CDC GROUP PLC

ANNUAL REPORT AND ACCOUNTS 2011

CDC

CONTENTS

CDC's mission is to support the building of businesses in the poorest countries, creating jobs and making a lasting difference to people's lives.

For more information about CDC
please go to **www.cdcgroup.com**

2011 HIGHLIGHTS

£364m
NEW INVESTMENTS

£1,280m
OUTSTANDING COMMITMENTS TO FUNDS

17 FUND EVALUATIONS OF WHICH 16 HAD SATISFACTORY OR BETTER DEVELOPMENT OUTCOMES

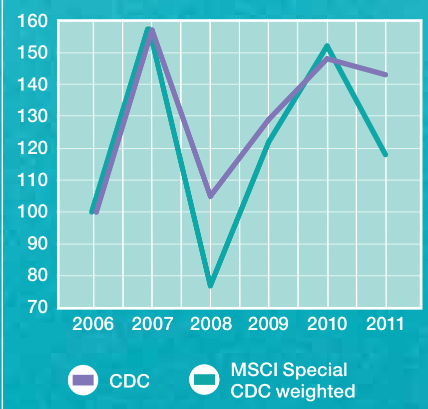
Total loss after tax
£72m

£2,608m
TOTAL ASSETS

US$795m
OTHER CAPITAL MOBILISED

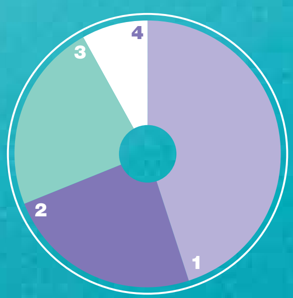
1,126/74
1,126 UNDERLYING PORTFOLIO COMPANIES LOCATED IN 74 COUNTRIES

PERFORMANCE AGAINST BENCHMARK



UNDERLYING PORTFOLIO BY REGION

1 Africa	45%
2 South Asia	24%
3 Asia Pacific	23%
4 Americas	8%



UNDERLYING PORTFOLIO BY SECTOR

1	Infrastructure	19%
2	Industrials	19%
3	Financials	15%
4	Consumer services	12%
5	Real estate	8%
6	Information Communication Technology (ICT)	7%
7	Healthcare	6%
8	Extractive industries	6%
9	Agribusiness and food	5%
10	Education	3%

STATEMENT FROM THE CHAIRMAN
Richard Gillingwater CBE


Richard Gillingwater CBE

The demands of investing in emerging economies evolve, so CDC needs to adapt to meet those needs.

2011 was an important year for CDC. In extremely difficult market conditions, the company continued to get capital to work in developing countries, with new investments standing at £364m for the year. Good investment opportunities in sub-Saharan Africa and South Asia can be difficult to find and CDC's fund managers have had to work hard throughout 2011.

CDC launched a new high level business plan in May, which puts more stretching development ambitions at the heart of its future work. The company's investment universe now focuses entirely on the poorest countries and regions. We have more investment tools at our disposal to give us the flexibility we need to achieve the greatest possible impact. A key highlight for 2011 – and an exemplar of the kind of work CDC will undertake in the coming years – was CDC's US$50m commitment to the first private equity fund focused on India's poorest states.

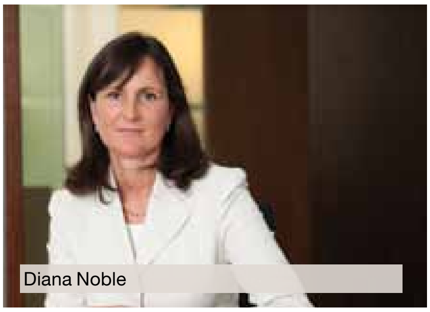
At the end of 2011, the Board invited Diana Noble to be CDC's new CEO, following Richard Laing's retirement. She brings with her excellent credentials in investment and emerging markets and the Board was delighted to welcome her as she leads CDC in implementing our new business plan.

The Board would also like to thank Richard Laing for all his effort as CEO for many years.

CDC's history is characterised by change. The demands of investing in emerging economies evolve, so CDC needs to adapt to meet those needs. Yet our core purpose has always remained the same: to invest successfully and sustainably in poor countries to create jobs, develop infrastructure and improve lives.

Richard Gillingwater CBE
Chairman

STATEMENT FROM THE CHIEF EXECUTIVE
Diana Noble


Diana Noble

CDC is now well placed to achieve great development impact in the countries and regions that most need our support.

I take up the reins at CDC at an exciting time in the company's history. In spite of media enthusiasm for developing countries as new investment frontiers, patient risk capital is in short supply in the poorest countries, especially in the current economic conditions. This means that CDC's work is as important as ever and I am looking forward to leading the organisation in the years to come.

My career has included time in investment houses and, more recently, at the Clinton Foundation's Health Access Initiative, a highly innovative and effective development organisation. What these organisations taught me is that while intellect and motivation are distributed equally around the world, the opportunities to develop these talents are not.

CDC can address this issue and that's why I joined. It is a privilege to lead an organisation that aims to create opportunities through building businesses that provide new jobs and by funding the infrastructure that enables new businesses to start and flourish.

Since 1948 CDC's raison d'être has been to do good without losing money and this still holds true. In recent years, CDC's track record of investing successfully in difficult markets has been impressive.

CDC has, however, been limited in the scope of investment instruments it uses to get its capital to work and its resources have been spread across too many countries. These things will change in the coming years, as CDC uses the very best investment skills and instruments to achieve the maximum possible development impact in the world's poorest countries.

That's why I'm here. To guide CDC to even greater development achievements in providing real, lasting and meaningful jobs and opportunities that transform people's lives and the lives of their families.

My first task has been to work with my new colleagues to devise a detailed strategy to bring to life the high level business plan agreed in May 2011. That work is nearing completion and CDC is now well placed to achieve great development impact in the countries and regions that most need our support.

Diana Noble
Chief Executive

PERFORMANCE REVIEW
Godfrey Davies, Chief Financial Officer

Whilst CDC lost £72m in the year, it outperformed its market benchmark.

DESCRIPTION OF THE BUSINESS AND ITS OBJECTIVES

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

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

CDC's investment strategy is to align its activities with its shareholder's objective of reducing poverty. During the year CDC has adopted a new investment strategy. Going forward, CDC will invest mostly in low income and lower middle income countries in sub-Saharan Africa and South Asia. CDC will start to invest in debt and direct equity as well as continuing the fund of funds business. However, legal commitments under the previous strategy will be honoured and new investment targets under the previous strategy continue to be monitored. For new commitments to funds from the start of 2009, new investments met two targets: 75% in low income countries (defined as countries with an annual Gross National Income (GNI) per capita below US$905 in 2006); and 50% in sub-Saharan Africa. For commitments to funds up to the end of 2008, CDC's previous investment targets apply, being: 70% of new investments in the poorest countries of the world (defined as countries with an annual GNI per capita below US$1,750 in 2001); and 50% in sub-Saharan Africa and South Asia. New investment targets are measured over a five-year rolling period.

In making investments CDC:

- targets an appropriate commercial return and development impact, which may vary by geography, product or sector;
- requires fund managers to invest in companies which strive for best practice including environmental, social and governance policies (ESG); and
- aims to be catalytic and innovative in what it does.

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

- comply with all applicable laws;
- minimise adverse impacts and enhance positive effects on the environment, workers and all stakeholders as appropriate;

For more information about CDC please go to **www.cdcgroup.com**

- commit to continuous improvements with respect to management of the environment, social policies and governance;
- work to apply relevant international best practice standards, with appropriate targets and timetables for achieving them; and
- employ management systems which effectively address ESG risks and realise ESG opportunities as a fundamental part of a company's value.

STRATEGIES FOR ACHIEVING THE OBJECTIVES OF THE BUSINESS

Until now, CDC has carried out its mission mainly by investing in private equity and other intermediated investment vehicles. As a fund of funds, CDC places its portfolio with fund managers in its target markets. CDC also co-invests alongside certain fund managers. Before investing in a fund, extensive due diligence is undertaken to try to ensure that high quality fund managers have been chosen who will deliver above average financial and developmental returns in the chosen markets. CDC expects its managers to achieve results 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 an investment are:

- a credible thesis aimed at CDC's preferred markets with appropriate development impact;
- a strong management team;
- prospective returns which are commensurate with the potential risk; and
- a management team that will apply high standards of business ethics and corporate governance.

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

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

PRESENTATION OF RESULTS

CDC's financial results are presented in accordance with International Financial Reporting Standards. CDC consolidates all businesses where it has a controlling interest. These audited consolidated accounts can be found in full from page 27 onwards. The Directors' Report gives a summary of those results. However, in order to manage and explain more fully CDC's investment activities as a fund of funds, CDC provides information, in note 3 to the accounts on pages 39 and 40, on a full investment valuation basis where all its investments are included at fair value, consolidating only subsidiaries that are investment holding companies.

During the year, the Company implemented a voluntary change in its accounting policies for pensions to eliminate the 'corridor method' and recognise actuarial gains and losses immediately. The effect of this change is to reduce other net assets in 2010 by £123.3m and to increase total return after tax in 2010 by £16.4m. For further details, see note 14 to the accounts on page 49. This change has been reflected in the historical analysis.

MARKET CONDITIONS

The MSCI Emerging Markets Index is designed to measure quoted equity performance in global emerging markets. In 2011, it fell by 18% (2010: rose by 19%). However, index movements of individual countries varied widely in 2011 with falls from South Africa of 13%, Nigeria of 16%, India of 37% and China of 18%.

KEY PERFORMANCE INDICATORS

The individual country weightings within the MSCI Emerging Markets US$ Index are rather different from the geographical spread of CDC's portfolio. In conjunction with Morgan Stanley, an index weighted by CDC's geographical spread of countries was developed to form a new CDC specific MSCI benchmark for performance. CDC's performance in 2011 was 19% better than its MSCI benchmark. On a five-year rolling basis, CDC's performance was 25% ahead of the benchmark.

CDC's new investment targets were all exceeded. New investments from commitments made after 1 January 2009 were 77% in sub-Saharan Africa and 91% in low income countries, exceeding the targets of 50% and 75% respectively.

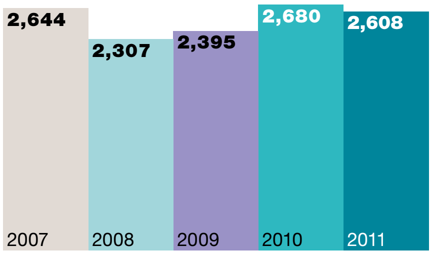
With new investments at 77% in poorer countries and 62% in sub-Saharan Africa and South Asia, the rolling five-year targets of 70% and 50% respectively for the old book were exceeded.

The ratio of capital mobilised to CDC capital on a three-year rolling basis is 480% which is ahead of the policy target of 200%.

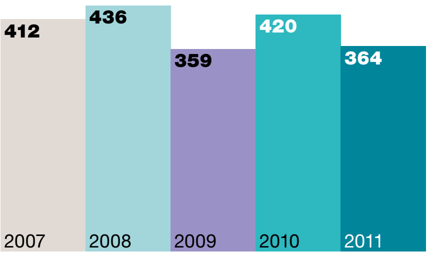
The fund total loss after tax was 3% (2010: profit of 12%), a net return for CDC's shareholder of 6% per annum in the last five years.

