**0.2**	**0.1**	**0.3**	–	–	–
Other	**–**	**0.7**	**0.7**	0.8	1.6	2.4
	1.2	**8.4**	**9.6**	20.8	9.0	29.8

Biological assets with a carrying value of £8.9m (2006: £29.8m) were pledged as security for liabilities.

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

Output of agricultural produce in the period was as follows:

	2007 Tonnes	2006 Tonnes
Tea leaves	**2,605**	6,776
Timber	**1,750**	48,212
Oranges	**74,522**	67,969
Latex	**7,081**	12,232
Cereals	**50,860**	76,004
Sugarcane	**162,114**	156,266
Livestock	**450**	–

The Group held no commitments for the development or acquisition of biological assets as at 31 December 2007 (2006: £nil).

8. Investment property

	Group	
	2007 £m	2006 £m
At 1 January, at fair value	**6.0**	44.5
Additions	**–**	0.2
Disposals	**(3.0)**	(6.9)
Disposed with subsidiaries	**(0.1)**	(28.0)
(Decrease)/increase in fair value for the period	**(2.6)**	1.4
Exchange adjustment	**(0.1)**	(5.2)
At 31 December, at fair value	**0.2**	6.0

Included within additions is £nil (2006: £0.1m) resulting from subsequent expenditure on investment properties initially recognised in previous years.

Investment properties are stated at fair value, which has been determined based on valuations performed by Directors of the Group's property subsidiaries as at 31 December 2007 and the prior year. All officials involved in the valuation process are industry specialists in valuing these types of investment properties. The valuations undertaken were based on open market value, supported by market evidence in which assets could be exchanged by willing buyers and sellers on an arm's length basis.

9. Intangible assets

	Group					
	2007 Brands, patents and copyrights £m	**2007 Goodwill £m**	**2007 Total £m**	2006 Brands, patents and copyrights £m	2006 Goodwill £m	2006 Total £m
At 1 January	**23.1**	**33.5**	**56.6**	28.2	15.4	43.6
Additions	**–**	**–**	**–**	0.5	21.1	21.6
Acquired with subsidiaries	**–**	**–**	**–**	–	0.7	0.7
Disposals	**(19.3)**	**(32.7)**	**(52.0)**	(0.1)	(2.7)	(2.8)
Impairment	**–**	**(0.2)**	**(0.2)**	–	(0.2)	(0.2)
Amortisation charge for the year	**(1.3)**	**–**	**(1.3)**	(1.8)	–	(1.8)
Exchange adjustment	**(0.4)**	**(0.6)**	**(1.0)**	(3.7)	(0.8)	(4.5)
At 31 December	**2.1**	**–**	**2.1**	23.1	33.5	56.6
At 1 January						
Cost	**28.7**	**34.4**	**63.1**	33.8	16.1	49.9
Accumulated amortisation and impairment	**(5.6)**	**(0.9)**	**(6.5)**	(5.6)	(0.7)	(6.3)
Net carrying amount at 1 January	**23.1**	**33.5**	**56.6**	28.2	15.4	43.6
At 31 December						
Cost	**9.0**	**0.8**	**9.8**	28.7	34.4	63.1
Accumulated amortisation and impairment	**(6.9)**	**(0.8)**	**(7.7)**	(5.6)	(0.9)	(6.5)
Net carrying amount at 31 December	**2.1**	**–**	**2.1**	23.1	33.5	56.6

10. Fair value financial assets

	Group					
	2007 Shares – listed £m	**2007 Shares – unlisted £m**	**2007 Total £m**	2006 Shares – listed £m	2006 Shares – unlisted £m	2006 Total £m
At 1 January, at fair value	**78.9**	**600.6**	**679.5**	130.3	404.1	534.4
Additions	**0.2**	**367.0**	**367.2**	1.4	251.7	253.1
Disposals	**(9.7)**	**(158.3)**	**(168.0)**	(47.1)	(155.9)	(203.0)
Disposed with subsidiaries	**(61.8)**	**(116.6)**	**(178.4)**	–	(8.7)	(8.7)
Increase in fair value for the period	**0.5**	**234.0**	**234.5**	3.0	127.5	130.5
Transfers	**–**	**25.6**	**25.6**	–	(5.0)	(5.0)
Exchange adjustment	**(1.6)**	**2.0**	**0.4**	(8.7)	(13.1)	(21.8)
At 31 December, at fair value	**6.5**	**954.3**	**960.8**	78.9	600.6	679.5

	Company							
	2007 Shares – listed £m	**2007 Shares – unlisted £m**	**2007 Shares held in Group companies £m**	**2007 Total £m**	2006 Shares – listed £m	2006 Shares – unlisted £m	2006 Shares held in Group companies £m	2006 Total £m
At 1 January, at fair value	**7.9**	**320.0**	**721.4**	**1,049.3**	21.8	195.4	633.3	850.5
Additions	**–**	**339.8**	**–**	**339.8**	0.1	164.7	1.0	165.8
Disposals	**(5.8)**	**(117.2)**	**(126.9)**	**(249.9)**	(18.1)	(92.0)	(322.6)	(432.7)
Increase in fair value for the period	**0.3**	**157.9**	**152.4**	**310.6**	4.1	61.4	317.4	382.9
Transfers	**–**	**26.0**	**27.8**	**53.8**	–	(9.5)	92.3	82.8
Exchange adjustment	**–**	**5.5**	**–**	**5.5**	–	–	–	–
At 31 December, at fair value	**2.4**	**732.0**	**774.7**	**1,509.1**	7.9	320.0	721.4	1,049.3

Notes to the Accounts continued

11. Acquisitions

During 2007, the Group did not acquire any subsidiaries.

During 2006, the Group acquired three companies which were accounted for as acquisitions and made two stepped acquisitions:

	Operations	Country	Date	Consideration £m	Percentage acquired
Acquisitions:					
Tanzania Tea Packers	Agribusiness	Tanzania	January 2006	–	53%
Compania de Electridad de Puerto Plata (CEPP)	Power	Dominican Republic	April 2006	10.6	97%
Nejapa Power Company	Power	El Salvador	December 2006	2.3	87%
Stepped acquisitions:					
Inter City Hotels	Property development	Ghana	July 2006	1.2	85%*
Umeme	Power	Uganda	December 2006	–	100%**

*51% acquired in 2004 for £0.5m; a further 17% acquired in 2005 for £1.3m

**56% acquired in 2005 for £0.8m

The net assets acquired were as follows:

	Tanzania Tea Packers £m	CEPP £m	Nejapa Power Company £m	Total acquisitions £m	Inter City Hotels £m	Umeme £m	Total acquisitions and stepped acquisitions £m
Property, plant and equipment	3.6	5.3	10.8	19.7	3.4	50.0	73.1
Biological assets	3.1	–	–	3.1	–	–	3.1
Deferred tax assets	0.3	–	3.1	3.4	–	–	3.4
Other non-current assets	–	1.3	–	1.3	–	–	1.3
Inventories	1.4	3.4	2.9	7.7	–	1.9	9.6
Trade and other receivables	0.9	9.4	10.2	20.5	4.1	9.4	34.0
Cash and cash equivalents	0.1	2.5	9.9	12.5	0.6	15.2	28.3
Trade and other payables	(0.7)	(7.8)	(10.8)	(19.3)	(0.2)	(72.6)	(92.1)
Interest bearing loans and borrowings	(5.2)	–	–	(5.2)	(5.0)	(2.6)	(12.8)
Total net assets at fair value†	3.5	14.1	26.1	43.7	2.9	1.3	47.9
Net assets already owned by CDC	–	–	–	–	(2.0)	(0.7)	(2.7)
Net assets retained by minority interests	(1.7)	(0.5)	(2.9)	(5.1)	(0.4)	–	(5.5)
Net assets acquired at fair value†	1.8	13.6	23.2	38.6	0.5	0.6	39.7
Cash consideration	–	10.6	2.3	12.9	1.2	–	14.1
Goodwill	**(1.8)**	**(3.0)**	**(20.9)**	**(25.7)**	**0.7**	**(0.6)**	**(25.6)**
Total acquisition cost	–	10.6	2.3	12.9	1.2	–	14.1
Cash and cash equivalents acquired	(0.1)	(2.5)	(9.9)	(12.5)	–	–	(12.5)
Cash (inflow)/ outflow on acquisitions	**(0.1)**	**8.1**	**(7.6)**	**0.4**	**1.2**	–	**1.6**

† At fair value for Tanzania Tea Packers, CEPP and Nejapa Power Company; at book value for stepped acquisitions

The discount on acquisition of Tanzania Tea Packers, CEPP, Nejapa Power Company and the remaining 44% of Umeme totalling £26.3m was included within other income in the income statement.

Goodwill of £0.7m arose on further acquisition of a 17% holding in Inter City Hotels. This goodwill reflects the value CDC placed on its increased holding.

11. Acquisitions (continued)

The following table sets out the book values of the identifiable assets and liabilities acquired in acquisitions and their fair value to the Group. There were no differences between the fair value and book value of the assets and liabilities of Tanzania Tea Packers.

	CEPP			Nejapa Power Company		
	Book value £m	Fair value adjustments on acquisition £m	Fair value to the Group £m	Book value £m	Fair value adjustments on acquisition £m	Fair value to the Group £m
Property, plant and equipment	6.8	(1.5)	5.3	23.0	(12.2)	10.8
Deferred tax assets	–	–	–	0.1	3.0	3.1
Other non-current assets	1.3	–	1.3	–	–	–
Inventories	3.4	–	3.4	2.9	–	2.9
Trade and other receivables	9.4	–	9.4	33.9	(23.7)	10.2
Cash and cash equivalents	2.5	–	2.5	24.6	(14.7)	9.9
Trade and other payables	(8.0)	0.2	(7.8)	(10.8)	–	(10.8)
Interest bearing loans and borrowings	–	–	–	(38.5)	38.5	–
Total net assets	15.4	(1.3)	14.1	35.2	(9.1)	26.1
Net assets retained by minority interests			(0.5)			(2.9)
Net assets acquired at fair value			13.6			23.2

The summarised profit and loss account for the period from date of acquisition to 31 December 2006 is shown below:

	Tanzania Tea Packers £m	**CEPP £m**	**Nejapa Power Company £m**
Income	8.4	19.1	6.3
Cost of sales	(4.6)	(14.0)	(3.6)
Gross profit	**3.8**	**5.1**	**2.7**
Administrative and other expenses	(2.4)	(1.8)	(1.0)
Net interest (payable)/receivable	(0.4)	0.5	(0.1)
Profit before tax	**1.0**	**3.8**	**1.6**
Tax	–	–	(0.2)
Profit after tax	**1.0**	**3.8**	**1.4**
Minority interests	–	(0.1)	(0.2)
Profit from date of acquisition to 31 December 2006	**1.0**	**3.7**	**1.2**

If the acquisitions had all taken place at the beginning of 2006, the consolidated profit of the Group would have been £342.4m and consolidated income would have been £596.8m.