PERFORMANCE REVIEW
Continued

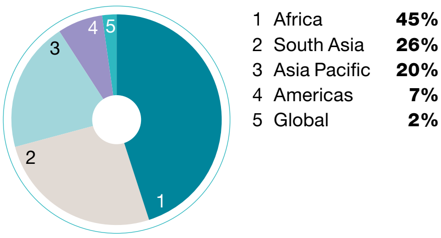
CDC value growth (£m)



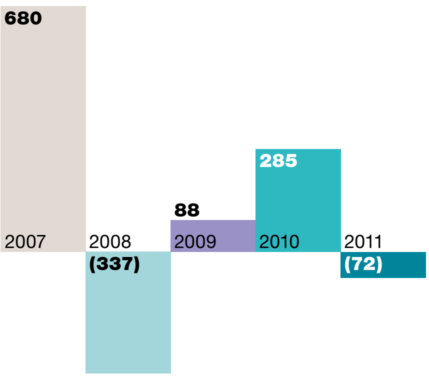
Fund drawdowns (£m)



New investments 2007 to 2011



Total return (£m)



CURRENT PERFORMANCE

New commitments

In 2011, CDC made commitments of £188m (2010: £231m), of which ten were new funds. Total new commitments were:

	£m
8 Miles (US$50m)	32
Aavishkaar India II (US$25m)	16
Access Holdings AG (€10m)	9
Actis Africa Real Estate Fund 2 (US$50m)	32
DI Frontier Market Energy & Carbon Fund (€12m)	10
IFC Africa Capitalization Fund (US$30m)	19
International Asset Reconstruction Fund I (US$10m)	6
Lok II (US$5m)	3
PI International (US$50m)	32
Progression East Africa Microfinance Equity Fund (US$10m)	6
SilverStreet Private Equity Strategies SICAR – Silverlands Fund (US$20m)	13
Vietnam Investment Fund II (US$15m)	10
Total commitments in 2011	188

CDC now has investments in 152 funds managed by 80 different fund managers.

Portfolio return

The portfolio generated £66.3m of losses (2010: £258.5m gain) driven by the fall in global markets.

Operating costs

Operating costs for the year of £11.7m (2010: £12.4m) have fallen due to a decrease in short term incentive plan payments, partly offset by an increase in London office employees to 49 (2010: 47). Operating costs represent 0.4% of the company's net value.

Other net income

Other net income of £6.9m (2010: £39.0m) came mainly from currency translation gains. Interest on cash held remained low due to low interest rates.

Total return after tax

The overall result is a total loss after tax of £72.0m (2010: £285.1m profit). As a return on opening total net assets on a valuation basis, this represents a loss for CDC's shareholder of 3% (2010: 12% profit) this year and an average annual return of 6% over the last five years.

	2011 £m	Restated 2010 £m
Portfolio return	**(66.3)**	258.5
Operating costs	**(11.7)**	(12.4)
Other net income	**6.0**	39.0
Total return after tax	**(72.0)**	285.1

Portfolio and net assets

	2011 £m	Restated 2010 £m
Portfolio	**1,913.3**	1,933.2
Net cash and short-term deposits	**697.2**	737.9
Other net assets	**(2.3)**	9.1
Total net assets on a valuation basis	**2,608.2**	2,680.2

Total net assets decreased in the year from £2,680.2m to £2,608.0m, a fall of 3% (2010: 12% increase).

	2011 £m	2010 £m
Portfolio at start of year	**1,933.2**	1,410.9
New investments	**363.7**	419.7
Realisations	**(274.5)**	(161.2)
Value change	**(109.1)**	263.8
Portfolio at end of year	**1,913.3**	1,933.2

The portfolio, which consists of investments in funds managed by fund managers and the small remaining legacy portfolio, decreased from £1,933.2m to £1,913.3m.

The decrease came from realisations and valuation losses driven by market conditions.

Cash flow

	2011 £m	2010 £m
Fund drawdowns	**(363.7)**	(419.7)
Fund cash generated	**326.9**	237.4
Net fund flows	**(36.8)**	(182.3)
Hedging	**0.5**	(77.9)
Other cash flows	**(4.4)**	20.2
Net cash flow	**(40.7)**	(240.0)

Drawdowns by funds for new investments at £363.7m (2010: £419.7m) were lower than last year. However, £149.9m was invested in Africa in the year (2010: £122.2m) representing 41% of new investments (2010: 29%).

There was a higher level of portfolio cash generated this year at £326.9m (2010: £237.4m). £91.0m was received from the sale of Paras Pharmaceuticals in India from several Actis funds. Other significant receipts in the year were from Global Trade Liquidity Programme (£31.1m) and Navis Asia Fund V (£20.2m).

Net cash and short-term deposits held

With the level of fund drawdowns and portfolio realisations, cash and short-term deposits were lower this year at £697.2m (2010: £737.9m). A substantial portion of this balance is placed on deposit with the UK Government's Debt Management Office. However, cash will be recycled into investments and current outstanding commitments for investment stand at £1,279.8m, representing an overcommitment rate of 35%, when taking into account the standby borrowing facility of £250.0m.

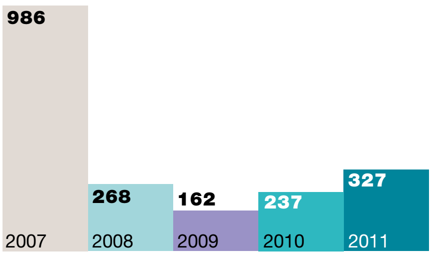
Third party funds mobilised

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

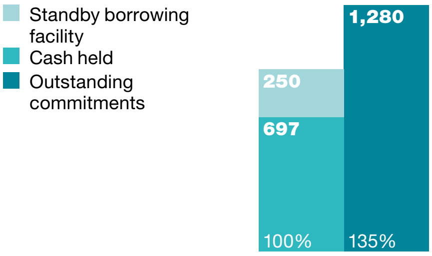
- investments in fund closings prior to the one in which CDC participates are not counted; and
- investment by others when CDC has made a legal commitment plus all capital committed at subsequent closings is counted as mobilisation once subjected to a tapering factor.

The tapering factor applied to a fund's mobilisation value will depend on whether it is a first, second or a subsequent fund as follows: first time funds have no tapering, fund 2s are tapered by 25%, fund 3s are tapered by 50% and fund 4s onwards are tapered by 75% so that only 25% of investment by others counts as mobilisation. The tapering factor is applied to reflect the growing importance of the fund manager's track record as subsequent funds are raised. The mobilisation target set is on a three-year rolling basis at 200%. Actual mobilisations at 480% exceeded the target. In 2011 mobilisation amounted to US$795m (2010: US$1,378m). However, the ratio of capital mobilised in the year increased from 430% in 2010 to 553% in 2011 with CDC committing less capital in 2011.

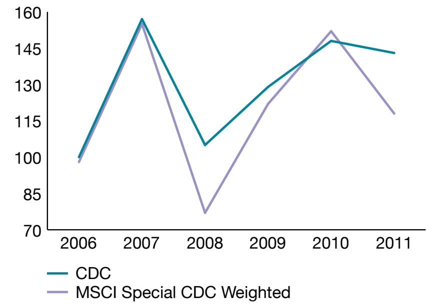
Portfolio cash generated (£m)



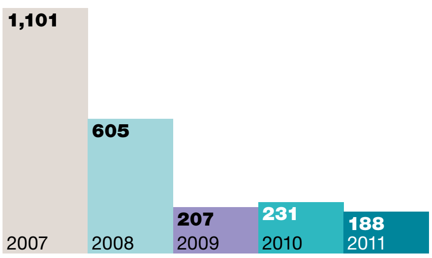
Cash and outstanding commitments at 31 December 2011 (£m)



MSCI benchmark



New commitments (£m)



PERFORMANCE REVIEW
Continued

OUTSTANDING FUND COMMITMENTS AND INVESTMENTS

	Outstanding commitments £m	Investment value £m
Actis 8 Legacy Funds	–	50.3
Actis Africa Empowerment Fund	1.9	9.0
Actis Africa Fund 2	1.3	152.1
Actis Africa Fund 3	37.1	67.8
Actis Africa Real Estate Fund	8.4	93.1
Actis Africa Real Estate Fund 2	20.3	9.9
Actis Agribusiness Fund	1.3	7.1
Actis ASEAN Fund	17.2	4.9
Actis China Fund 2	0.6	19.6
Actis China Fund 3	19.8	49.1
Actis Emerging Markets Fund 3	33.4	93.4
Actis India Fund 2	2.3	37.1
Actis India Fund 3	32.7	22.7
Actis India Real Estate Fund	0.3	6.1
Actis Infrastructure Fund II	222.6	170.5
Actis Latin America Fund 3	31.5	27.0
Actis South Asia Fund 2	2.0	31.0
Actis Umbrella Fund	0.8	8.0
Canada Investment Fund for Africa	–	7.6
26 Actis managed funds	433.5	866.3
Aureos 5 Legacy Funds	–	0.7
Aureos Africa Fund	21.1	25.8
Aureos Central America Fund	1.6	0.7
Aureos Central Asia Fund	8.0	3.6
Aureos China Fund	3.7	10.4
Aureos East Africa Fund	–	3.8
Aureos Latin America Fund	5.9	14.6
Aureos Malaysia Fund	1.3	4.9
Aureos South Asia Fund I (Interim)	0.7	0.8
Aureos South Asia Fund	3.9	17.4
Aureos South East Asia Fund	1.2	19.6
Aureos South East Asia Fund II	5.5	0.9
Aureos Southern Africa Fund	1.0	6.6
Aureos West Africa Fund	0.8	6.0
Emerge Central America Growth Fund	0.8	1.8
Kula Fund II	0.6	2.5
20 Aureos managed funds	56.1	120.1

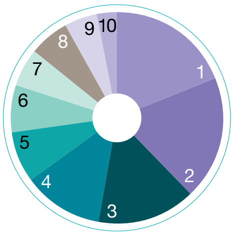
	Outstanding commitments £m	Investment value £m
8 Miles	32.1	–
Aavishkaar India II	15.0	0.6
Abraaj Kantara Fund	10.6	3.1
Access Holdings AG	9.7	3.1
Adlevo Capital Africa	7.8	1.2
Advans	1.4	4.9
Advent Latin America Private Equity Fund IV	1.6	9.9
Africa Infrastructure Investment Fund 2	17.3	1.7
African Development Partners I	7.0	10.6
African Lion	0.5	–
African Lion 2	–	0.6
African Lion 3	4.8	3.7
AfricInvest Fund II	4.3	4.7
AIF Capital Asia III	4.1	23.2
Altra Private Equity Fund I	1.2	5.3
Ambit Pragma Fund	5.1	7.6
Ascent India Fund III	9.5	3.8
Atlantic Coast Regional Fund	3.8	4.8
Avigo SME Fund II	1.7	8.2
Avigo SME Fund III	5.7	5.9
Baring India Private Equity Fund II	1.7	4.8
Baring India Private Equity Fund III	24.5	4.0
BTS India Private Equity Fund	2.6	9.3
Business Partners International Kenya SME	0.3	0.6
Capital Alliance Private Equity I	–	11.2
Capital Alliance Private Equity II	–	10.7
Capital Alliance Private Equity III	14.9	16.0
Capital Alliance Property Investment Company	10.7	8.6
Capital Today China Growth Fund	–	57.3
Catalyst Fund I	8.6	0.8
Catalyst Microfinance Fund	3.2	3.8
CDH China Fund III	13.7	45.7
Central Africa Growth	–	4.2
CITIC Capital China	2.4	21.1
CVCI Africa Fund	4.0	49.5

	Outstanding commitments £m	Investment value £m
DI Frontier Market Energy & Carbon Fund	9.9	–
Dynamic India Fund VII	5.8	17.8
ECP Africa Fund II	3.8	19.7
ECP Africa Fund III	33.4	27.0
Ethos Private Equity Fund V	8.4	10.4
European Financing Partners	0.3	5.3
European Financing Partners III	3.0	1.1
European Financing Partners IV	20.9	–
Fonds Cauris Croissance II	6.3	–
FountainVest China Growth Fund	13.5	16.9
Frontier Private Equity	5.2	1.2
GEF Africa Sustainable Forestry Fund	23.3	6.6
Global Environment Emerging Markets Fund III	3.9	20.3
Global Trade Liquidity Programme	0.1	16.3
Global Trade Liquidity Programme Guarantee Facility	32.1	–
GroFin East Africa SME Fund	–	0.4
GroFin Africa Fund	11.3	3.9
Helios Investors	3.9	29.2
Helios Investors II	30.4	15.5
Horizon Fund III	1.9	1.5
I&P Capital II	1.9	3.5
IDFC Private Equity Fund II	0.6	10.3
IDFC Private Equity Fund III	6.2	9.3
IFC Africa Capitalization Fund	19.3	–
India Agribusiness Fund	3.1	2.8
India Financial Inclusion Fund	4.8	5.4
India Infrastructure Fund	29.9	33.4
India Value Fund II	0.3	1.7
India Value Fund III	1.9	15.0
India Value Fund IV	22.5	1.6
Interact Climate Change Facility	20.9	–
International Asset Reconstruction Fund I	3.7	1.7
International Finance Participation Trust (2004)	0.3	25.8
JS Private Equity I	16.3	4.7
Kendall Court Mezzanine (Asia) Fund I	0.4	3.9
Kendall Court Mezzanine (Asia) Bristol Merit Fund	9.8	8.8
Keytone Ventures	1.3	6.0
Kotak India Realty Fund	4.5	18.8

	Outstanding commitments £m	Investment value £m
Kotak India Private Equity Fund	8.3	12.8
Legend Capital Fund IV	0.9	6.1
Lok Capital	0.1	1.7
Lok Capital II	8.6	0.3
Lombard Asia III	5.3	13.7
Maghreb Private Equity Fund II	2.2	13.2
Medu Capital Fund II	1.8	4.0
Minlam Microfinance Offshore Fund	–	19.6
Multiples Private Equity Fund I	14.5	1.0
Navis Asia Fund IV	–	5.6
Navis Asia Fund V	15.7	24.7
New Silk Route Fund I	9.6	19.9
Nexxus Capital Private Equity Fund III	1.2	12.1
Patria-Brazilian Private Equity Fund III	7.6	11.9
Peepul Capital Fund III	12.6	–
PI International	31.6	–
Progression East Africa Microfinance Equity Fund	6.4	–
Qiming Venture Partners	1.4	25.0
Renewable Energy Asia Fund	8.1	3.5
Saratoga Asia II	9.8	20.9
Seedfund 2 International	5.6	2.2
Shorecap International	0.4	0.4
Shorecap II	4.4	1.6
Sierra Investment Fund	1.0	1.6
SilverStreet Private Equity Strategies – Silverlands Fund	12.2	0.3
Sphere Fund 1	0.3	1.6
Travant Private Equity Fund I	0.5	–
Tripod Capital China Fund II	6.5	12.6
Vantage Mezzanine Fund	0.5	6.4
VenturEast Proactive Fund	4.2	8.9
VenturEast Life Fund III	2.9	4.9
VI (Vietnam Investments) Fund II	8.2	1.3
Zana Capital Fund	2.9	8.9
106 other managed funds	790.2	943.0
6 co-investments	–	9.3
Forward foreign exchange contracts	–	(25.4)
Total legal commitment to 152 funds at end 2011	1,279.8	1,913.3

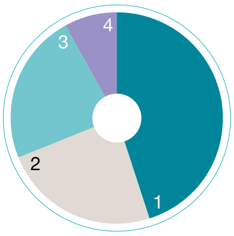
PERFORMANCE REVIEW
Continued

Underlying portfolio by sector



1	Infrastructure	**19%**
2	Industrials	**19%**
3	Financials	**15%**
4	Consumer	**12%**
5	Real estate	**8%**
6	ICT	**7%**
7	Healthcare	**6%**
8	Extractive	**6%**
9	Agribusiness	**5%**
10	Education	**3%**

Underlying portfolio by region



1	Africa	**45%**
2	South Asia	**24%**
3	Asia Pacific	**23%**
4	Americas	**8%**

For more information about CDC
please go to **www.cdcgroup.com**

CAPITAL STRUCTURE

Since 2004, CDC as a fund of funds has invested in illiquid private equity funds and is currently funded by equity.

CASH FLOW FORECASTING

CDC's investments are long-term in nature and individual fund cash flows are difficult to predict. However, CDC models best estimates of the performance and future long-term cash flows of its investments which are reviewed and approved by the Board.

RISKS AND RISK MANAGEMENT

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

General risks associated with investment

CDC has invested in private equity funds in developing countries. Such investment is inherently risky with the potential for loss of portfolio value leading to lower cash inflows than expected. A long-term commitment is required from CDC, with no certainty of return. During the year, a wholly owned subsidiary of CDC negotiated a committed standby borrowing facility of US$400m (£250m). At 31 December 2011, CDC had significant undrawn commitments of £1,279.8m (2010: £1,430.2m), which is normal for a fund of funds business, representing 135% of cash and borrowing facility held. The Board regularly considers cash flow forecasts at Board meetings and expects to meet its undrawn commitments, as well as commitments to future funds, from distributions received from its investments and the current cash balance held of £697.2m. However, market values have decreased as well as increased in the past. Whilst CDC's specific MSCI benchmark fell by 51% in 2008, it increased by 57% in 2009, 25% in 2010 and decreased by 22% in 2011. The timing of cash distributions from funds is uncertain and not within the direct control of CDC. The sale of interest in funds may require a lengthy time since there is only a limited market for secondary sales of emerging markets private equity interests. Further, sales usually require the consent of the general partner of the fund, the granting of which may be at its discretion.

The Board seeks to mitigate these risks by maintaining as diversified a portfolio of investments as possible within the policy objectives set by CDC's shareholder. Portfolio exposure targets for each country and sector in which CDC invests help to mitigate the portfolio risk. However, given CDC's history the portfolio does remain concentrated with respect to the private equity fund manager Actis. The percentage of funds under management (CDC investment in funds plus outstanding commitments to the funds) by Actis has fallen from 42% at the end of 2010 to 40% at the end of 2011. CDC has investments in 152 private equity funds providing it with a portfolio of over 1,100 underlying companies that are diversified by vintage year, size, geography and industry sector. CDC's highest sector exposures are 19% in Infrastructure and 19% in Industrials. The top 20 investments represent 35% of the portfolio with the largest individual investment representing 5%.

CDC's highest country exposures are 21% in India, 18% in China, 12% in South Africa and 8% in Nigeria.

In the future CDC's portfolio of investments will be increasingly concentrated on low and lower middle income countries in sub-Saharan Africa and the poorer states of India, which will increase the risk profile of CDC's portfolio.

Reputational risk

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

Currency risk

CDC's fund investments are in many currencies, particularly US$, therefore as a sterling corporation which is part of the UK government, it has currency risks which require treasury policies to manage cash resources. To mitigate currency risks, CDC enters into derivative type currency exchange transactions to hedge currency risk in accordance with a currency hedging policy agreed by the Audit, Compliance and Risk Committee. CDC does not trade in derivatives, nor does it enter into currency transactions of a speculative nature. More details on derivatives are given in note 17 to the accounts on pages 52 to 60.

Valuation risk

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

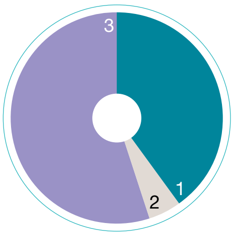
CDC valuation guidelines have been developed in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Investments are valued at fair value, which is the value at which an orderly transaction would take place between market participants at the reporting date. The detailed valuation methodology sets out best practice with respect to valuing investments. Valuation risks are mitigated by comprehensive reviews of underlying investments in the private equity funds carried out by the managers of the private equity funds at least twice each year. These valuations are reviewed by CDC management and then considered by the Audit, Compliance and Risk Committee. The details of the valuation methodology are given in note 2 to the accounts under the Investments heading on pages 35 to 36.

Pension funding risk

With the agreement of CDC, the Pensions Scheme Trustees purchased a bulk annuity policy, which covered the entitlement of all members of the defined benefit section of the Pensions Scheme. Pension funding is therefore no longer a material risk for the company.

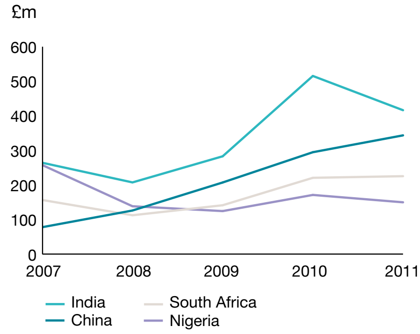
Godfrey Davies
Chief Financial Officer

Funds under management by fund manager



1	Actis	**40%**
2	Aureos	**5%**
3	Others	**55%**

Portfolio by major country 2007–2011

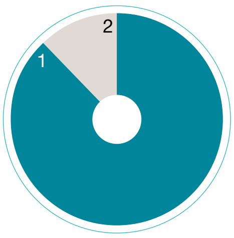


CORPORATE SUSTAINABILITY REPORT
Shonaid Jemmett-Page, Chief Operating Officer

Shonaid Jemmett-Page

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

CDC's carbon footprint



1 Air travel 267 tonnes **88%**
2 Electricity usage 35 tonnes **12%**

302
total tonnes CO_2

CDC's mission is to generate wealth in emerging markets, particularly in poorer countries, by providing capital for investment in sustainable and responsibly managed private sector businesses. CDC understands that sustainable private sector development requires responsible business management of environmental, social and governance (ESG) matters and that CDC has an effect on the environment, its people and the wider society in which we exist. CDC's Investment Code defines our principles, objectives, policies and management systems for sustainable and responsible investment with respect to ESG. The Investment Code applies to CDC, its fund managers and the companies in which its fund managers invest. CDC's Investment Code can be viewed in full at www.cdcgroup.com/uploads/cdcinvestmentcode.pdf.

CDC'S VALUES

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

We ensure that we keep social responsibility at the heart of our activities, contribute to the wider society around us and minimise our impact on the environment.

SOCIAL RESPONSIBILITY

Objective

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

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

Policy

CDC:

- endorses the principles set out in the Universal Declaration of Human Rights;
- complies with national laws as a minimum;
- clearly defines responsibilities and provides appropriate training and feedback on progress to all employees;
- establishes appropriate levels of salary across all functions and levels by reviewing all salaries periodically against appropriate externally-run benchmarks;
- treats employees fairly in terms of recruitment, progression, terms and conditions of work and representation, irrespective of age, colour, disability, gender, HIV status, political opinion, race, religion, sexual orientation or social and ethnic origin;
- creates a working environment where our culture and values get the best out of our people;
- creates and maintains a healthy working environment, encouraging a good work-life balance for all staff and allowing for flexibility in working patterns where appropriate;
- assesses the health and safety risks arising from work activities, taking appropriate actions to eliminate or reduce risks to health and safety;

- supports staff undertaking voluntary work; and
- supports charitable initiatives as appropriate for an organisation with our strategy.

Implementation

CDC's performance against these objectives and policies in 2011 is as follows:

Staff engagement and training

CDC has continued its focused training programme, which has been developed to deliver sustained performance and growth; 29 staff attended training on valuation methodologies and techniques.

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

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

There is a well established programme of regulatory training for all staff, under which training has been carried out in relation to anti-money laundering and the UK Bribery Act.