12. Discontinued operations

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

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

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

	Note	**2007 To date of disposal £m**	2006 £m
Income	3a	**141.7**	154.3
Cost of sales		**(79.9)**	(68.9)
Gross profit		**61.8**	85.4
Other income	3b	**23.5**	53.0
Selling and distribution expenses		**–**	(0.2)
Administrative expenses	3c	**(12.9)**	(25.3)
Other expenses	3d	**(27.6)**	(15.9)
Profit from operations before tax and finance costs		**44.8**	97.0
Finance costs	4	**(20.8)**	(28.8)
Finance income	4	**20.5**	35.8
Net foreign exchange differences		**0.7**	(1.4)
Profit before tax		**45.2**	102.6
Tax charge	5	**(7.6)**	(23.7)
Profit for the year		**37.6**	78.9

The net cash flows arising from the disposal of Globeleq were as follows:

	2007 To date of disposal £m	2006 £m
Profit from discontinued operations before tax and finance costs*	**207.8**	97.0
Cash flows from operating activities from discontinued operations	**25.4**	(90.2)
Cash flows from investing activities from discontinued operations	**500.5**	136.8
Cash flows from financing activities from discontinued operations	**(12.1)**	(36.5)
Net increase in cash and cash equivalents from discontinued operations	**513.8**	10.1

* 2007 includes profit on disposal of £163.0m

12. Discontinued operations (continued)

The assets and liabilities of Globeleq as at the date of disposal and at 31 December 2006 were as follows:

	2007 At date of disposal £m	2006 £m
Property, plant and equipment	**247.7**	254.1
Intangible assets	**35.0**	37.6
Fair value financial assets	**177.2**	169.4
Loans and receivables	**18.8**	0.5
Other financial assets	**162.1**	173.0
Non current assets	**640.8**	634.6
Inventories	**28.4**	18.2
Trade and other receivables	**33.0**	47.5
Prepayments	**5.4**	7.7
Derivative financial instruments	**0.1**	–
Cash and cash equivalents	**72.6**	74.9
Total assets	**780.3**	782.9
Trade and other payables within one year	**(45.3)**	(37.6)
Interest bearing loans and borrowings within one year	**(46.5)**	(39.5)
Derivative financial instruments	**(13.0)**	(12.6)
Current liabilities	**(104.8)**	(89.7)
Trade and other payables after one year	**(6.4)**	(4.2)
Interest bearing loans and borrowings	**(255.5)**	(279.2)
Provisions for liabilities and charges	**(2.3)**	(2.2)
Deferred income tax liabilities	**(34.3)**	(38.8)
Total liabilities	**(403.3)**	(414.1)
Total net assets at book value	**377.0**	368.8
Minority interests	**(32.1)**	
Goodwill eliminated on disposal	**11.7**	
Net assets disposed	**356.6**	
Cash proceeds	**632.9**	
Direct selling costs	**(84.5)**	
Exchange losses recycled from equity	**(28.8)**	
Profit on disposal	**163.0**	
Total disposal consideration received, net of selling expenses*	**586.7**	
Cash and cash equivalents disposed of	**(72.6)**	
Cash inflow on disposals	**514.1**	

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

Notes to the Accounts continued

13. Disposals

The Group disposed of the following subsidiaries in 2007, aside from the discontinued operations shown in note 12.

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

The net assets disposed of were as follows:

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

13. Disposals (continued)

The summarised income statement of the disposed subsidiaries for the period from 1 January 2007 to the date of disposal is shown below:

	Lenco £m	Carifin £m	Cavally £m	El Rashidi £m	Del Oro/ IGSA £m	Total £m
Income	**25.1**	**0.4**	**7.9**	**19.1**	**19.9**	**72.4**
Cost of sales	**(17.8)**	**–**	**(3.2)**	**(14.4)**	**(11.7)**	**(47.1)**
Gross profit	**7.3**	**0.4**	**4.7**	**4.7**	**8.2**	**25.3**
Other income	**0.1**	**–**	**0.2**	**0.3**	**0.2**	**0.8**
Administrative and other expenses	**(7.5)**	**(0.2)**	**(1.7)**	**(3.6)**	**(5.0)**	**(18.0)**
Net interest payable	**(1.9)**	**–**	**(0.3)**	**(0.5)**	**(0.7)**	**(3.4)**
Taxation	**0.5**	**–**	**(0.5)**	**(0.1)**	**(0.1)**	**(0.2)**
(Loss)/profit for the period to the date of disposal	**(1.5)**	**0.2**	**2.4**	**0.8**	**2.6**	**4.5**
Profit for the prior year (to 31 December 2006)	**4.5**	**1.9**	**7.3**	**1.5**	**0.4**	**15.6**

During 2006, the Group disposed of the following subsidiaries:

	Operations	Country/Region	Date	Consideration £m	Percentage disposed
CDC Airport Investment (Canada)	Airport services	Canada	March 2006	17.3	100%
Kelvin Power	Power	South Africa	March 2006	–	95%
Tanganyika Wattle Company	Agribusiness	Tanzania	May 2006	3.1	100%
Africa Property Group	Property development	West and East Africa	November 2006	8.1	100%
Kolombangara Forest Products	Agribusiness	Solomon Islands	December 2006	–	82%

The net assets disposed of were as follows:

	CDC Airport Investment (Canada) £m	Kelvin Power £m	Tanganyika Wattle Company £m	Africa Property Group £m	Kolombangara Forest Products £m	Total £m
Property, plant and equipment	–	41.3	1.9	3.4	0.9	47.5
Biological assets	–	–	4.7	–	7.4	12.1
Investment property	–	–	–	28.0	–	28.0
Intangible assets	–	–	0.1	–	–	0.1
Fair value financial assets	8.2	–	–	0.5	–	8.7
Inventories	–	2.1	1.3	–	0.4	3.8
Trade and other receivables	–	3.3	1.1	8.9	0.2	13.5
Cash and cash equivalents	–	5.3	0.1	2.6	0.1	8.1
Total assets	8.2	52.0	9.2	43.4	9.0	121.8
Trade and other payables	–	(14.2)	(1.4)	(2.2)	(0.4)	(18.2)
Interest bearing loans and borrowings	–	(41.1)	(4.9)	(18.5)	(4.2)	(68.7)
Total net assets at book value	8.2	(3.3)	2.9	22.7	4.4	34.9
Minority interests	–	–	–	–	(0.8)	(0.8)
Goodwill eliminated on disposal	–	–	–	(2.7)	–	(2.7)
Net assets disposed	8.2	(3.3)	2.9	20.0	3.6	31.4
Cash proceeds	7.4	–	0.9	8.1	–	16.4
Deferred consideration	9.9	–	2.2	–	–	12.1
Profit/(loss) on disposal	9.1	3.3	0.2	(11.9)	(3.6)	(2.9)
Total disposal consideration received	7.4	–	0.9	8.1	–	16.4
Cash and cash equivalents disposed of	–	(5.3)	(0.1)	(2.6)	(0.1)	(8.1)
Cash inflow/(outflow) on disposals	7.4	(5.3)	0.8	5.5	(0.1)	8.3

13. Disposals (continued)

The Group transferred its holdings in CDC Africa Properties Holdings which held investments in Capital Properties, Inter City Hotels, Persianas Properties and Nairobi Business Park, all collectively referred to as Africa Property Group to Actis Africa Real Estate Fund, in exchange for an investment holding in the new fund. The summarised income statement of the disposed subsidiaries for the period from 1 January 2006 to the date of the disposal is shown below:

	CDC Airport Investment (Canada) £m	Kelvin Power £m	Tanganyika Wattle Company £m	Africa Property Group £m	Kolombangara Forest Products £m	Total £m
Income	–	5.0	1.5	8.4	1.6	16.5
Cost of sales	–	(2.4)	(1.0)	–	(1.3)	(4.7)
Gross profit	–	2.6	0.5	8.4	0.3	11.8
Other income	–	0.1	1.0	3.8	0.7	5.6
Administrative and other expenses	–	(3.6)	(0.4)	(1.5)	(0.6)	(6.1)
Net interest payable	–	(0.7)	(0.2)	(7.2)	(0.2)	(8.3)
Profit/(loss) for the period to the date of disposal	–	(1.6)	0.9	3.5	0.2	3.0
Profit/(loss) for the prior year (to 31 December 2005)	(3.6)	(13.2)	0.4	0.3	0.7	(15.4)

14. Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the individual companies acquired by the Group because the subsidiaries operate independently and therefore each is viewed as a cash generating unit for impairment testing.

The following table shows a split of the carrying amount of goodwill for each cash generating unit:

Cash generating unit	2007 £m	2006 £m
El Rashidi El Mizan	–	1.5
Lenco	–	0.9
Sidi Krir	–	2.0
Southern Cone Power	–	9.1
Haripur Power/Meghnaghat Power	–	20.0
At 31 December	–	33.5

The fair value of each of these entities is derived from the fair value methodology used for financial instruments and stated in the accounting policies in note 2. These fair values are then compared to the net asset values consolidated in the Group accounts. Where the fair value falls below the Group's share of the net asset value of the subsidiary, the goodwill arising on the investment in that particular subsidiary is deemed to be impaired. The amount of the impairment is taken to the income statement.

Goodwill in connection with El Rashidi El Mizan, Lenco, Sidi Krir, Southern Cone Power and Haripur Power/ Meghnaghat Power was written off following the sale of these subsidiaries during the year. At the year end, there was no remaining goodwill within the Group.

At 31 December 2006, an impairment review was conducted and goodwill in connection with DFCU of £0.2m, net of exchange, was deemed to be impaired. An impairment charge of £0.2m was taken to the income statement and was shown within other expenses. In addition, goodwill in connection with Inter City Hotels and Capital Properties was written off following the sale of these companies during 2006.