Reward and recognition

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

During the year CDC has reviewed and revised its compensation structures to ensure they attract and retain highly skilled staff with a passion for development.

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

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

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

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

Health and safety

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

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

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

Community and social enterprise

We promote the 'Give As You Earn' scheme administered by the Charities Aid Foundation (CAF). CDC has received a silver award from CAF for the level of staff payroll giving.

In lieu of sending Christmas cards, CDC made a donation of £2,000 to Zimkids, a charity that supports orphans and vulnerable families in Zimbabwe. CDC staff raised a further £727 for Zimkids. These donations have paid for the transport for one year for all of the children who take part in a literacy and numeracy school that Zimkids runs.

CDC's staff have supported other charitable ventures during the year including fundraising days for heart disease and smallholder farmers in Africa.

CDC maintains a policy of supporting and encouraging staff to participate in out of work activities that support civil society and charitable organisations. A number of staff currently serve as school governors, trustees for charities and hold key positions in Parent Teacher Associations. Some members of staff have held these positions for a number of years and CDC is proud to help and support its employees as they continue to provide their expertise to deserving organisations.

CDC recruits interns and work experience students to provide training and experience in the workplace.

CORPORATE SUSTAINABILITY REPORT
Continued

CDC's carbon offsetting in Uganda and Ghana: Fuel efficient stoves manufactured locally that use less charcoal and reduce emissions.

CDC's carbon offsetting in Kenya: Water purification filters to 900,000 families in the Western Province. The emission savings derive from avoiding the practice of boiling water using non-renewable wood and charcoal.

ENVIRONMENT: MINIMISING OUR IMPACT

Objective

CDC recognises that it has a responsibility for the environment above and beyond regulatory requirements. CDC staff practice the principles of reducing, re-using and recycling. We aim to be carbon neutral in our own operations in the future and to offset in a manner that is aligned to our Investment Code and within the CDC universe.

Policy

CDC:

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

Carbon footprint

In 2011, CDC measured its corporate carbon footprint, based on its emissions from air travel and electricity usage.

The emissions from air travel totalled 267 tonnes, using the ClimateCare/University of Oxford methodology. Electricity usage of 57,283 kWh produced emissions of 35 tonnes CO_2e, using the Defra/DECC emissions factor for UK grid.

CDC's total carbon footprint is 302 tonnes (using ClimateCare/Defra). Although this is a relatively small footprint, CDC has chosen to offset this.

CDC has offset this via ClimateCare in a portfolio of projects in sub-Saharan Africa. In Uganda and Ghana, CDC is supporting the distribution of fuel efficient stoves that are manufactured locally. These stoves not only reduce emissions through lower usage of non-renewable charcoal and wood but also limit exposure to indoor air pollutants, one of the major causes of illness amongst women and children in developing countries. The stoves on both projects are manufactured locally, ensuring jobs are created and technical skills are acquired within local communities. Without revenues from carbon finance, these projects would not have been viable as low income families would have continued to choose cheaper, less efficient stoves producing higher carbon emissions.

In Kenya, CDC is supporting an innovative project using carbon finance to provide water purification filters to almost 900,000 families in the Western Province. This is the first project to leverage the carbon market to provide safe drinking water and it is credited to the Gold Standard certification scheme. The emissions savings derive from avoiding the practice of boiling water using non-renewable wood and charcoal. In order to support the long term sustainability of the project, which is to comply with the requirement of all certified carbon reduction projects for annual third party monitoring to verify the carbon savings, a training, maintenance and replacement infrastructure has been developed in the region to ensure the filters are functioning and being used properly and that the local communities are fully benefiting from safe water.

Shonaid Jemmett-Page

Shonaid Jemmett-Page
Chief Operating Officer

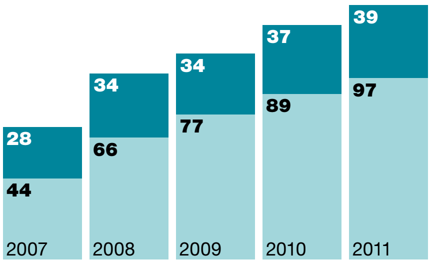
DEVELOPMENT

Fields Wicker-Miurin OBE, Non-executive Director

Fields Wicker-Miurin OBE

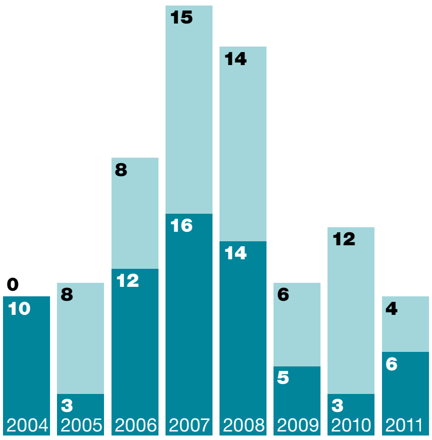
CDC carries out a detailed evaluation of each of its funds at the midpoint and end of the fund's life.

CDC-anchored funds



CDC > 50% at first close
Other funds

First-time managers by year



First-time fund managers
Other fund managers

Development is at the heart of what CDC does. Our mission is to support the building of businesses in poor countries, creating jobs and making a lasting difference to people's lives. As a development finance institution (DFI), CDC achieves this through the provision of much-needed capital and by catalysing third parties, directly and indirectly, to also invest in poor countries.

According to a World Bank survey 'Voices of the Poor', 70% of poor people believe that the best way of escaping poverty is to find employment ('Voices of the Poor', The World Bank, 2009). Given that some 90% of jobs in developing countries are in the private sector (World Bank, 2005), CDC is focused on helping this type of business grow.

As well as creating jobs, successful businesses make other contributions to local economies. For example, infrastructure companies provide power, water, sanitation, roads and other vital services. Consumer companies provide higher quality goods and services at competitive prices. Businesses also generate taxes that allow governments to finance public amenities.

Measurement

CDC has an established methodology for assessing the development impact of its investments, we also recognise that no two companies are the same. Each investment that is made by CDC can have different results so we also capture some individual impacts from a sample of our investment portfolio. Please see www.cdcgroup.com/case-studies.aspx.

In 2008, CDC reviewed the way we measure our impact. Our methodology is similar to the International Finance Corporation's (IFC) framework for investments through financial intermediaries. We strive to remain in step with the latest thinking on development impact measurement and work closely with our colleagues in other development finance institutions (DFIs).

CDC's fund investments are measured at the mid-point and at the end of the life of the fund, examining four key parameters:

- Financial performance;
- Economic performance;
- Environment, social and governance (ESG) performance; and
- Private sector development.

A six-scale rating system is applied for each parameter and a core set of over 30 indicators is used to measure performance.

To learn more about CDC's approach to evaluation and read the 2011 Evaluation Summary Report please visit www.cdcgroup.com/our-impact.aspx

CDC also measures its own impact by assessing the extent to which it has mobilised other capital into poor countries and been 'additional' in helping develop investment capacity in poor countries.

Funds where CDC provided more than 50% of the capital

CDC pioneers investment in regions or sectors that others deem too high risk. In such cases CDC will frequently help a new fund get started by advising the fund team, helping with the fund strategy and providing significant investment. In fact, of 136 fund investments since 2004, CDC provided over 50% of the committed capital at the first close in 39 cases.

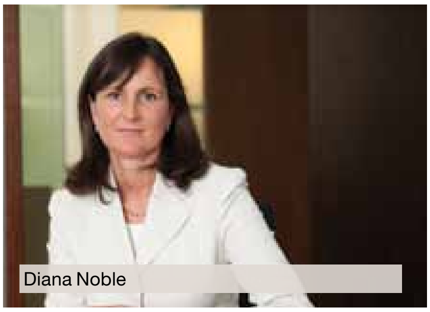
First-time fund managers

CDC aims to develop investment capacity in poor countries and this often means backing a new fund manager to help them get started. Without an all-important track record many investors will avoid first-time fund managers, but CDC has a long history of identifying and backing strong, new teams. Since 2004 of the 136 fund investments made by CDC, over half have been made to first-time fund managers, and in 2011 such commitments represented 60% of the total.

Please see www.cdcgroup.com/annualreview2011 for more information.

BOARD OF DIRECTORS


Richard Gillingwater CBE


Diana Noble


Valentine Chitalu


Ian Goldin

The terms and conditions of appointment of Non-executive Directors are available for review on CDC's website.

RICHARD GILLINGWATER CBE
CHAIRMAN
Nominations Chair, Co-Investment Chair, Audit, Compliance and Risk Chair (from November 2010 to 29 March 2011)

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

Richard has previously held senior appointments in the City and Government and most recently was Chairman of the Shareholder Executive, the body created in September 2003 to improve the Government's performance as a shareholder in Government-owned businesses.

He is currently Dean of Cass Business School and a Non-executive Director of Scottish and Southern Energy plc and a Senior Independent Director at Hiscox Ltd. He was awarded a CBE in 2008 in recognition of his services to the financial services industry.

DIANA NOBLE
CHIEF EXECUTIVE

Appointed Chief Executive and Executive Director in November 2011.

Diana's background is in private equity, venture capital and international development. She was a Partner at Schroder Ventures (now Permira) for 12 years, founder CEO of e-Ventures and founder Managing Director of Reed Elsevier Ventures. Diana joined CDC after 5 years with the Clinton Foundation's Health Access Initiative where she took a number of roles, including EVP Operations, responsible for 43 countries and 5 global teams and oversaw the scale-up of a global programme to give children equal access to HIV/AIDS care and treatment as that available to adults. She has also been an Advisor to the Supervisory Board of Actis. Diana has a first class Law degree and completed the Advanced Management Program at Harvard Business School.

VALENTINE CHITALU
NON-EXECUTIVE DIRECTOR
Audit, Compliance and Risk Chair (from 29 March 2011)

Appointed in May 2010.

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

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

IAN GOLDIN
SENIOR INDEPENDENT DIRECTOR AND NON-EXECUTIVE DIRECTOR
Remuneration Chair

Appointed in January 2010.

Ian is Director of Oxford University's Oxford Martin School. Ian is also University Professor of Globalisation and Development and a Professorial Fellow at Oxford University's Balliol College.

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

For more information about CDC please go to **www.cdcgroup.com**

JEREMY SILLEM
NON-EXECUTIVE DIRECTOR

Appointed in March 2011.

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

He sits on a number of boards including that of Martin Currie (Holdings) Limited, the Edinburgh based global equities manager.

FIELDS WICKER-MIURIN OBE
NON-EXECUTIVE DIRECTOR
Development Chair

Appointed in November 2004.

Fields is Co-Founder and Partner of Leaders' Quest, where she leads the Advisory Council. Leaders' Quest works across the globe in the most dynamic and rapidly changing countries with people who want to be relevant and responsible leaders in the world of the future. Fields is also a Non-executive Director of BNP Paribas (Paris) and of Ballarpur International Graphic Paper, India's largest pulp and writing paper company.

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

RICHARD LAING
FORMER CHIEF EXECUTIVE

Appointed Director in January 2000, Chief Executive in July 2004 and resigned as a Director in June 2011.


Jeremy Sillem


Fields Wicker-Miurin OBE


Richard Laing

DIRECTORS' REPORT

The Directors submit their report and the audited financial statements of CDC Group plc (CDC or the Company) and its subsidiaries (the Group) for the year ended 31 December 2011. The Directors' Remuneration Report on pages 23 to 25 details Directors' interests and Director and employee incentive arrangements during the year.

PRINCIPAL ACTIVITIES AND INVESTMENT POLICY

CDC is a development finance institution, which invests its capital in private sector businesses in developing countries. Its principal activity is intermediated risk capital investment through investment funds and other investment vehicles managed by third party fund managers. It also has direct majority holdings in companies in agriculture and finance and is building a debt and direct equity investment capability.

CDC operates under an investment policy agreed with its shareholder. The policy defines the universe of countries in which CDC can invest; targets for new investment in low income countries and sub-Saharan Africa; and the need for CDC's presence as an investor to act as a catalyst for third party investors to invest alongside CDC.

BUSINESS REVIEW

The information that fulfils the requirements of the Business Review may be found in the Performance Review on pages 4 to 11, which is incorporated into this report by reference.

BEST PRACTICE

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

Developing countries 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 countries. CDC seeks to apply principles of responsible investment in developing countries and requires its fund managers to encourage their portfolio companies to adopt higher standards.

FINANCIAL STATEMENTS

Basis of preparation

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

Income

Income from continuing operations was £37.0m (2010: £56.1m).

Loss from operations

The loss from operations before tax and finance costs of £102.9m compares with a restated profit of £268.1m for 2010; the fall has been driven by fair value losses on the portfolio.

Taxation

The tax charge for 2011 was £2.7m compared with £1.9m in 2010. CDC is exempt from corporation tax in the UK. However, the Group is still subject to corporate and other taxes outside the UK.

Changes in equity

The loss for the year attributable to equity holders of CDC was £106.7m (2010: restated profit £295.3m). Comprehensive income for the year attributable to equity holders of CDC was £(87.4)m (2010: restated profit £282.6m).

Cash flow

Cash flows from operating activities were an inflow of £16.0m (2010: outflow of £8.8m).

Investment policy targets

The CDC Board regularly reviews investment performance against investment policy targets. New investments were 77% in poorer countries and 62% in sub-Saharan Africa and South Asia, exceeding the targets of 70% and 50% respectively. The Board also reviews forecasts of new investments and expects actual results to exceed investment policy targets for the foreseeable future.

Statement of financial position

Total assets decreased from £2,965.0m restated to £2,875.1m.

Pensions

CDC operates a single pension scheme in the UK. The defined benefits section of this scheme has been closed to new entrants since 1 April 2000. CDC makes contributions to the defined benefits section in accordance with an agreed schedule of contributions. Disclosures required under International Accounting Standards (IAS) show a net pension deficit of £1.0m (2010: £nil). These figures have been restated compared to 2010. Further details are shown in note 14 to the audited financial statements.

Dividend recommendation

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

REGULATION

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

CORPORATE GOVERNANCE

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

In accordance with evolving governance best practice, an evaluation of the performance of the Board was undertaken by an external evaluation consultancy in 2011 whose recommendations have been implemented. 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.

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

In preparing these financial statements, the Directors are required to:

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

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

CDC's objectives, business activities, performance, financial position, cash flows and liquidity position are described in the Performance Review on pages 4 to 11.

In addition, note 18 to the financial statements includes the Group's policies and processes for managing its financial risk, details of its financial instruments and hedging activities and its exposures to credit and liquidity risk. The Group has considerable financial resources. The Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

Disclosure of information to auditors

So far as each Director is aware at the date of approval of this report, there is no relevant audit information of which the Company's auditors are unaware and each Director 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 management 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: (i) determine the direction and strategy of CDC in accordance with the Company's investment policy; (ii) monitor the achievement of the Company's business objectives; (iii) ensure that the Company's responsibilities to its shareholder are met; (iv) ensure that the Company is adequately protected against the risks it faces; and (v) ensure that the Company's employees apply appropriate ethical standards in the performance of their duties in accordance with CDC's Investment Code.

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

DIRECTORS' REPORT
Continued

BOARD MEMBERSHIP
The Board structure ensures that no single individual or group dominates. CDC has procedures for planning, investing, reporting and measuring performance. The Company's Articles of Association provide for one third of the Directors to retire by rotation at each annual general meeting and for a director to retire by rotation at the first annual general meeting after his or her appointment. The Directors retiring by rotation at the forthcoming annual general meeting are Richard Gillingwater, Ian Goldin, Jeremy Sillem and Diana Noble. Being eligible, they offer themselves for re-election.

The Board met six times during 2011 and has scheduled six meetings for 2012. The Chairman and the Chief Executive agree the agenda for Board meetings, but all Board members are entitled to raise other issues. The Chairman ensures that the Board is properly briefed on all issues arising at Board meetings. The Chief Executive supplies the Board with information which is timely and of a quality that enables it to carry out its duties. Training, where appropriate, is provided to the Board and employees. All Directors have access to the advice and services of the General Counsel and Company Secretary and they may obtain independent professional advice at CDC's expense, if required. All Board and Committee meetings are appropriately minuted.

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

BOARD DIRECTORS
The composition of the Board changed in 2011. Jeremy Sillem joined on 29 March 2011. Following the resignation of Richard Laing from the position of Executive Director effective 30 June 2011, Diana Noble was appointed to that position on 14 November 2011.

The table below indicates the attendance of all the Board Directors, whose biographies are on pages 16 to 17, during the year ended 31 December 2011:

Number of meetings during the year	6
Richard Gillingwater CBE (Chair)	6
Diana Noble	1
Fields Wicker-Miurin OBE	6
Ian Goldin	5
Jeremy Sillem	4
Richard Laing	3
Valentine Chitalu	6

Following an evaluation of the performance of the Board by an external evaluation consultancy in 2011, an internal evaluation of Board and Committee performance was carried out by the Chairman in 2012 and reported to and considered by the Board.

At the end of 2011, the Chairman held two directorships excluding his CDC directorship. The Board considers that the Chairman has sufficient time to undertake his duties at CDC.

BOARD COMMITTEES
The Board has five principal committees to assist it in fulfilling its responsibilities. The terms of reference of each of these committees are available for review on CDC's website.

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

Number of meetings during the year	3
Valentine Chitalu (Chair)	3
Fields Wicker-Miurin OBE	3
Jeremy Sillem	2
Richard Gillingwater CBE	3

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

The Audit, Compliance and Risk Committee also reviews CDC's system of internal control, further details of which are set out below. It also oversees changes in the Company's external auditor in accordance with best practice. It satisfied itself as to the independence of the external auditor. In doing so, it considered the following factors, having regard to the views of management, internal audit and the external auditor:

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

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

Remuneration

The table below indicates the members and their attendance at scheduled meetings during the year. The quorum is two members. The Chief Executive attends by invitation.

Number of meetings during the year	4
Ian Goldin (Chair)	4
Fields Wicker-Miurin OBE	2
Jeremy Sillem	1
Richard Gillingwater CBE	4

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

Development (formerly Best Practice and Development)

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

Number of meetings during the year	7
Fields Wicker-Miurin OBE (Chair)	7
Ian Goldin	6
Richard Gillingwater CBE	7
Valentine Chitalu	7

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

Nominations

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

Number of meetings during the year	4
Richard Gillingwater CBE (Chair)	4
Diana Noble	1
Fields Wicker-Miurin OBE	4
Ian Goldin	4
Jeremy Sillem	4
Richard Laing	2
Valentine Chitalu	4

Co-Investment

The Co-Investment Committee did not meet in 2011. It meets as required, with a quorum of three Directors, one of whom must be the Chairman or the Chief Executive. It is authorised to approve direct co-investments (of up to US$50m) alongside investment funds to which CDC has committed capital.

DIRECTORS' CONFLICTS OF INTEREST

Directors have a statutory duty to avoid conflicts of interest with the Company. The Company has processes to disclose and identify potential and actual conflicts of interest. Such conflicts are then considered by the Board and an appropriate course of action agreed.

GENERAL COUNSEL AND COMPANY SECRETARY

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

INTERNAL CONTROL

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

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

DIRECTORS' REPORT
Continued

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

OWNERSHIP
The Secretary of State holds 765,036,042 ordinary shares of £1 each and one special rights redeemable preference share of £1 in the capital of the Company. The remaining one issued ordinary share of £1 is held by the Solicitor for the Affairs of Her Majesty's Treasury.

POLITICAL AND CHARITABLE CONTRIBUTIONS
In 2011 CDC made a charitable donation of £2,000 to Zimkids which supports vulnerable children and families in Zimbabwe, in lieu of Christmas cards. CDC makes no political contributions.

POLICY FOR PAYING CREDITORS
CDC's policy is to pay its creditors promptly, as encouraged by UK government initiatives. At 31 December 2011 the Company had an average of 22 days purchases outstanding in trade creditors (2010: 17 days).

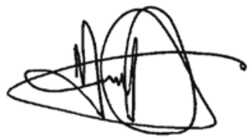
AUDITORS
In accordance with Section 489 of the Companies Act 2006, a resolution proposing the reappointment of KPMG Audit Plc as the Company's auditors will be put to members at the forthcoming Annual General Meeting.

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

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

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

By order of the Board



Mark Kenderdine-Davies
General Counsel and Company Secretary
CDC Group plc
On behalf of the Board of Directors
28 March 2012

DIRECTORS' REMUNERATION REPORT

THE NEW REMUNERATION FRAMEWORK

CDC has developed and agreed with DFID, with advice from the Shareholder Executive, a revised remuneration framework that supports CDC's new strategic direction.

In future, CDC remuneration will reflect its mission to support the building of businesses in the poorest countries, creating jobs and making a lasting difference to people's lives, using high quality investment skills and will incentivise CDC's management to align with this mission. The comparator group for benchmarking purposes will no longer include Private Equity or Fund of Fund organisations and will be based on Development Finance Institutions.

Importantly, CDC sees this new framework as no barrier to attracting and retaining some of the most capable investors, as it intends to position itself as the organisation best able to satisfy the motivations of individuals who want to use their investing skills to achieve lasting benefits for others.

ELEMENTS OF NEW REMUNERATION FRAMEWORK

Base salary

Individual base salaries reflect the job responsibilities, as well as experience and skills of each individual and are benchmarked to the comparator group. Annual increases to base salaries will be considered by the Remuneration Committee having regard to the change in CPI and other economic factors. In this respect, the annual increase in January 2012 was 4% which was below the CPI benchmark.

Annual personal performance plan (APPP)

Every employee in CDC, with the exception of the CEO, will qualify for an APPP of up to 20% of base salary. This will be based on achievement of annual individual personal objectives.

Long term CDC development performance plan (LTDPP)

Senior CDC staff will qualify for an LTDPP, capped relative to an individual's salary and determined on tenure. In addition, the CEO's LTDPP will be capped at £40,000. Payment of the LTDPP pool will be closely linked to the development impact potential, and over time, actual performance of businesses supported by CDC's capital.

For more detail, the full framework is available on the CDC website.

TRANSITION TO THE NEW REMUNERATION FRAMEWORK

Executive Directors and other senior executives, with the exception of Diana Noble, the new CEO who joined in November, were paid in 2011 according to the old framework. All new hires to CDC from 1 January 2012 will start on the new framework, and existing CDC employees will start their tenure for both LTDPP and APPP from the same date. The residual Short Term Incentive Plan (STIP) for this period and Long Term Incentive Plan (LTIP), for those already employed at CDC prior to the adoption of the new framework, will be governed by the previous Remuneration Framework, signed in 2008 and interim arrangements, as agreed in May 2011. This will result in final residual payments as follows:

Short term incentive plan (STIP)

For all eligible employees, an annual performance-related bonus, which is non-pensionable. The bonus reflects the individual's performance in the context of the overall performance of CDC. The final payment under this scheme was made in March 2012. Richard Laing was eligible for a bonus but decided to waive it.