15. Other financial assets (non-current)

	Group		Company	
	2007 £m	2006 £m	**2007 £m**	2006 £m
Loans and receivables due from third parties	**71.4**	90.5	**53.8**	72.9
Loans and receivables due from Group undertakings	**–**	–	**114.5**	136.0
Amounts receivable under finance leases	**–**	163.8	**–**	–
Advances to customers	**39.1**	53.3	**–**	–
Prepayments	**0.3**	–	**–**	–
Other receivables	**3.5**	11.5	**3.2**	3.7
At 31 December	**114.3**	319.1	**171.5**	212.6

£nil (2006: £100.0m) amounts receivable under finance leases was pledged as security for liabilities.

The movement in loans and receivables was as follows:

	Group		Company			
	2007 £m	2006 £m	**2007 Due from third parties £m**	**2007 Due from Group undertakings £m**	2006 Due from third parties £m	2006 Due from Group undertakings £m
At 1 January	**101.9**	127.6	**83.2**	**226.4**	107.1	323.5
New loans advanced	**25.6**	19.2	**24.0**	**59.9**	19.2	78.3
Loan repayments	**(18.0)**	(39.1)	**(16.6)**	**(167.4)**	(37.5)	(163.9)
Loans and receivables disposed with subsidiaries	**(0.5)**	(0.5)	**–**	**–**	–	–
Provision release/(charge) for the year	**3.9**	4.7	**6.0**	**(0.1)**	3.9	7.2
Transfers	**(25.6)**	–	**(26.0)**	**(1.8)**	–	8.0
Exchange adjustment	**0.4**	(10.0)	**(0.7)**	**(2.4)**	(9.5)	(26.7)
At 31 December	**87.7**	101.9	**69.9**	**114.6**	83.2	226.4
Less: Loans and receivables due within one year (note 19)	**(16.3)**	(11.4)	**(16.1)**	**(0.1)**	(10.3)	(90.4)
At 31 December	**71.4**	90.5	**53.8**	**114.5**	72.9	136.0

16. Deferred tax assets and liabilities

	Group	
	2007 £m	2006 £m
Deferred tax assets		
Property, plant and equipment	**(0.1)**	0.9
Investment property	**(0.2)**	(0.2)
Intangible assets	**–**	(0.7)
Retirement benefit	**–**	0.1
Losses	**–**	4.5
Other assets	**0.4**	1.3
Total deferred tax assets	**0.1**	5.9
Deferred tax liabilities		
Property, plant and equipment	**(9.0)**	(45.7)
Biological assets	**0.8**	(1.5)
Intangible assets	**(0.9)**	(1.3)
Fair value financial assets	**0.1**	0.1
Losses	**0.6**	1.0
Other liabilities	**(0.8)**	(0.8)
Total deferred tax liabilities	**(9.2)**	(48.2)
Net deferred tax liabilities	**(9.1)**	(42.3)

16. Deferred tax assets and liabilities (continued)

Included within deferred tax assets is £nil (2006: £2.9m) 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 2007, the Group had carried forward losses of £2.9m (2006: £0.5m) for which no deferred tax asset was recognised due to the uncertainty of future profits. These unrecognised deferred tax assets amount to £0.9m (2006: £0.1m).

Movement in temporary differences during the year

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

	At 1 January 2006 £m	Acquired with subsidiaries £m	Disposed with subsidiaries £m	Utilised during the year £m	(Charge)/credit for the year £m	Exchange adjustment £m	At 31 December 2006 £m
Property, plant and equipment	(8.0)	2.7	0.6	(20.7)	(23.1)	3.7	(44.8)
Biological assets	(9.7)	–	9.7	–	(1.6)	0.1	(1.5)
Investment property	(0.9)	–	0.1	–	0.5	0.1	(0.2)
Intangible assets	(1.6)	–	–	(0.5)	(0.4)	0.5	(2.0)
Retirement benefit assets/liabilities	–	0.1	–	–	–	–	0.1
Fair value financial assets	0.1	–	–	–	–	–	0.1
Other financial assets	0.3	–	–	–	(0.3)	–	–
Losses	10.4	0.5	(7.9)	(0.2)	3.9	(1.2)	5.5
Other assets/liabilities	1.6	0.1	(2.6)	1.8	(1.0)	0.6	0.5
Total	(7.8)	3.4	(0.1)	(19.6)	(22.0)	3.8	(42.3)

A deferred tax liability of £nil (2006: £2.3m) has been recognised in respect of unremitted earnings of overseas subsidiaries.

The temporary differences associated with investments in subsidiaries for which a deferred tax liability has not been recognised amounted to £nil (2006: £42.8m).

17. Pension commitments

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

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

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

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

	2007 %	2006 %	2005 %	2004 %
Main assumptions:				
Discount rate	**5.6**	4.9	4.7	5.3
Rate of salary increases	**4.9**	4.5	4.3	4.3
Rate of increase in pension payment				
Pre 1 May 1996 joiners (for pensions accrued before 1 April 2000)	**5.0**	5.0	5.0	5.0
Pre 1 May 1996 joiners (for pensions accrued after 31 March 2000) and post 30 April 1996 joiners	**3.4**	3.0	2.8	2.8
Rate of increase for deferred pensions	**3.4**	3.0	2.8	2.8
Inflation assumption	**3.4**	3.0	2.8	2.8
Expected rates of return on scheme assets				
Equities	**8.1**	8.0	8.2	8.4
Bonds	**5.2**	4.9	4.3	4.9
Property	**7.0**	6.4	6.3	6.8
Cash/net current assets	**5.3**	4.0	3.8	3.8
Contingent asset trust	**5.0**	4.0	–	–

The 2006 scheme valuation used 80% of the mortality table PA92 (as published by the Institute and Faculty of Actuaries) with medium cohort improvements to 2006. The valuation of liabilities at 31 December 2007 has used the same mortality assumptions except for a revision to future mortality improvement by applying a 1% 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 2006 valuation are shown in brackets.

Life expectancy of a pensioner reaching age 60	Male	Female	Male joint	Female joint
In 2017	**31.0**	**34.1**	**36.5**	**35.6**
In 2016	(29.1)	(32.0)	(34.3)	(33.3)
In 2007	**30.3**	**33.5**	**36.0**	**35.1**
In 2006	(28.4)	(31.4)	(33.8)	(32.8)

Notes to the Accounts continued

17. Pension commitments (continued)

The value of scheme liabilities, as the scheme is very mature, is mostly affected by the assumptions on discount rate and life expectancy. An increase in the discount rate assumption of 0.25% decreases scheme liabilities by 5.1%. An increase in life expectancy by one year increases scheme liabilities by 2.7%.

	2007 £m	2006 £m
Assets and liabilities of the scheme at 31 December		
Equities	**77.9**	75.5
Bonds	**172.7**	160.7
Property	**14.3**	15.3
Cash/net current assets	**0.6**	0.8
Fair value of the CDC Pensions Scheme assets	**265.5**	252.3
Contingent Asset Trust 2006	**77.4**	74.0
Pension assets	**342.9**	326.3
Present value of pension liabilities	**(281.3)**	(284.0)
Surplus at end of year	**61.6**	42.3
Unrecognised actuarial loss	**43.2**	50.8
Net pension asset	**104.8**	93.1

	2007 £m	2006 £m
Changes in the fair value of plan assets		
At 1 January	**326.3**	237.7
Expected return on scheme assets	**17.7**	13.1
Employer contributions	**11.6**	84.5
Benefits paid	**(9.2)**	(8.3)
Expected value of plan assets at end of year	**346.4**	327.0
Actuarial loss on scheme assets	**(3.5)**	(0.7)
At 31 December	**342.9**	326.3

	2007 £m	2006 £m
Return on assets for the year		
Expected return on scheme assets	**17.7**	13.1
Actuarial loss on scheme assets	**(3.5)**	(0.7)
Actual return on scheme assets	**14.2**	12.4

	2007 £m	2006 £m
Changes in the present value of the defined benefit pension obligations		
At 1 January	**(284.0)**	(253.8)
Current service cost	**(0.3)**	(0.5)
Interest cost	**(13.7)**	(11.8)
Benefits paid	**9.2**	8.3
Expected defined benefit obligation at end of year	**(288.8)**	(257.8)
Actuarial gain/(loss) on defined benefit obligation	**7.5**	(26.2)
At 31 December	**(281.3)**	(284.0)

17. Pension commitments (continued)

	2007 £m	2006 £m
Amortisation of unrecognised net loss in year		
Corridor	**34.3**	32.6
Accumulated unrecognised net loss at end of year	**43.2**	50.8
Accumulated unrecognised net loss at end of year above corridor	**(8.9)**	(18.2)
Amount amortised and recognised in next year	**(1.7)**	(3.6)

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

	2007 £m	2006 £m
Development of unrecognised net loss		
Accumulated unrecognised net loss at start of year	**50.8**	23.8
Amount recognised in year	**(3.6)**	0.1
Actuarial (gain)/loss on defined benefit obligation	**(7.5)**	26.2
Actuarial loss on scheme assets	**3.5**	0.7
Accumulated unrecognised net loss at end of year	**43.2**	50.8

	2007 £m	2006 £m
Amounts recognised in the Group's income statement for the year		
Current defined benefit service cost	**(0.3)**	(0.5)
Recognition of net loss from last year	**(3.6)**	–
Administrative expense (note 3c)	**(3.9)**	(0.5)
Expected return on scheme assets	**17.7**	13.1
Interest cost on scheme liabilities	**(13.7)**	(11.8)
Finance income (note 4)	**4.0**	1.3
Total defined benefit pension income	**0.1**	0.8

	2007 £m	2006 £m
Reconciliation of net pension asset:		
At 1 January	**93.1**	7.8
Pension income	**0.1**	0.8
Employer contributions to the CDC Pensions Scheme	**11.6**	10.5
Employer contributions to the Contingent Asset Trust 2006	**–**	74.0
At 31 December	**104.8**	93.1

	2007 £m	2006 £m	2005 £m	2004 £m
History of experience gains and losses:				
Fair value of scheme assets	**342.9**	326.3	237.7	201.0
Present value of defined benefit obligation	**(281.3)**	(284.0)	(253.8)	(208.3)
Surplus/(deficit) in the scheme	**61.6**	42.3	(16.1)	(7.3)
Actuarial (loss)/gain on plan assets	**(3.5)**	(0.7)	16.6	7.7
(Loss)/gain on assets as a % of assets at end of year	**(1.0%)**	(0.2%)	7.0%	3.8%
(Loss)/gain on defined benefit obligation due to experience	**(0.5)**	(2.1)	(0.1)	2.4
(Loss)/gain on defined benefit obligation due to experience as a % of defined benefit obligation at end of year	**(0.2%)**	(0.7%)	–	1.2%