Long term incentive plan (LTIP)

For all eligible employees, a cash payment depending on the extent to which the performance targets for CDC were satisfied or exceeded at the end of a three-year performance period, subject to the rules of the plan. A payment was made in April 2012 (relating to the period 2009-2011) and two further payments are due in March 2013 (for the period 2010-2012) and March 2014 (for the period 2011-2013.) Richard Laing has donated the LTIP he received to charity.

BENEFITS IN KIND

Benefits in kind have not been amended by the new framework and continue to be offered to all staff including Executive Directors. These are:

- Life assurance cover, which will pay a lump sum equivalent to either four times base salary in the event of death, plus a dependent pension of 30% of salary, or eight times base salary with no dependent pension;

- Permanent health insurance, which provides cover in the event that they are unable, through ill health, to continue to work for the Company;

- Private medical insurance, which can include cover for family members; and

- Medical check ups for all staff that frequently travel overseas on business.

DIRECTORS' REMUNERATION REPORT
Continued

PENSION ARRANGEMENTS
Diana Noble is eligible for contributions at the rate of 22.5% of base salary into either the CDC Stakeholder Pension Plan or an alternative plan of her choice. Richard Laing was a member of CDC's non-contributory defined benefit pension scheme and receives a contribution to a defined contribution scheme of his choice. Details of his pension entitlements are disclosed on page 25.

REMUNERATION COMMITTEE AND ADVISERS
CDC's Remuneration Committee during 2011 comprised Ian Goldin (Chair from 29 January 2010), Fields Wicker-Miurin, Richard Gillingwater, Valentine Chitalu, Jeremy Sillem (from 29 March 2011).

CDC appointed Towers Watson and Patterson Associates to advise on remuneration and to assess comparability to the marketplace. In addition, CDC appointed Towers Watson and Sackers to advise on a Stakeholder pension arrangement which was introduced in February 2011.

SERVICE AGREEMENTS
Diana Noble has a service agreement which is terminable on both sides by 12 months' notice. Diana Noble will receive a salary of £250,000 per annum. She will not participate in the APPP but will be entitled to participate in CDC's LTDPP subject to the cap mentioned above.

Richard Laing had a service agreement which was terminable on both sides by 12 months' notice. On 17 February 2011, he gave notice under the agreement of his wish to retire. He resigned as a director with effect from 30 June 2011.

The Non-executive Directors have letters of appointment. The appointments of Non-executive Directors are fixed for three year terms from the effective date of appointment, renewable for further three year terms at the election of CDC and each Non-executive Director will be subject to re-election at an annual general meeting in accordance with the provisions for retirement of Directors by rotation contained in CDC's Articles of Association.

The remuneration of the Non-executive Directors takes the form solely of fees which have been agreed with DFID. The basic fee for all Non-executive Directors (except for the Chairman) is £22,000 per annum (2010: £22,000). The basic fee for the Chairman is £40,000 per annum (2010: £40,000). Non-executive Directors, except the Chairman, receive an additional £2,000 per annum (2010: £2,000) for each committee membership and £4,000 per annum (2010: £4,000) for each committee which they chair. The fees paid to Non-executive Directors in 2011 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 (to 30 June 2011)	24 January 2000	12
Diana Noble	14 November 2011	12
Non-executive Directors		
Valentine Chitalu (from 26 May 2010)	26 May 2010	3
Richard Gillingwater CBE	22 January 2009	3
Ian Goldin (from 29 January 2010)	10 February 2010	3
Jeremy Sillem (from 29 March 2011)	29 March 2011	3
Fields Wicker-Miurin OBE	7 October 2004	3

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 was a Trustee of the Overseas Development Institute and sat on the Board of Plan UK. He received no fees for these appointments.

DIRECTORS' REMUNERATION

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

	Base salary/fee £	Bonus STIP £	Bonus LTIP £	Benefits £	Total 2011 £	Total 2010 £
Executive Directors						
Diana Noble (from 14 November 2011)	**38,141**	–	–	–	**38,141**	–
Non-executive Directors						
Valentine Chitalu (from 26 May 2010)	**29,667**	–	–	–	**29,667**	14,431
Richard Gillingwater CBE	**40,000**	–	–	–	**40,000**	40,000
Ian Goldin (from 29 January 2010)	**30,000**	–	–	–	**30,000**	24,985
Fields Wicker-Miurin OBE	**32,000**	–	–	–	**32,000**	31,121
Jeremy Sillem (from 29 March 2011)	**21,431**	–	–	–	**21,431**	–
Past Directors						
Richard Laing (Director to 30 June 2011)*	**225,000**	–	**238,238†**	**4,132**	**467,370**	500,855
Arnab Banerji (to 16 November 2010)	–	–	–	–	–	27,500
Jonathan Kydd (to 26 May 2010)	–	–	–	–	–	12,500
Andrew Williams (to 16 November 2010)	–	–	–	–	–	26,500

* Bonus STIP waived. Remuneration whilst a Director was £114,566.
† Richard Laing has donated the LTIP he received to charity.

PENSION ENTITLEMENTS (AUDITED BY KPMG AUDIT PLC)

The pension entitlements for Diana Noble were contributions to defined contribution schemes of £8,582.

The pension entitlements for Richard Laing, are as follows. Contributions to the defined benefit scheme were £100,046 (2010: £98,138) which give an accumulated annual pension of £38,610 (2010: £33,733). This represents a transfer value of £1,468,984 (2010: £950,314). Transfer values change depending on benefit accrued but also market conditions and actuarial assumptions. The transfer value represents a liability of the pension fund, not a sum paid or due to the individual. Contributions to defined contribution schemes were £42,112 (2010: £93,892) and there was also a payment in lieu of contributions to defined contribution schemes of £55,881.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE CDC GROUP PLC

We have audited the financial statements of CDC Group plc for the year ended 31 December 2011 set out on pages 27 to 68.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provision of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you, if in our opinion:

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

Vincent Neate
(Senior Statutory Auditor)
for and on behalf of **KPMG Audit Plc,**
Statutory Auditor
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB
28 March 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 12 months to 31 December

	Notes	2011 Total £m	2010 restated Total £m
Income	4a	**37.0**	56.1
Cost of sales		**(4.6)**	(7.1)
Gross profit		**32.4**	49.0
Fair value (losses) and gains	11	**(103.2)**	255.3
Other income	4b	**5.9**	37.0
Selling and distribution costs		**(0.5)**	(0.9)
Administrative expenses	4c	**(30.2)**	(42.0)
Other expenses	4d	**(7.3)**	(30.3)
		(135.3)	219.1
(Loss)/profit from operations before tax and finance costs		**(102.9)**	268.1
Finance costs	5a	**(9.9)**	(9.7)
Finance income	5a	**1.9**	3.4
Net foreign exchange differences	5b	**9.1**	25.7
(Loss)/profit from operations before tax		**(101.8)**	287.5
Tax charge	6	**(2.7)**	(1.9)
(Loss)/profit for the year		**(104.5)**	285.6
Other comprehensive income			
Exchange differences on translating foreign operations		**19.4**	(10.6)
Exchange profit/(loss) on disposed subsidiaries		**5.2**	(0.2)
Recognised actuarial loss on pensions	14	**(1.8)**	(5.9)
Cash flow hedges		**–**	1.8
		22.8	(14.9)
Total comprehensive income for the year		**(81.7)**	270.7
(Loss)/profit attributable to:			
Equity holders of the parent		**(106.7)**	295.3
Minority interests		**2.2**	(9.7)
(Loss)/profit for the year		**(104.5)**	285.6
Total comprehensive income attributable to:			
Equity holders of the parent		**(87.4)**	282.6
Minority interests		**5.7**	(11.9)
Total comprehensive income for the year		**(81.7)**	270.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December

	Notes	2011 £m	2010 restated £m
Assets			
Non-current assets			
Property, plant and equipment	7	**7.5**	15.6
Biological assets	8	**–**	20.0
Investment property	9	**–**	1.0
Intangible assets	10	**1.8**	–
Fair value financial assets	11	**1,875.5**	1,856.1
Other financial assets	12	**69.1**	89.3
Deferred tax assets	13	**0.3**	2.6
Derivative financial instruments	17	**0.2**	3.5
		1,954.4	1,988.1
Current assets			
Inventories	15	**–**	1.4
Trade and other receivables	16	**96.5**	111.8
Current tax assets		**–**	0.8
Prepayments		**2.0**	1.4
Derivative financial instruments	17	**13.3**	19.5
Treasury bills and bonds maturing after more than 90 days	19	**36.3**	23.1
Cash and cash equivalents	19	**772.6**	818.9
		920.7	976.9
Total assets		**2,875.1**	2,965.0
Equity and liabilities			
Attributable to the equity holders of the parent			
Issued capital	20	**765.0**	765.0
Currency translation reserve	20	**(33.7)**	(54.8)
Retained earnings	20	**1,860.9**	1,969.4
		2,592.2	2,679.6
Minority interests		**8.0**	2.3
Total equity		**2,600.2**	2,681.9
Non-current liabilities			
Trade and other payables	22	**0.6**	0.6
Interest-bearing loans and borrowings	23	**31.0**	53.3
Provisions	24	**0.5**	0.7
Deferred tax liabilities	13	**0.5**	3.8
Net pension liability	14	**1.0**	–
Derivative financial instruments	17	**9.0**	2.5
		42.6	60.9
Current liabilities			
Trade and other payables excluding current tax	21	**169.0**	140.8
Current tax liabilities	21	**0.3**	0.2
Interest-bearing loans and borrowings	23	**29.7**	21.7
Derivative financial instruments	17	**33.3**	59.5
		232.3	222.2
Total liabilities		**274.9**	283.1
Total equity and liabilities		**2,875.1**	2,965.0

The accounts were approved by the members of the Board on 28 March 2012 and were signed on their behalf by:

Richard Gillingwater
Chairman

Diana Noble
Chief Executive

CONSOLIDATED STATEMENT OF CASH FLOWS
For the 12 months to 31 December

	Notes	2011 £m	2010 restated £m
Cash flows from operating activities			
(Loss)/profit from operations before tax		**(101.8)**	287.5
Depreciation and impairment of property, plant and equipment	7	**1.8**	3.8
Amortisation of other intangible assets	10	**0.5**	–
Finance costs	5a	**9.9**	9.7
Finance income	5a	**(1.9)**	(3.4)
Provision charge on loans and receivables	12	**4.9**	8.2
Provision charges	24	**–**	0.5
Defined benefits pension costs	14	**0.3**	0.3
Change in value of fair value financial assets	11	**103.2**	(255.3)
Change in value of biological assets	8	**–**	18.3
Change in value of investment property		**–**	(0.2)
Loss/(profit) on disposal of fair value financial assets	4a	**10.0**	(8.5)
(Profit)/loss on disposal of subsidiaries	4a	**(4.4)**	1.6
Loss on disposal of property, plant and equipment	4d	**0.1**	–
Exchange and other movements		**14.5**	(33.9)
Profit from operations before changes in working capital and provisions		**37.1**	28.6
(Increase)/decrease in trade and other receivables		**(11.2)**	14.0
(Increase) in other financial assets		**(5.4)**	(14.1)
(Increase) in derivative financial instruments		**(10.2)**	(48.7)
Decrease/(increase) in inventories		**1.4**	(0.1)
(Increase)/decrease in treasury bills and bonds maturing after more than 90 days		**(13.2)**	12.9
Increase in trade and other payables		**28.7**	19.0
Utilisation of provisions	24	**(0.2)**	(2.3)
Cash flows from operations		**27.0**	9.3
Defined benefit pension contributions paid	14	**(1.1)**	(11.3)
Bank interest received	5a	**1.9**	1.9
Finance income on loans	5a	**–**	1.5
Interest paid		**(9.9)**	(9.8)
Tax payments		**(1.9)**	(0.4)
Cash flows from operating activities		**16.0**	(8.8)

CONSOLIDATED STATEMENT OF CASH FLOWS
For the 12 months to 31 December
Continued

	Notes	2011 £m	2010 restated £m
Cash flows from investing activities			
Proceeds from sale of fair value financial assets	3	**277.4**	190.8
Proceeds from sale of property, plant and equipment	7	**–**	0.1
Loan repayments	12 & 3	**39.4**	27.1
Proceeds from sale of investment property		**–**	2.4
Acquisition of fair value financial assets	11 & 3	**(362.5)**	(416.3)
Loan advances	12 & 3	**(0.7)**	(1.2)
Acquisition of intangible assets	10	**(2.3)**	–
Acquisition of property, plant and equipment	7	**(4.8)**	(5.9)
Acquisition of biological assets	8	**(0.2)**	(0.8)
Cash flows from investing activities		**(53.7)**	(203.8)
Cash flows from financing activities			
Proceeds from increase in borrowings		**13.3**	25.1
Repayment of borrowings		**(9.2)**	(8.7)
Dividends paid to minority interests		**(1.1)**	(0.9)
Cash flows from financing activities		**3.0**	15.5
Net decrease in cash and cash equivalents	3	**(34.7)**	(197.1)
Cash and cash equivalents at 1 January		**817.2**	1,023.1
Effect of exchange rate fluctuations on cash held		**(10.4)**	(8.8)
Cash and cash equivalents at 31 December	19 & 3	**772.1**	817.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company						
	Share capital £m	Net unrealised gains and losses reserve £m	Currency translation reserve £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
At 1 January 2010	765.0	(1.8)	(46.2)	1,819.7	2,536.7	14.2	2,550.9
Impact of change in accounting policy	–	–	–	(139.7)	(139.7)	–	(139.7)
At 1 January 2010 restated	765.0	(1.8)	(46.2)	1,680.0	2,397.0	14.2	2,411.2
Changes in equity for 2010							
Exchange differences on translating foreign operations	–	–	(8.4)	–	(8.4)	(2.2)	(10.6)
Exchange differences on disposed subsidiaries recycled through statement of comprehensive income	–	–	(0.2)	–	(0.2)	–	(0.2)
Recognised actuarial loss on pensions	–	–	–	(5.9)	(5.9)	–	(5.9)
Cash flow hedges	–	1.8	–	–	1.8	–	1.8
Net income recognised directly in equity	–	1.8	(8.6)	(5.9)	(12.7)	(2.2)	(14.9)
Profit for the year restated	–	–	–	295.3	295.3	(9.7)	285.6
Total comprehensive income for the year	–	1.8	(8.6)	289.4	282.6	(11.9)	270.7
At 31 December 2010 restated	765.0	–	(54.8)	1,969.4	2,679.6	2.3	2,681.9
Changes in equity for 2011							
Exchange differences on translating foreign operations	**–**	**–**	**15.9**	**–**	**15.9**	**3.5**	**19.4**
Exchange differences on disposed subsidiaries recycled through statement of comprehensive income	**–**	**–**	**5.2**	**–**	**5.2**	**–**	**5.2**
Recognised actuarial loss on pensions	**–**	**–**	**–**	**(1.8)**	**(1.8)**	**–**	**(1.8)**
Net income recognised directly in equity	**–**	**–**	**21.1**	**(1.8)**	**19.3**	**3.5**	**22.8**
(Loss)/profit for the year	**–**	**–**	**–**	**(106.7)**	**(106.7)**	**2.2**	**(104.5)**
Total comprehensive income for the year	**–**	**–**	**21.1**	**(108.5)**	**(87.4)**	**5.7**	**(81.7)**
At 31 December 2011	**765.0**	**–**	**(33.7)**	**1,860.9**	**2,592.2**	**8.0**	**2,600.2**

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Net unrealised gains and losses reserve £m	Retained earnings £m	Total £m
At 1 January 2010	765.0	(1.4)	1,781.8	2,545.4
Impact of change in accounting policy	–	–	(139.7)	(139.7)
At 1 January 2010 restated	765.0	(1.4)	1,642.1	2,405.7
Cash flow hedges	–	1.4	–	1.4
Profit for the year restated	–	–	257.6	257.6
Recognised actuarial loss on pensions	–	–	(5.9)	(5.9)
Total comprehensive income for the year	–	1.4	251.7	253.1
At 31 December 2010 restated	765.0	–	1,893.8	2,658.8
Loss for the year	**–**	**–**	**(55.8)**	**(55.8)**
Recognised actuarial loss on pensions	**–**	**–**	**(1.8)**	**(1.8)**
Total comprehensive income for the year	**–**	**–**	**(57.6)**	**(57.6)**
At 31 December 2011	**765.0**	**–**	**1,836.2**	**2,601.2**

COMPANY STATEMENT OF FINANCIAL POSITION
At 31 December

	Notes	2011 £m	2010 restated £m
Assets			
Non-current assets			
Property, plant and equipment	7	**0.4**	0.6
Fair value financial assets	11	**1,200.6**	2,172.9
Other financial assets	12	**736.9**	117.1
Derivative financial instruments	17	**0.2**	3.5
		1,938.1	2,294.1
Current assets			
Trade and other receivables	16	**34.9**	66.9
Prepayments		**0.7**	0.9
Derivative financial instruments	17	**13.3**	19.5
Cash and cash equivalents	19	**692.4**	735.8
		741.3	823.1
Total assets		**2,679.4**	3,117.2
Equity and liabilities			
Issued capital	20	**765.0**	765.0
Retained earnings	20	**1,836.2**	1,893.8
Total equity		**2,601.2**	2,658.8
Non-current liabilities			
Provisions	24	**0.5**	0.6
Net pension liability	14	**1.0**	–
Derivative financial instruments	17	**9.0**	2.5
		10.5	3.1
Current liabilities			
Trade and other payables excluding current tax	21	**43.2**	405.8
Interest bearing loans and borrowings	19 & 23	**0.5**	–
Current tax liabilities	21	**0.1**	0.2
Derivative financial instruments	17	**23.9**	49.3
		67.7	455.3
Total liabilities		**78.2**	458.4
Total equity and liabilities		**2,679.4**	3,117.2

The accounts were approved by the members of the Board on 28 March 2012 and were signed on their behalf by:

Richard Gillingwater
Chairman

Diana Noble
Chief Executive

COMPANY STATEMENT OF CASH FLOWS
For the 12 months to 31 December

	Notes	2011 £m	2010 restated £m
Cash flows from operating activities			
(Loss)/profit from operations before tax		**(55.8)**	244.1
Depreciation and impairment of plant and equipment	7	**0.2**	0.3
Finance income		**–**	(3.4)
Impairment of loans and receivables	12	**5.6**	7.2
Defined benefit pension costs	14	**0.3**	0.3
Change in value of fair value financial assets	11	**188.3**	(194.5)
Profit on disposal of fair value financial assets		**(93.1)**	(1.8)
Exchange and other movements		**(3.7)**	(5.9)
Profit from operations before changes in working capital and provisions		**41.8**	46.3
Decrease in trade and other receivables		**8.1**	20.4
Decrease in other financial assets		**0.6**	0.6
Increase in derivative financial instruments	17	**(9.4)**	(40.1)
Decrease in trade and other payables		**(361.7)**	(12.6)
Utilisation of provisions	24	**(0.1)**	(2.0)
Cash flows from operations		**(320.7)**	12.6
Defined benefit pension contributions paid	14	**(1.1)**	(11.3)
Bank interest received		**1.9**	1.9
Finance income on loans		**–**	1.5
Interest paid		**(0.2)**	(0.4)
Taxes paid		**(0.1)**	(0.2)
Cash flows from operating activities		**(320.2)**	4.1
Cash flows from investing activities			
Proceeds from sale of fair value financial assets		**546.1**	136.3
Acquisition of fair value financial assets	11	**(308.1)**	(411.0)
Investment transfers to subsidiary undertakings		**628.5**	11.6
Loan advances	12	**(678.0)**	(18.5)
Loan repayments	12	**87.8**	42.5
Cash flows from investing activities		**276.3**	(239.1)
Net decrease in cash and cash equivalents		**(43.9)**	(235.0)
Cash and cash equivalents at 1 January		**735.8**	970.8
Cash and cash equivalents at 31 December	19	**691.9**	735.8

NOTES TO THE ACCOUNTS

1. CORPORATE INFORMATION

The financial statements of CDC Group plc (CDC or the Company) for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Directors on 28 March 2012. CDC is a limited company incorporated in England and Wales whose shares are not publicly traded.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The financial statements of subsidiaries are prepared for the same reporting year as the Company. Consistent accounting policies are applied, with adjustments being made to bring into line any dissimilar accounting policies.

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

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

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

Associates

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

Foreign currency translation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Non-current assets

Intangible assets

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

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

Biological assets

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

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

Investment property

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

Property, plant and equipment

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

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

The following useful lives apply:

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

Investments

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

NOTES TO THE ACCOUNTS
Continued

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 statement of financial position date.

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

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

Valuation methodologies used are as follows:

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

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

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

Loans and receivables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative instruments and hedging

The Group and Company use derivative instruments as part of their asset management activities to manage exposures to foreign currency risk. The Company does not use derivative financial instruments for speculative purposes.

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

Cash and cash equivalents

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

Inventories

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

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

Impairment of assets

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

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

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

Financial liabilities

Financial liabilities are initially measured at fair value through profit and loss minus transaction costs directly attributable to the issue of the financial liability. After initial measurement, contractual obligations, excluding derivative financial instruments, to deliver cash or another financial asset to another entity are measured at amortised cost using the effective interest method.

Provisions, contingent liabilities and contingent assets

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

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

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

Revenue

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

Sale of goods

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

Dividends

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

Interest

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

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

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.

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.

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

Change in accounting policy

During the year the Company implemented a voluntary change in its accounting policies for pensions.

The Company has elected to make this voluntary change as it believes that the new policy provides more reliable and relevant information regarding the CDC Pensions Scheme. The effect of the change in accounting policy is to eliminate the 'corridor method' under which the recognition of actuarial gains and losses could be deferred; instead all actuarial gains and losses are recognised immediately in other comprehensive income.

This voluntary change in accounting policy has been applied retrospectively. The effect of the change in accounting policy is shown in note 14 to the accounts.

Income tax

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

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

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

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

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

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

Finance leases

Group as lessor

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

Group as lessee

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

Operating leases

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

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

Operating Segments

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

The following standards and interpretations were effective for accounting periods commencing on or after 1 January 2011: IAS 24 – Related Party disclosures (revised 2009); and Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirement.

The Directors judge that the adoption of these standards has not had a material impact on the Group's financial statements in the period of initial application.

3. OPERATING SEGMENTS ANALYSIS

CDC has one business segment, which is its fund of funds business. Management reports containing key performance indicators for the fund of funds business are prepared on a quarterly basis for review by the Board. Detailed commentary on CDC's key performance indicators can be found in the Performance Review on pages 4 to 11. Key performance indicators for the business include: total return after tax; portfolio; fund drawdowns; and fund cash generated. Total return after tax reflects the performance of the business and includes unrealised value movements that are contained within the portfolio at valuation in the statement of financial position. Fund drawdowns and fund cash generated reflect the cash outflows and inflows of the fund of funds business.