18. Inventories

	Group	
	2007 £m	2006 £m
Raw materials	1.4	20.8
Work in progress	–	2.7
Finished goods	10.4	26.4
Total inventories	11.8	49.9

19. Trade and other receivables

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Trade receivables	27.5	82.5	–	–
Loans and receivables due from third parties	16.3	11.4	16.1	10.3
Loans and receivables due from Group undertakings	–	–	0.1	90.4
Amounts receivable under finance leases	–	3.9	–	–
Advances to customers	30.7	19.8	–	–
Amounts owed by Group undertakings	–	–	6.7	14.1
Deferred consideration on sale of fair value financial assets	15.1	37.7	–	6.7
VAT recoverable	4.9	–	4.9	–
Other receivables	17.0	16.2	9.9	5.7
Total trade and other receivables	111.5	171.5	37.7	127.2

20. Financial instruments

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

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Foreign exchange contracts in profit	37.7	58.6	37.3	54.4
Foreign exchange contracts in loss	(29.0)	(23.9)	(29.0)	(23.9)
Interest rate swaps in loss	–	(3.9)	–	–
Other derivatives in loss	(4.0)	(12.4)	–	–
	4.7	18.4	8.3	30.5

In the balance sheet, these are analysed as follows:

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Non-current assets	23.4	34.0	23.4	31.9
Current assets	14.3	24.6	13.9	22.5
Non-current liabilities	(20.4)	(21.5)	(16.4)	(17.8)
Current liabilities	(12.6)	(18.7)	(12.6)	(6.1)
	4.7	18.4	8.3	30.5

20. Financial instruments (continued)

Cash flow hedges

At 31 December 2007, the Company and Group held seven (2006: ten) forward foreign exchange contracts (FFECs) designated as cash flow hedges of future interest to protect against adverse fluctuations between sterling and US dollars in connection with the scheduled receipts of interest in relation to loans advanced by the Company and the Group. These FFECs amounted to US$13.5m (2006: US$20.8m) at an average spot price of 1.62 (2006: 1.728) to sell US dollars for £7.7m (2006: £12.1m) on a range of six-monthly dates to May 2010.

At 31 December 2007, these FFECs had a fair value of £0.8m (2006: £1.3m), of which £nil (2006:£0.5m) has been included within derivative financial instruments in current assets and £0.8m has been included within derivative financial instruments in non-current assets.

These cash flow hedges were assessed to be highly effective throughout the year and unrealised gains of £0.6m (2006: £1.5m) were included in equity in respect of these contracts. These contracts have no deferred tax consequences as the Company is exempt from UK corporation tax.

During the year, three FFECs (2006: eight FFECs) which were designated as cash flow hedges were settled when their forecast transactions occurred. Consequently, losses of £0.7m (2006: £0.2m) which were previously recognised directly in equity were transferred to the income statement.

Net investment in foreign operations

At 31 December 2007, the Group held 21 FFECs (2006: 21 FFECs) designated as hedges of the net investments in its subsidiaries operating in the power sector all of which have US dollar functional currencies. These FFECs amounted to US$109.0m (2006: US$420.5m) at an average spot price of 1.7731 (2006: 1.814) to sell US dollars for £61.2m (2006: £231.8m) on a range of dates to May 2010.

At 31 December 2007, these FFECs had a fair value of £5.1m (2006: £16.7m), of which £5.1m (2006: £16.7m) are in profit. Of the £5.1m FFECs in profit, £0.6m (2006: £12.7m) has been included within derivative financial instruments in current assets and £4.5m (2006: £4.0m) has been included within derivative financial instruments in non-current assets. At 31 December 2007, no FFECs were in loss (2006: £nil).

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. Gain or losses arising from the movement in fair values of FFECs settled following the disposal of a subsidiary are transferred to the income statement. £11.6m profit on hedges that were hedging the power subsidiaries assets that matured when the subsidiaries sales completed in June and November 2007, was recognised in the income statement. These net investments in foreign operations hedges were assessed to be highly effective throughout the year and cumulative unrealised gains of £5.1m (2006: £16.7m) are included in equity in respect of these contracts. 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 2007, the Group held 158 FFECs (2006: 128 FFECs) which were not designated for the purposes of hedge accounting, but were used to mitigate the currency effects on the Group's US dollar, South African rand, Euro and Indian rupee denominated loan and equity investments. These FFECs amounted to US$1,127m (2006: US$528.8m) at an average spot price of 1.7989 (2006: 1.846) to sell US dollars for £584.8m (2006: £286.5m) on a range of dates to May 2012, R91.2m (2006: R166.9m) at an average spot price of 13.03 (2006: 13.950) to sell South African rand for £6.4m (2006: £12.0m) on a range of dates to September 2010, a30.4m (2006: a26.4m) at an average spot price of 1.454 (2006: 1.358) to sell Euros for £22.1m (2006: £19.4m) on a range of dates to January 2011 and INR2,592m (2006: INRnil) at an average spot price of 81.328 (2006:nil) to sell Indian rupees for £30.0m (2006:£nil) on a range of dates to May 2010.

20. Financial instruments (continued)

At 31 December 2007, these FFECs had a fair value of £1.2m (2006: £16.7m), of which £31.8m (2006: £40.6m) are in profit. Of the £31.8m FFECs in profit, £13.7m (2006: £9.2m) has been included within derivative financial instruments in current assets and £18.1m has been included within derivative financial instruments in non-current assets. Of the £33.0m (2006: £23.9m) in loss, £12.6m (2006: £6.1m) has been included within derivative financial instruments in current liabilities, and £20.4m (2006:£17.8m) has been included within derivative financial instruments in non-current liabilities.

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

During the year, a number of the Group's subsidiaries which operate in the power sector have sought to mitigate their interest rate risk by entering into interest rate swap arrangements on their US dollar denominated borrowings. These interest rate swap arrangements were included up to the date of disposal of the subsidiaries. Gains or losses arising from the movement in fair values of these interest rate swaps are included in finance income/costs in the income statement. At 31 December 2007, these interest rate swaps had a fair value of £nil (2006: £3.9m) because the subsidiaries entering into these contracts were sold in November 2007.

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 8.

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

Interest rate exposures – Group

	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
2007 Financial assets: Cash							
Sterling	**–**	**19.7**	**0.1**	**19.8**	**–**	**–**	*****
US dollars	**–**	**78.5**	**2.5**	**81.0**	**–**	**–**	*****
Other currencies	**–**	**12.9**	**8.1**	**21.0**	**–**	**–**	*****
Total	**–**	**111.1**	**10.7**	**121.8**	**–**	**–**	*****
2006 Financial assets: Cash							
Sterling	–	8.9	0.9	9.8	–	–	*
US dollars	–	65.4	24.6	90.0	–	–	*
Other currencies	–	22.7	9.1	31.8	–	–	*
Total	–	97.0	34.6	131.6	–	–	*
2007 Financial assets: Short term deposits receivable within 90 days							
Sterling	**–**	**1,233.5**	**0.1**	**1,233.6**	**–**	**–**	*****
US dollars	**3.8**	**99.4**	**1.1**	**104.3**	**3.5%**	**0.1**	*****
Other currencies	**–**	**6.5**	**0.5**	**7.0**	**–**	**–**	*****
Total	**3.8**	**1,339.4**	**1.7**	**1,344.9**	**3.5%**	**0.1**	*****
2006 Financial assets: Short term deposits receivable within 90 days							
Sterling	–	749.1	–	749.1	–	–	*
US dollars	12.4	13.6	–	26.0	4.7%	0.4	*
Other currencies	0.5	2.3	–	2.8	9.7%	0.1	*
Total	12.9	765.0	–	777.9	4.9%	0.4	*

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

20. 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
2007 Financial assets: Short term deposits receivable after more than 90 days							
US dollars	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–
2006 Financial assets: Short term deposits receivable after more than 90 days							
US dollars	1.9	0.1	–	2.0	4.5%	1.0	–
Total	1.9	0.1	–	2.0	4.5%	1.0	–
2007 Financial assets: Treasury bills and bonds							
Other currencies	**29.6**	**–**	**–**	**29.6**	**11.7%**	**0.1**	**–**
Total	**29.6**	**–**	**–**	**29.6**	**11.7%**	**0.1**	**–**
2006 Financial assets: Treasury bills and bonds							
Other currencies	10.3	–	–	10.3	14.8%	0.1	–
Total	10.3	–	–	10.3	14.8%	1.0	–
2007 Financial assets: Advances to customers							
US dollars	**1.9**	**16.4**	**–**	**18.3**	**–**	**–**	**–**
Other currencies	**18.1**	**33.4**	**–**	**51.5**	**–**	**–**	**–**
Total	**20.0**	**49.8**	**–**	**69.8**	**–**	**–**	**–**
2006 Financial assets: Advances to customers							
US dollars	–	20.1	–	20.1	–	–	–
Other currencies	–	53.0	–	53.0	–	–	–
Total	–	73.1	–	73.1	–	–	–
2007 Amounts receivable under finance leases							
US dollars	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2006 Amounts receivable under finance leases							
US dollars	167.7	–	–	167.7	13.7%	15.1	–
Total	167.7	–	–	167.7	13.7%	15.1	–

Notes to the Accounts continued

20. 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
2007 Financial assets: Loans and receivables							
Sterling	**–**	**3.0**	**0.1**	**3.1**	**–**	**–**	**–**
US dollars	**–**	**58.0**	**9.5**	**67.5**	**–**	**–**	**5.5**
Other currencies	**1.8**	**13.3**	**2.0**	**17.1**	**15.0%**	**5.5**	**5.5**
Total	**1.8**	**74.3**	**11.6**	**87.7**	**15.0%**	**5.5**	**5.5**
2006 Financial assets: Loans and receivables							
Sterling	–	5.0	–	5.0	–	–	–
US dollars	–	78.1	3.0	81.1	–	–	5.3
Other currencies	2.9	12.2	0.7	15.8	15.0%	5.5	2.9
Total	2.9	95.3	3.7	101.9	15.0%	5.5	4.9
2007 Financial liabilities: Overdrafts							
Sterling	**–**	**–**	**–**	**–**	**–**	**–**	**–**
US dollars	**–**	**(0.3)**	**–**	**(0.3)**	**–**	**–**	**–**
Other currencies	**–**	**(0.4)**	**–**	**(0.4)**	**–**	**–**	**–**
Total	**–**	**(0.7)**	**–**	**(0.7)**	**–**	**–**	**–**
2006 Financial liabilities: Overdrafts							
Sterling	–	(0.9)	–	(0.9)	–	–	–
US dollars	–	(4.4)	–	(4.4)	–	–	–
Other currencies	(3.4)	(0.6)	–	(4.0)	12.0%	1.0	–
Total	(3.4)	(5.9)	–	(9.3)	12.0%	1.0	–
2007 Financial liabilities: Deposits due to customers							
Sterling	**–**	**–**	**(0.1)**	**(0.1)**	**–**	**–**	*****
US dollars	**(1.9)**	**–**	**(4.0)**	**(5.9)**	**3.8%**	**0.1**	*****
Other currencies	**(19.1)**	**–**	**(23.2)**	**(42.3)**	**6.4%**	**0.5**	*****
Total	**(21.0)**	**–**	**(27.3)**	**(48.3)**	**6.2%**	**0.5**	*****
2006 Financial liabilities: Deposits due to customers							
Sterling	–	–	(0.2)	(0.2)	–	–	*
US dollars	(1.8)	–	(9.4)	(11.2)	1.9%	0.1	*
Other currencies	(15.9)	–	(16.7)	(32.6)	8.1%	0.5	*
Total	(17.7)	–	(26.3)	(44.0)	7.5%	0.5	*
2007 Financial liabilities: Interest bearing loans and borrowings (excluding overdrafts)							
Sterling	**(5.7)**	**–**	**(0.2)**	**(5.9)**	**6.2%**	**2.0**	**1.0**
US dollars	**(108.8)**	**(21.0)**	**–**	**(129.8)**	**12.5%**	**15.4**	**–**
Other currencies	**(49.7)**	**(24.8)**	**–**	**(74.5)**	**9.0%**	**15.6**	**–**
Total	**(164.2)**	**(45.8)**	**(0.2)**	**(210.2)**	**11.2%**	**15.0**	**1.0**
2006 Financial liabilities: Interest bearing loans and borrowings (excluding overdrafts)							
Sterling	(8.4)	–	(0.2)	(8.6)	6.2%	3.0	7.0
US dollars	(295.7)	(219.1)	(0.8)	(515.6)	9.3%	12.0	0.1
Other currencies	(22.7)	(32.8)	–	(55.5)	9.9%	6.2	–
Total	(326.8)	(251.9)	(1.0)	(579.7)	9.2%	10.6	1.3

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

20. 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
2007 Financial assets: Cash							
Sterling	**–**	**0.4**	**–**	**0.4**	**–**	**–**	**–**
US dollars	**–**	**41.2**	**–**	**41.2**	**–**	**–**	**–**
Other currencies	**–**	**0.4**	**–**	**0.4**	**–**	**–**	**–**
Total	**–**	**42.0**	**–**	**42.0**	**–**	**–**	**–**
2006 Financial assets: Cash							
Sterling	–	0.8	–	0.8	–	–	–
US dollars	–	0.8	–	0.8	–	–	–
Other currencies	–	0.8	–	0.8	–	–	–
Total	–	2.4	–	2.4	–	–	–
2007 Financial assets: Short term deposits receivable within 90 days							
Sterling	**–**	**1,233.4**	**–**	**1,233.4**	**–**	**–**	**–**
US dollars	**–**	**93.6**	**–**	**93.6**	**–**	**–**	**–**
Other currencies	**–**	**2.4**	**–**	**2.4**	**–**	**–**	**–**
Total	**–**	**1,329.4**	**–**	**1,329.4**	**–**	**–**	**–**
2006 Financial assets: Short term deposits receivable within 90 days							
Sterling	–	748.9	–	748.9	–	–	–
US dollars	–	8.1	–	8.1	–	–	–
Total	–	757.0	–	757.0	–	–	–
2007 Financial assets: Loans and receivables							
Sterling	**–**	**3.1**	**0.1**	**3.2**	**–**	**–**	**5.5**
US dollars	**–**	**70.7**	**108.6**	**179.3**	**–**	**–**	**5.5**
Other currencies	**–**	**0.3**	**1.7**	**2.0**	**–**	**–**	**5.5**
Total	**–**	**74.1**	**110.4**	**184.5**	**–**	**–**	**5.5**
2006 Financial assets: Loans and receivables							
Sterling	–	5.0	3.4	8.4	–	–	1.5
US dollars	–	108.2	186.4	294.6	–	–	3.1
Other currencies	5.9	–	0.7	6.6	14.0%	5.5	2.9
Total	5.9	113.2	190.5	309.6	14.0%	5.5	3.0

20. Financial instruments (continued)

Interest rate exposures – Company (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
2007 Financial liabilities: Overdrafts							
Sterling	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2006 Financial liabilities: Overdrafts							
Sterling	–	(1.0)	–	(1.0)	–	–	–
Total	–	(1.0)	–	(1.0)	–	–	–
2007 Financial liabilities: Interest bearing loans and borrowings (excluding overdrafts)							
Sterling	**–**	**–**	**(0.2)**	**(0.2)**	**–**	**–**	**0.1**
Total	**–**	**–**	**(0.2)**	**(0.2)**	**–**	**–**	**0.1**
2006 Financial liabilities: Interest bearing loans and borrowings (excluding overdrafts)							
Sterling	–	–	(8.7)	(8.7)	–	–	0.1
Total	–	–	(8.7)	(8.7)	–	–	0.1

Currency exposures – Group

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

Functional currency	2007 Sterling £m	2007 US dollars £m	2007 Other £m	2007 Total £m	2006 Sterling £m	2006 US dollars £m	2006 Other £m	2006 Total £m
Sterling	**–**	**(135.0)**	**2.6**	**(132.4)**	–	6.0	0.5	6.5
US dollars	**18.0**	**–**	**3.8**	**21.8**	7.7	–	1.9	9.6
Ugandan Shillings	**–**	**28.5**	**1.2**	**29.7**	–	(31.5)	2.2	(29.3)
Other currencies	**0.1**	**(2.1)**	**0.5**	**(1.5)**	0.1	(6.2)	(2.4)	(8.5)
Total	**18.1**	**(108.6)**	**8.1**	**(82.4)**	7.8	(31.7)	2.2	(21.7)

20. Financial instruments (continued)

Currency exposures – Group (continued)

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

	2007 Listed equity at valuation £m	2007 Unlisted equity at valuation £m	2007 Total £m	2006 Listed equity at valuation £m	2006 Unlisted equity at valuation £m	2006 Total £m
US Dollars	–	482.7	482.7	–	306.3	306.3
South African Rand	6.1	80.4	86.5	4.9	85.3	90.2
Indian Rupees	–	180.4	180.4	2.8	80.1	82.9
Peruvian Nuevo Soles	–	4.2	4.2	63.4	3.6	67.0
Chinese Yuan	–	38.6	38.6	–	26.7	26.7
Belize Dollars	–	15.6	15.6	–	15.6	15.6
Malaysian Ringgits	–	10.0	10.0	–	10.2	10.2
Nigerian Naira	–	95.5	95.5	–	9.6	9.6
Pakistani Rupees	–	0.2	0.2	–	5.6	5.6
Other	0.4	46.7	47.1	7.8	57.6	65.4
Total	6.5	954.3	960.8	78.9	600.6	679.5

Currency exposures – Company

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

Functional currency	2007 US dollars £m	2007 Other £m	2007 Total £m	2006 US dollars £m	2006 Other £m	2006 Total £m
Sterling	156.9	2.6	159.5	5.8	0.6	6.4
Total	156.9	2.6	159.5	5.8	0.6	6.4

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

	2007 Listed equity at valuation £m	2007 Unlisted equity at valuation £m	2007 Total £m	2006 Listed equity at valuation £m	2006 Unlisted equity at valuation £m	2006 Total £m
US Dollars	–	781.8	781.8	–	372.3	372.3
Sterling	–	315.5	315.5	–	274.5	274.5
Malaysian Ringgits	–	10.1	10.1	–	146.9	146.9
South African Rand	–	80.0	80.0	–	90.6	90.6
Indian Rupees	–	111.5	111.5	–	51.9	51.9
Chinese Yuan	–	39.3	39.3	–	27.3	27.3
Ugandan Shillings	–	31.0	31.0	–	19.0	19.0
Nigerian Naira	–	95.5	95.5	–	9.6	9.6
Pakistani Rupees	–	0.2	0.2	–	0.2	0.2
Other	2.4	41.8	44.2	7.9	49.1	57.0
Total	2.4	1,506.7	1,509.1	7.9	1,041.4	1,049.3

20. 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:

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

2006 Financial assets: Maturity profile	Short term deposits £m	Treasury bills and bonds £m	Advances to customers £m	Loans and receivables £m	Forward foreign exchange contracts £m
Due on demand	–	–	4.1	–	–
Due within one year, but not on demand	779.9	10.3	15.7	11.4	24.6
Due within one to two years	–	–	53.3	16.9	12.1
Due within two to three years	–	–	–	9.4	18.4
Due within three to four years	–	–	–	20.1	1.5
Due within four to five years	–	–	–	6.3	1.9
Due after five years	–	–	–	37.8	0.1
Total	779.9	10.3	73.1	101.9	58.6

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

2006 Financial liabilities: Maturity profile	Overdrafts £m	Deposits due to customers £m	Interest bearing loans and borrowings £m	Interest rate swaps £m	Forward foreign exchange contracts £m	Other derivatives £m
Due on demand	9.3	24.6	–	–	–	12.4
Due within one year, but not on demand	–	19.2	76.2	0.2	6.1	–
Due within one to two years	–	0.2	51.1	0.2	6.2	–
Due within two to three years	–	–	57.8	0.3	9.2	–
Due within three to four years	–	–	34.1	0.3	1.1	–
Due within four to five years	–	–	44.7	0.4	1.2	–
Due after five years	–	–	315.8	2.5	0.1	–
Total	9.3	44.0	579.7	3.9	23.9	12.4

20. 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:

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

2006 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	757.0	100.7	22.5
Due within one to two years	–	22.4	10.8
Due within two to three years	–	13.9	18.1
Due within three to four years	–	8.3	1.4
Due within four to five years	–	8.9	1.5
Due after five years	–	155.4	0.1
Total	757.0	309.6	54.4

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

2006 Financial liabilities: Maturity profile	Overdrafts £m	Interest bearing loans and borrowings £m	Forward foreign exchange contracts £m
Due on demand	1.0	8.5	–
Due within one year, but not on demand	–	–	6.1
Due within one to two years	–	–	6.2
Due within two to three years	–	–	9.2
Due within three to four years	–	–	1.1
Due within four to five years	–	0.2	1.2
Due after five years	–	–	0.1
Total	1.0	8.7	23.9

Notes to the Accounts continued

20. Financial instruments (continued)

Fair value of financial assets and liabilities – Group

Financial assets

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

Financial liabilities

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

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

	2007 Book value £m	2007 Fair value £m	2006 Book value £m	2006 Fair value £m
Sterling	**(6.0)**	**(6.0)**	(8.6)	(8.6)
US Dollars	**(129.8)**	**(173.5)**	(515.6)	(548.9)
Other currencies	**(74.4)**	**(74.4)**	(55.5)	(55.4)
Total	**(210.2)**	**(253.9)**	(579.7)	(612.9)

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

Fair value of financial assets and liabilities – Company

Financial assets

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

Financial liabilities

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

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

	2007 Book value £m	2007 Fair value £m	2006 Book value £m	2006 Fair value £m
Sterling	**(0.2)**	**(0.2)**	(8.7)	(8.7)
US Dollars	**–**	**–**	–	–
Total	**(0.2)**	**(0.2)**	(8.7)	(8.7)

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

21. Financial risk management

The Group's and Company's activities expose them to a variety of financial risk, including market risk, credit risk, liquidity risk and cash flow interest rate risk. Market risk includes currency risk, fair value interest rate risk and price risk. The main financial risks managed by the Group and Company are foreign currency risk, interest risk, liquidity risk and credit risk. The Group and Company use derivative financial instruments, in particular forward currency 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 funding capacity 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 2007 is £1,496.3m (2006: £921.8m) and its capital commitments including long term commitment are £1,371.1m (2006: £769.2m).

	Group		Company	
Analysis of total cash balance	**2007 £m**	2006 £m	**2007 £m**	2006 £m
Cash at bank and in hand	**121.8**	131.6	**42.0**	2.4
Short term deposits receivable within 90 days	**1,344.9**	777.9	**1,329.4**	757.0
Treasury bills and bonds maturing within 90 days	**4.4**	0.7	**–**	–
Short term deposits receivable after more than 90 days	**–**	2.0	**–**	–
Treasury bills and bonds maturing after more than 90 days	**25.2**	9.6	**–**	–
	1,496.3	921.8	**1,371.4**	759.4

Credit risk

As at 31 December 2007, the carrying amount of overdue unimpaired financial assets whose terms have been renegotiated was £4.6m.

	Group		Company	
Loans and advances past due date but not impaired	**2007 £m**	2006 £m	**2007 £m**	2006 £m
Past due date up to 30 days	**20.3**	18.9	**–**	–
Past due date 31 – 60 days	**11.5**	13.0	**–**	–
Past due date 61 – 90 days	**4.1**	1.9	**–**	–
Past due date >90 days	**4.6**	–	**4.6**	–
	40.5	33.8	**4.6**	–

	Group		Company	
Loans and advances individually impaired	**2007 £m**	2006 £m	**2007 £m**	2006 £m
Past due date	**26.0**	24.1	**10.8**	10.9
Not past due date	**0.6**	–	**0.6**	–
	26.6	24.1	**11.4**	10.9

The fair value of collateral held on overdue loans and advances is £35.6m (2006: £32.7m).

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

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

Credit risk on cash and derivative financial instruments is limited because CDC's major counterparties are the UK Government Debt Management Office for Sterling deposits and high credit rated banks for foreign currencies.

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

21. Financial risk management (continued)

Market risk

Interest rate risk

The Group's and Company's interest rate risk arises from fixed rate deposits (fair value risk) and floating rate deposits (cash flow risk). Group policy is to optimise interest cost and income. This risk is managed by reviewing the profile of their debt and deposition regularly on a currency by currency basis.

As at 31 December 2007, the average interest rate earned on the Group and Company's bank deposit was 5.38%. A 0.5% change in all interest rates, with all other variables held constant, would have a 1.7% (£7.4m) impact on the group's profit before tax (2006: 1.9%, £6.9m). 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 and Company operate globally in funds to remain competitive in the markets in which the Group operates. The Group’s largest exposure is to the US dollar. As at 31 December 2007, £822.8m (69.5%) of the funds in which the Group and Company invest in is in US dollars (2006: £386.3m (32.8%)). In order to protect the Group’s sterling balance sheet and reduce cash flow risk, the Group uses forward foreign exchange contracts to hedge foreign exposures arising on forecast receipts and payments in foreign currencies.

A 20 cent (10.0%) movement in the average rate for the US dollar against sterling with all other variables held constant would impact profit by £75.3m (2006 10.0% movement, impact: £34.1m). Foreign exchange rate sensitivity in the Group’s investments in funds is much higher in 2007 largely due to the disposal of the majority of the subsidiaries in the Energy Fund, which is a Sterling fund and increased the proportion of investment in US dollar funds during the year. This exposure is part of the Group’s economic risk of operating globally which is essential to remain competitive in the market in which the Group operates.

Equity price risk

The Group and Company invest in a wide range of funds with a variety of fund managers who have detailed knowledge of their local markets. When selecting fund managers, the investment team follow standard industry practice in conducting due diligence, including conducting comprehensive market and competitor analysis, undertaking extensive customer and management references and conducting detailed quantitative analysis.

As at 31 December 2007, the Group and Company had legal commitments to invest in 100 funds (2006: 77 funds) with 42 fund managers (2006: 20 fund managers). As at 31 December 2007 and 2006, no single outstanding balance exceeded 3% 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 £96.1m (2006: £68.0m).

Capital management

CDC considers its capital to be the total equity shown in note 23. 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.

22. Cash and cash equivalents

	Group		Company	
	2007 £m	2006 £m	**2007 £m**	2006 £m
Cash at bank and in hand	**121.8**	131.6	**42.0**	2.4
Short term deposits receivable within 90 days	**1,344.9**	777.9	**1,329.4**	757.0
Treasury bills and bonds maturing within 90 days	**4.4**	0.7	**–**	–
Total cash and cash equivalents	**1,471.1**	910.2	**1,371.4**	759.4

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods between one day and 90 days depending on the immediate requirements of the Group, and earn interest at the respective short term deposit rates. The fair value of cash and cash equivalents is £1,471.1m (2006: £910.2m).

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	
	2007 £m	2006 £m	**2007 £m**	2006 £m
Short term deposits receivable after more than 90 days	**–**	2.0	**–**	–
Treasury bills and bonds maturing after more than 90 days	**25.2**	9.6	**–**	–
Total amounts maturing after more than 90 days	**25.2**	11.6	**–**	–

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

	Group		Company	
	2007 £m	2006 £m	**2007 £m**	2006 £m
Cash at bank and in hand	**121.8**	131.6	**42.0**	2.4
Short term deposits receivable within 90 days	**1,344.9**	777.9	**1,329.4**	757.0
Treasury bills and bonds maturing within 90 days	**4.4**	0.7	**–**	–
Bank overdrafts	**(0.7)**	(9.3)	**–**	(1.0)
Total cash and cash equivalents per statement of cash flows	**1,470.4**	900.9	**1,371.4**	758.4

23. Issued capital and reserves

Authorised	2007 £m	2006 £m
765,036,043 Ordinary shares of £1 each	**765.0**	765.0

Allotted, called up and fully paid	2007 £m	2006 £m
765,036,043 Ordinary shares of £1 each	**765.0**	765.0

Special rights redeemable preference share

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

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 2006	(2.4)	7.0	927.3	(2.4)	794.0
Profits on cash flow hedges taken to equity	1.5	–	–	1.5	–
Currency translation differences on retranslation of net assets of subsidiaries	–	(38.4)	–	–	–
Cash flow hedges taken to income statement	0.2	–	–	0.2	–
Profit for the year attributable to equity shareholders	–	–	332.7	–	457.2
At 31 December 2006	**(0.7)**	**(31.4)**	**1,260.0**	**(0.7)**	**1,251.2**
Losses on cash flow hedges taken to equity	**–**	**–**	**–**	**–**	**–**
Currency translation differences on retranslation of net assets of subsidiaries	**–**	**(12.5)**	**–**	**–**	**–**
Exchange losses on disposed subsidiaries recycled through the income statement	**–**	**32.6**	**–**	**–**	**–**
Profit for the year attributable to equity shareholders	**–**	**–**	**608.5**	**–**	**815.0**
At 31 December 2007	**(0.7)**	**(11.3)**	**1,868.5**	**(0.7)**	**2,066.2**

Nature and purpose of other reserves

Net unrealised gains and losses reserve

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

Currency translation reserve

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

24. Trade and other payables (current)

	Group		Company	
	2007 £m	2006 £m	**2007 £m**	2006 £m
Trade payables	**43.7**	67.4	**–**	–
Deposits due to customers	**48.2**	43.8	**–**	–
Amounts owed to Group companies	**–**	–	**363.9**	235.6
Amounts owed to other related parties	**0.1**	–	**–**	–
Other taxes and social security	**1.3**	4.0	**0.1**	0.1
Other payables	**17.7**	29.0	**0.5**	4.3
Accruals and deferred income	**48.2**	29.5	**7.1**	7.2
Total trade and other payables excluding tax	**159.2**	173.7	**371.6**	247.2
Current tax liabilities	**1.8**	8.0	**0.2**	0.2
Total trade and other payables (current)	**161.0**	181.7	**371.8**	247.4

25. Trade and other payables (non-current)

	Group	
	2007 £m	2006 £m
Deposits due to customers	**0.1**	0.2
Other payables	**11.1**	7.0
Accruals and deferred income	**0.9**	2.2
Total trade and other payables (non-current)	**12.1**	9.4

Notes to the Accounts continued

26. Interest bearing loans and borrowings

Details of interest bearing loans and borrowings are as follows:

					Group			
					Current		Non-current	
	Fixed/ floating rate	Effective interest rate %	Repayment frequency	Maturity	2007 £m	2006 £m	2007 £m	2006 £m
Bank overdrafts	Floating	Various	On demand	On demand	**0.7**	9.3	**–**	–
Obligations under finance leases	Fixed	Various	Annual	2024	**3.2**	3.0	**46.4**	70.2
					3.9	12.3	**46.4**	70.2
Interest bearing loans (US dollars)								
Government of Tanzania (on-lending arrangement from the World Bank – International Development Association)	Fixed	7.1	Monthly	2021	**2.2**	2.1	**49.8**	51.5
Government of Tanzania (on-lending arrangement from European Investment Bank)	Fixed	6.0	Monthly	2021	**1.2**	1.2	**25.2**	26.6
Government of Tanzania*	Fixed	7.4	Monthly	2016	**0.6**	0.6	**9.0**	9.6
FMO[1] and Tanzania Development Finance Company Limited preference shares (unsecured)	Fixed	18.0	Bi-annual	2014	**1.0**	1.1	**6.2**	7.7
Government of Tanzania	Fixed	7.7	Monthly	2016	**0.5**	0.5	**5.9**	6.5
IFC[4]*	Floating	7.7	Bi-annual	2015	**0.2**	–	**4.8**	5.2
Government of Tanzania	Fixed	7.4	Monthly	2016	**0.4**	0.4	**4.4**	4.9
PROPARCO[3] (Part of Agence Francaise de Developpement)*	Floating/ Fixed	7.7	Bi-annual	2013	**1.1**	0.6	**4.1**	5.4
European Investment Bank*	Fixed	3.0	Bi-annual	2009	**2.8**	2.7	**2.9**	5.7
OPEC[2] Fund for International Development*	Floating	7.7	Bi-annual	2013	**0.9**	0.5	**2.8**	3.8
FMO[1] *	Floating	7.9	Bi-annual	2013	**0.4**	–	**2.1**	–
Standard Chartered Bank	Floating	7.0	Annual	2011	**0.6**	–	**1.9**	–
Loan due to a series of Egyptian banks*	Floating	Various	Bi-annual	2021	**–**	–	**–**	68.2
Infrastructure Development Company Limited loan*	Fixed	9.1	Bi-annual	2024	**–**	–	**–**	30.6
Asian Development Bank loan*	Fixed by swap	8.6	Bi-annual	2015	**–**	–	**–**	25.5
Asian Development Bank loan*	Fixed by swap	9.8	Bi-annual	2016	**–**	1.3	**–**	20.4
Loan due to a series of international banks*	Floating	Various	Bi-annual	2021	**–**	–	**–**	31.4
International Development Association guaranteed facility loan*	Fixed by swap	7.7	Bi-annual	2015	**–**	2.4	**–**	17.9
8.8% bonds*	Fixed	8.8	Bi-annual	2012	**–**	2.9	**–**	15.5
Infrastructure Development Company Limited loan*	Fixed	8.8	Bi-annual	2016	**–**	0.6	**–**	8.1
Asian Development Bank loan*	Fixed by swap	8.1	Bi-annual	2015	**–**	0.7	**–**	7.7
Asian Development Bank loan*	Fixed by swap	8.9	Bi-annual	2010	**–**	1.4	**–**	4.1
7.0% bonds	Fixed	7.0	On maturity	2008	**–**	–	**–**	5.1
8.3% bonds	Fixed	8.3	On maturity	2010	**–**	–	**–**	5.1
9.5% bonds	Fixed	9.5	On maturity	2012	**–**	–	**–**	5.1
International Development Association PRI facility loan*	Fixed by swap	7.5	Bi-annual	2013	**–**	0.6	**–**	3.7
Standard Chartered Bank	Floating	6.2	Annual	2007	**–**	25.6	**–**	–
Sagri Cor Merchant Bank	Fixed	8.7	Quarterly	2008	**–**	1.3	**–**	1.0

26. Interest bearing loans and borrowings (continued)

	Fixed/ floating rate	Effective interest rate %	Repayment frequency	Maturity	Group Current 2007 £m	Group Current 2006 £m	Group Non current 2007 £m	Group Non current 2006 £m
FMO[1] Subordinated debt loan*	Floating	8.0	Bi-annual	2018	–	0.2	–	4.5
Banco de Credito*	Floating	7.9	Bi-annual	2009	–	1.1	–	2.2
Agfri Corporation*	Fixed	6.0	Quarterly	2008	–	3.9	–	–
FMO[1] A loan*	Fixed by swap	8.2	Bi-annual	2015	–	0.3	–	1.9
Citibank*	Floating	4.8	Bi-annual	2010	–	0.8	–	2.0
Cuscathan and Interfin banks	Floating	11.0	Monthly	2011	–	0.3	–	1.2
					11.9	53.1	**119.1**	388.1
Interest bearing loans (other currencies)								
Investec	Fixed	12.7	Quarterly	2008	–	4.3	–	4.0
European Investment Bank*	Fixed	8.1	Annual	2015	**1.9**	1.7	**5.9**	9.2
European Investment Bank/KFW[5]*	Fixed	9.5	Bi-annual	2011	–	2.3	–	2.9
Investec*	Fixed	12.2	Quarterly	2012	–	0.2	–	1.6
Investec*	Floating	14.0	Monthly	2007	–	1.3	–	–
European Investment Bank Global*	Floating/ Fixed	11.0	Bi-annual	2012	**1.0**	0.6	**5.4**	5.2
Stanbic*	Floating	13.3	Annual	2007	–	2.9	–	–
Brimstore Investment Corporation	Floating	14.5	Bi-annual	2010	–	0.8	–	3.2
National Social Security Fund*	Floating	12.5	Annual	2012	**0.3**	0.5	**1.8**	2.1
FMO[1]*	Floating	9.4	Bi-annual	2012	**0.8**	0.8	**1.4**	2.2
Investec*	Floating	10.8	Quarterly	2010	–	0.7	–	2.5
Investec*	Floating	12.7	Bi-annual	2009	–	–	–	3.3
Investec*	Floating	12.5	Bi-annual	2009	–	–	–	3.2
BIAO[6] (part of Fortis Bank)*	Fixed	8.5	Bi-annual	2010	–	0.9	–	2.9
National Societe General Bank*	Floating	12.5	Quarterly	2009	–	0.7	–	1.2
					4.0	17.7	**14.5**	43.5
Other loans (all of which are under £2.5m individually)					**5.0**	2.4	**6.1**	1.7
					24.8	85.5	**186.1**	503.5

* The loans are secured by charges on subsidiaries' land and buildings, plant and equipment, amounts receivable under finance lease and biological assets.

[1] FMO: Netherlands Development Finance Company

[2] OPEC: Organisation of the Petroleum Exporting Countries

[3] PROPARCO: Promotion et Participation pour la Cooperation Economique

[4] IFC: International Finance Corporation

[5] KFW: KFW Bankengruppe

[6] BIAO: Banque Internationale pour l'Afrique Occidentale

26. Interest bearing loans and borrowings (continued)

CDC's objective is the promotion of sustainable private sector development in its chosen geographic locations as described elsewhere in 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 owns a number of operating subsidiaries. It is these subsidiaries which generate the loans detailed in the previous table. None of these loans have any recourse to CDC Group plc.

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 Group plc and therefore it is considered that terms and conditions of the covenants do not warrant further disclosure.

				Company			
				Current		Non-current	
	Fixed/ floating rate	Effective interest rate %	Maturity	2007 £m	2006 £m	2007 £m	2006 £m
Bank overdrafts	Floating	Various	On demand	–	1.0	–	–
Interest bearing loans							
CDC Holdings (Barbados) Limited	Fixed	Interest free	On demand	–	8.5	–	–
Other loans				0.2	–	–	0.2
				0.2	9.5	–	0.2

27. Provisions (non-current)

	Group					
	2007 Post-retirement benefits £m	**2007 Other provisions £m**	**2007 Total £m**	2006 Post-retirement benefits £m	2006 Other £m	2006 Total £m
At 1 January	**0.8**	**3.5**	**4.3**	0.9	4.2	5.1
Charge in the year	**0.3**	**0.4**	**0.7**	0.3	0.4	0.7
Utilised	**(0.2)**	**(0.3)**	**(0.5)**	(0.4)	(0.3)	(0.7)
Acquired with subsidiaries	**–**	**–**	**–**	0.1	–	0.1
Disposed with subsidiaries	**(0.3)**	**(2.5)**	**(2.8)**	–	(0.4)	(0.4)
Exchange adjustment	**(0.1)**	**–**	**(0.1)**	(0.1)	(0.4)	(0.5)
At 31 December	**0.5**	**1.1**	**1.6**	0.8	3.5	4.3

	Company					
	2007 Post-retirement benefits £m	**2007 Other provisions £m**	**2007 Total £m**	2006 Post-retirement benefits £m	2006 Other £m	2006 Total £m
At 1 January	**0.5**	**0.8**	**1.3**	0.3	1.0	1.3
Charge/(release) in the year	**0.1**	**(0.1)**	**–**	0.2	(0.2)	–
Utilised	**(0.1)**	**–**	**(0.1)**	–	–	–
At 31 December	**0.5**	**0.7**	**1.2**	0.5	0.8	1.3

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

28. Capital commitments

Amounts contracted for but not provided in the accounts amounted to £1,371.1m (2006: £769.2m) for subscriptions to debentures, loans and shares. Capital commitments contracted for by subsidiaries for subscriptions to debentures, loans and shares but not provided in their accounts amounted to £nil (2006: £nil).

The Group owns 100% of Umeme Limited, an electricity distribution business in Uganda. Under the terms of the Lease Concession Agreement Umeme Limited is obliged to make a minimum capital investment of US$65.0m within five years of taking over the power distribution networks once operated by the Uganda Electricity Distribution Company Limited (UEDCL). As at 31 December 2007, the minimum capital investment outstanding was US$45.0m.

29. Obligations under leases and hire purchase contracts

Finance lease and hire purchase commitments – Group as lessor

The gross investment in finance leases together with the present value of the net minimum lease payments receivable are as follows:

	Group			
	2007 Gross investment/ payments receivable £m	**2007 Present value of payments receivable £m**	2006 Gross investment/ payments receivable £m	2006 Present value of payments receivable £m
Within one year	**–**	**–**	25.0	3.9
After one year but not more than five years	**–**	**–**	100.1	21.5
After five years	**–**	**–**	252.4	142.3
Gross investment in finance leases	**–**	**–**	377.5	167.7
Less finance lease income allocated to future periods	**–**	**–**	(209.8)	–
Present value of minimum lease payments receivable	**–**	**–**	167.7	167.7

In 2006, it was concluded that the arrangement at Sidi Krir Generating Company ('Sidi Krir'), an electricity generation and distribution company in Egypt, in which CDC held a 100% interest, constituted and should be reported as a finance lease. Consequently, the Group applied IFRIC 4 and IAS 17 for accounting for the activities of Sidi Krir. This subsidiary was sold in 2007 as part of the Group's decision to sell its power operating businesses and there are no amounts to be reported in 2007.

Finance lease and hire purchase commitments – Group as lessee

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	Group			
	2007 Gross investment/ payments receivable £m	**2007 Present value of payments receivable £m**	2006 Gross investment/ payments receivable £m	2006 Present value of payments receivable £m
Within one year	**3.3**	**3.2**	7.6	3.0
After one year but not more than five years	**36.6**	**20.5**	43.2	24.3
After five years	**40.9**	**25.8**	64.8	45.9
Total minimum lease payments	**80.8**	**49.5**	115.6	73.2
Less finance charges allocated to future periods	**(31.2)**	**–**	(42.4)	–
Present value of minimum lease payments	**49.6**	**49.5**	73.2	73.2

Operating lease commitments – Group and Company as lessee

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

	Group		Company	
	2007 £m	2006 £m	**2007 £m**	2006 £m
Within one year	**1.3**	–	**1.3**	–
After one year but not more than five years	**6.1**	1.5	**6.1**	0.4
After five years	**4.9**	0.1	**4.9**	–
Total	**12.3**	1.6	**12.3**	0.4

30. Contingent liabilities

The Group and the Company had contingent liabilities

- in support of the borrowings of third parties which had a principal value of £4.4m (2006: £11.4m). No provisions were made against these contingent liabilities in 2007 and 2006;
- in support of the operations of companies prorata to other shareholders with a maximum legal liability of £0.3m (2006: £4.7m); 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 £5.7m (2005: £13.6m).

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

The Company, in addition to the above, had contingent liabilities in support of the facilities of subsidiaries which had a limit value of £0.2m (2006: £29.2m). This support may, but probably will not, require an outflow of resources.

Group companies without recourse to the Company had the following obligations:

The Group owns 100% of Umeme Limited ("Umeme"), an electricity distribution business in Uganda. Umeme took over the power distribution network once operated by the Uganda Electricity Distribution Company Limited (UECDL), whose fixed asset base was estimated to be £63.3m (US$109.0m) on 1 March 2005, with a useful life of 20 years.

Previously, Umeme and UECDL had been unable to reach agreement on the accounting and tax treatment of the assets leased under the terms of the Concessions Agreement. UECDL reached agreement that the entire fixed assets base at 1 March 2005 should remain on its balance sheet in order to strengthen its position with the Ugandan tax authorities and receive tax benefits from their associated capital allowances. However, during the year, Umeme and UECDL reached agreement that the network assets be split into two categories: (i) operating leased assets, being asset additions since the period from 1 April 2001 to 28 February 2005; and (ii) finance leased assets, being those assets in existence at 31 March 2001.

The agreement reflects Board understanding of appropriate interpretation under Ugandan tax law. However the tax authority ("URA") has not yet finally approved the arrangements. Should URA not approve the treatment, Umeme would be exposed to an estimated contingent tax liability of US$17.4m (Ugandan Shs 29.5bn).

31. Related party transactions

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

	2007 £m	2006 £m
Income statement		
Interest income	**5.8**	6.8
Interest earned on deposit with Debt Management Office[1]	**50.2**	32.5
Dividend income	**420.3**	2.9
(Loss)/ profit on disposal of fair value financial assets	**(2.6)**	5.3
Loan and guarantee fee income	**0.2**	0.8
Management fee income	**2.9**	5.7
Interest payable	**(6.8)**	(8.9)
Balance sheet		
Fair value financial assets	**774.7**	706.4
Loans and receivables	**114.6**	226.4
Deposit with Debt Management Office[1]	**1,200.0**	745.0
Trade and other receivables	**6.0**	14.1
Trade and other payables	**(363.9)**	(235.6)
Loans and borrowings	**–**	(8.5)

[1] Debt management office is an executive agency of HM Treasury which manages debt and cash for the UK Government, lends to local authorities, and manages certain public sector funds.

32. Principal subsidiaries

The principal subsidiaries of CDC Group plc at 31 December 2007 and the percentage of equity capital are set out below. The Company has taken advantage of section 231(5) of the Companies Act 1985 in not detailing all subsidiaries due to the length of the disclosure. A complete list of investments in subsidiaries will be attached to the Company's annual return made to the Registrar of Companies.

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

* Subsidiaries held directly by the Company.

CDC fund commitments and investments

	Outstanding Commitment £m	CDC Investment Value £m
Actis 11 Legacy Funds	15.2	349.0
Actis Africa Fund 2	14.1	211.7
Canada Investment Fund for Africa	1.5	10.9
Actis Africa Empowerment Fund	3.6	21.5
Actis Africa Real Estate Fund	46.2	13.7
Actis Agribusiness Fund	16.2	19.6
Actis ASEAN Fund	25.3	15.0
Actis Assets Fund 2	–	–
Actis China Fund 2	14.1	26.0
Actis India Fund 2	7.6	54.2
Actis India Real Estate Fund	50.4	–
Actis South Asia Fund 2	4.7	54.9
Actis Umbrella Fund	3.2	11.4
Actis Infrastructure Fund II	374.7	–
Actis Emerging Markets Fund 3	100.8	–
Actis Africa Fund 3	75.6	–
Actis India Fund 3	50.4	–
Actis China Fund 3	50.4	–
Actis Latin America Fund 3	49.6	–
29 Actis managed funds	**903.6**	**787.9**
Aureos 10 Legacy Funds	–	4.6
Aureos Central America Fund	1.5	2.8
Aureos Central Asia Fund	9.9	–
Aureos China Fund	9.2	0.3
Aureos East Africa Fund	0.3	5.0
Aureos Latin America Fund	13.0	1.9
Aureos Malaysia Fund	4.9	–
Aureos South Asia Fund I [Interim]	0.7	1.9
Aureos South Asia Fund	10.7	6.1
Aureos South East Asia Fund	5.0	5.1
Aureos Southern Africa Fund	1.6	4.5
Aureos West Africa Fund	1.0	6.6
Emerge Central America Growth Fund	2.2	0.2
Kula Fund II	1.8	0.6
23 Aureos managed funds	**61.8**	**39.6**
Access Holdings	2.0	0.6
Advent Latin America Private Equity Fund IV	8.4	1.6
Afghanistan Renewal Fund	2.6	–
African Lion	–	14.2
African Lion 2	–	5.4
AIF Capital Asia III	16.0	4.9
Avigo SME Fund II	6.0	4.1
Baring India Private Equity Fund II	2.3	4.7
BTS India Private Equity Fund	8.6	1.1
Business Partners International Kenya SME	0.5	0.3
Capital Alliance Private Equity I	–	19.7
Capital Alliance Private Equity II	3.7	10.8
Capital Today China Growth Fund	10.1	4.2

	Outstanding Commitment £m	CDC Investment Value £m
Central Africa Growth Fund SICAR	–	4.0
CDH China Fund III	24.2	12.8
CITIC Capital China Partners	9.0	2.9
CMIA China Fund III	5.3	9.1
CVCI Africa Fund	40.1	10.0
Dynamic India Fund VII	20.4	23.2
ECP Africa Fund II	10.7	14.2
Ethos Fund IV	9.0	8.1
European Financing Partners	9.9	3.5
Global Environment Emerging Markets Fund III	18.5	1.0
GroFin East Africa SME Fund	0.8	0.6
Helios Investors	11.2	22.5
Horizon Tech Ventures	–	0.7
Horizon Fund III	5.3	0.1
I&P Capital II	5.1	–
IDFC Private Equity Fund II	5.7	9.8
India Value Fund II	0.3	2.5
India Value Fund III	9.2	3.2
International Finance Participation Trust (2004)	13.4	36.0
Kendall Court Mezzanine (Asia) Fund	3.9	3.1
Kotak India Realty Fund	23.2	1.8
Lok Capital	1.5	0.4
Lombard Asia III	8.9	0.8
Medu Capital Fund II	5.0	0.4
Minlam Microfinance Offshore Fund	3.0	13.1
Navis Asia Fund IV	0.1	6.2
Navis Asia Fund V	23.8	10.1
New Silk Route Fund I	22.0	2.3
Nexxus Capital Private Equity Fund	9.6	0.1
Patria – Brazilian Private Equity Fund III	12.0	2.4
Saratoga Asia II	22.5	0.1
Shorecap International	0.9	2.0
Sphere Fund 1	0.6	0.6
Vantage Mezzanine Fund	5.4	1.9
48 Other managed funds	**400.7**	**281.1**
4 Co-investments	**5.0**	**75.5**
Total legal commitment to 100 funds at end 2007	**1,371.1**	**1,184.1**

CDC's fund managers

Acap Partners www.acap.com
Access Holding www.accessholding.com
Advent International Corporation www.adventinternational.com
Actis www.act.is
African Capital Alliance www.aca-web.com
African Lion www.afl.co.za
Aureos www.aureos.com
Avigo Capital Partners www.avigocorp.com
AIF Capital www.aifcapital.com
Barings Private Equity Partners India www.bpepindia.com
BTS Investment Advisors www.btsadvisors.com
Business Partners www.businesspartners.co.za
Capital Today www.capitaltoday.com
CDH Investments www.cdhfund.com
Citigroup Venture Capital International www.citigroupai.com
CITIC Capital www.citiccapital.com
CMIA Capital Partners www.cmia.com
Cordiant www.cordiantcap.com
ECP Africa www.ecpinvestments.com
Ethos Private Equity www.ethos.org.za
Global Environment Facility www.globalenvironmentfund.com
GroFin www.grofin.com
Helios Investment Partners www.heliosinvestment.com
Horizon Equity www.horizonequity.co.za
I&P Management www.ip-mngt.com
ICICI Venture www.iciciventure.com
IDFC Private Equity www.idfcpe.com
India Value Fund Advisers www.ivfa.com
Kotak Mahindra Group www.kotak.com
Kendall Court www.kendallcourt.com
Lok Capital www.lokcapital.com
Lombard Investments www.lombardinvestments.com
Medu Capital www.meducapital.co.za
Minlam Asset Management www.minlam.com
New Silk Route Advisors (no website)
Navis Capital Partners www.naviscapital.com
Nexxus Capital www.nexxuscapital.com
Patria Banco De Negocios www.bancopatria.com.br
Saratoga Capital www.saratogacap.com
ShoreCap International www.shorecap.net
Sphere Holdings www.sphereholdings.co.za
Vantage Capital www.vantagecapital.co.za

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