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

Statement of comprehensive income

	Notes	Fund of funds business management reports 2011 £m	Reconciling items: Reclassify portfolio items 2011 £m	Reconciling items: Consolidated subsidiaries valuation adjustments 2011 £m	Reconciling items: Add in consolidated subsidiary accounts 2011 £m	Reconciling items: Other items and re-classifications 2011 £m	Primary statements 2011 £m
Net realised profits/(losses)	4a	**53.0**	**(52.3)**	**4.4**	**27.2**	**(3.8)**	**28.5**
Unrealised value movements/ fair value (losses) and gains	11	**(119.3)**	**6.7**	**–**	**–**	**9.4**	**(103.2)**
Portfolio return		**(66.3)**	**(45.6)**	**4.4**	**27.2**	**5.6**	**(74.7)**
Operating costs/administrative expenses	4c	**(11.7)**	**(2.5)**	**–**	**(13.8)**	**(2.2)**	**(30.2)**
Other net income		**6.0**	**48.1**	**–**	**–**	**(32.6)**	**21.5**
Income from sale of goods	4a	**–**	**–**	**–**	**8.5**	**–**	**8.5**
Depreciation	4d	**–**	**–**	**–**	**(1.5)**	**(0.3)**	**(1.8)**
Finance costs	5a	**–**	**–**	**–**	**(9.5)**	**(0.4)**	**(9.9)**
Finance income	5a	**–**	**–**	**–**	**–**	**1.9**	**1.9**
Tax charge	6	**–**	**–**	**–**	**(2.7)**	**–**	**(2.7)**
Total return after tax/total comprehensive income		**(72.0)**	**–**	**4.4**	**8.2**	**(28.0)**	**(87.4)**

	Notes	2010 restated £m	2010 £m	2010 £m	2010 £m	2010 £m	2010 restated £m
Net realised (losses)/profits	4a	(1.6)	30.7	–	18.3	1.8	49.2
Unrealised value movements/ fair value gains and losses	11	260.1	(15.2)	7.6	0.8	2.0	255.3
Portfolio return		258.5	15.5	7.6	19.1	3.8	304.5
Operating costs/administrative expenses	4c	(12.4)	(39.5)	–	(15.6)	25.5	(42.0)
Other net income		39.0	24.0	–	(6.1)	(31.7)	25.2
Income from sale of goods	4a	–	–	–	6.9	–	6.9
Depreciation	4d	–	–	–	(3.5)	(0.3)	(3.8)
Finance costs	5a	–	–	–	(9.3)	(0.4)	(9.7)
Finance income	5a	–	–	–	–	3.4	3.4
Tax charge	6	–	–	–	(1.6)	(0.3)	(1.9)
Total return after tax/total comprehensive income		285.1	–	7.6	(10.1)	–	282.6

NOTES TO THE ACCOUNTS
Continued

3. OPERATING SEGMENTS ANALYSIS (CONTINUED)
Statement of financial position

	Notes	Fund of funds business management reports 2011 £m	Reconciling items: Reclassify portfolio items 2011 £m	Reconciling items: Consolidated subsidiaries valuation adjustments 2011 £m	Reconciling items: Add in consolidated subsidiary accounts 2011 £m	Reconciling items: Other items and re-classifications 2011 £m	Primary statements 2011 £m
Portfolio	11 & 12*	**1,913.3**	**28.8**	**(38.6)**	**1.1**	**–**	**1,904.6**
Net cash and short-term deposits	19	**697.2**	**–**	**–**	**111.2**	**–**	**808.4**
Other net liabilities		**(2.3)**	**(28.8)**	**–**	**(89.7)**	**–**	**(120.8)**
Total net assets attributable to equity holders of the Company		**2,608.2**	**–**	**(38.6)**	**22.6**	**–**	**2,592.2**

		2010 £m	2010 £m	2010 £m	2010 £m	2010 £m	2010 restated £m
Portfolio	11 & 12*	1,933.2	39.0	(43.6)	1.0	–	1,929.6
Net cash and short-term deposits	19	737.9	–	–	104.1	–	842.0
Other net assets/(liabilities)		9.1	(39.0)	–	(62.1)	–	(92.0)
Total net assets attributable to equity holders of the Company		2,680.2	–	(43.6)	43.0	–	2,679.6

* Portfolio per the primary statements is the aggregate of fair value financial assets in note 11 and the total of current and non-current loans and receivables in note 12.

Cash flows

	Fund of funds business management reports 2011 £m	Reconciling items: Reclassify portfolio items 2011 £m	Reconciling items: Consolidated subsidiaries valuation adjustments 2011 £m	Reconciling items: Add in consolidated subsidiary accounts 2011 £m	Reconciling items: Other items and re-classifications 2011 £m	Primary statements 2011 £m
Fund drawdowns	**(363.7)**	**–**	**–**	**–**	**0.5**	**(363.2)**
Fund cash generated	**326.9**	**(6.9)**	**–**	**0.8**	**(4.0)**	**316.8**
Net fund flows	**(36.8)**	**(6.9)**	**–**	**0.8**	**(3.5)**	**(46.4)**
Hedging	**0.5**	**(0.5)**	**–**	**–**	**–**	**–**
Other cash flows	**(4.4)**	**7.4**	**–**	**7.9**	**0.8**	**11.7**
Net decrease in cash and cash equivalents	**(40.7)**	**–**	**–**	**8.7**	**(2.7)**	**(34.7)**

	2010 £m	2010 £m	2010 £m	2010 £m	2010 £m	2010 £m
Fund drawdowns	(419.7)	–	2.9	–	(0.7)	(417.5)
Fund cash generated	237.4	(6.4)	(4.6)	0.4	(8.9)	217.9
Net fund flows	(182.3)	(6.4)	(1.7)	0.4	(9.6)	(199.6)
Hedging	(77.9)	77.9	–	–	–	–
Other cash flows	20.2	(71.5)	–	43.7	10.1	2.5
Net decrease in cash and cash equivalents	(240.0)	–	(1.7)	44.1	0.5	(197.1)

4. INCOME AND EXPENSES

	2011 Total £m	2010 restated Total £m
4a. Income		
Sale of goods	**8.5**	6.9
Investment income:		
Interest income	**30.7**	38.6
Dividend income	**3.4**	3.7
(Loss)/profit on disposal of fair value financial assets	**(10.0)**	8.5
Profit/(loss) on disposal of subsidiaries	**4.4**	(1.6)
Total income	**37.0**	56.1

	2011 Total £m	2010 restated Total £m
4b. Other income		
Loan and guarantee fee income	**1.8**	2.5
Gain on disposal of property, plant and equipment	**–**	6.2
Release of other payables, accruals and deferred income	**–**	21.0
Other operating income	**4.1**	7.3
Total other income	**5.9**	37.0

	2011 Total £m	2010 restated Total £m
4c. Administrative expenses		
Wages and salaries	**(10.3)**	(10.8)
Social security costs	**(1.2)**	(1.1)
Pension costs – defined benefit	**(0.3)**	(0.3)
Pension costs – defined contribution	**(0.1)**	(0.1)
Total employee benefits expense	**(11.9)**	(12.3)
Fund management expenses	**(2.4)**	(13.0)
Provisions against advances to customers	**(1.1)**	(1.0)
Power maintenance costs	**(0.1)**	(0.1)
Insurance costs	**(0.6)**	(0.5)
Staff-related other expenses	**(1.3)**	(1.8)
Consultants' expenses	**(1.9)**	(2.1)
Office premises expenses	**(2.8)**	(3.0)
Travel expenses	**(0.9)**	(1.3)
Deal transaction costs	**(0.6)**	(1.0)
Communications costs	**(1.6)**	(1.6)
Auditors' remuneration (see 4e)	**(0.4)**	(0.4)
Other administrative expenses	**(4.6)**	(3.9)
Total administrative expenses	**(30.2)**	(42.0)

The average monthly number of Group employees during the year was 1,187 (2010: 1,023).

Refer to pages 23 to 25 for the directors remuneration report which gives more details on remuneration.

NOTES TO THE ACCOUNTS
Continued

4. INCOME AND EXPENSES (CONTINUED)

	2011 Total £m	2010 Total £m
4d. Other expenses		
Amortisation of other intangible assets	**(0.5)**	–
Loss on disposal of property, plant and equipment	**(0.1)**	–
Depreciation and impairment of property, plant and equipment	**(1.8)**	(3.8)
Loans and receivables provision charges	**(4.9)**	(8.2)
Decrease in value of biological assets	**–**	(18.3)
Total other expenses	**(7.3)**	(30.3)
4e. Auditors' remuneration		
Audit of the financial statements*	**(0.2)**	(0.2)
Other fees to auditors		
Local statutory audits for subsidiaries	**(0.1)**	(0.1)
Other services	**(0.1)**	(0.1)
Total auditors' remuneration	**(0.4)**	(0.4)

* Audit fees for the Company amounted to £0.2m (2010: £0.2m).

5A. FINANCE COSTS AND INCOME

	2011 Total £m	2010 Total £m
Interest payable on bank loans and overdrafts	**(0.3)**	(0.7)
Interest payable on other loans	**(9.6)**	(9.0)
Total finance costs	**(9.9)**	(9.7)
Bank interest received	**1.9**	1.9
Finance income on loans	**–**	1.5
Total finance income	**1.9**	3.4
Net finance costs	**(8.0)**	(6.3)

5B. NET FOREIGN EXCHANGE DIFFERENCES

	2011 Total £m	2010 Total £m
Exchange (losses)/gains arising on fair value financial assets	**(0.3)**	43.9
Exchange gains/(losses) arising on forward foreign exchange contracts	**9.7**	(36.9)
Other foreign exchange (loss)/gains	**(0.3)**	18.7
Total net foreign exchange differences	**9.1**	25.7

6. TAX

The major components of the tax charge are as follows:

	2011 Total £m	2010 Total £m
Current tax		
Current UK tax charge	–	(0.2)
Current overseas tax charge	**(2.6)**	(0.2)
Deferred tax		
Tax charge relating to origination and reversal of temporary differences	**(0.1)**	(1.5)
Tax charge reported in the statement of comprehensive income	**(2.7)**	(1.9)

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

	2011 Total £m	2010 restated Total £m
Accounting (loss)/profit before tax	**(101.8)**	287.5
Tax credit/(charge) on the accounting profit/(loss) at the UK tax rate of 26.5% (2010: 28.0%)	**27.0**	(80.5)
(Increase)/decrease in charge due to:		
Effect of UK tax exemption*	**(14.9)**	72.5
Effect of overseas taxation	**(14.8)**	17.3
Tax over provided in earlier years	–	(2.8)
Deferred tax assets not recognised	**(0.4)**	(8.5)
Deferred income tax liabilities not recognised	**0.4**	–
Utilisation of previously unrecognised losses brought forward	–	0.1
Tax charge at an effective tax rate of 2.7% (2010: 0.7%)	**(2.7)**	(1.9)

* The UK tax exemption figure above is the expected tax charge on the accounting profit/(loss) of CDC Group plc on a company basis at the UK tax rate of 26.5% (2010: 28.0%).

UK tax exemption

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

NOTES TO THE ACCOUNTS
Continued

7. PROPERTY, PLANT AND EQUIPMENT

	Group					
	2011 Land and buildings £m	**2011 Plant and equipment £m**	**2011 Total £m**	2010 Land and buildings £m	2010 Plant and equipment £m	2010 Total £m
At 1 January	**3.8**	**11.8**	**15.6**	4.0	10.5	14.5
Additions	**3.3**	**1.5**	**4.8**	0.7	5.2	5.9
Disposals	**–**	**–**	**–**	–	(0.1)	(0.1)
Disposed with subsidiaries	**(4.7)**	**(6.6)**	**(11.3)**	–	–	–
Impairment	**–**	**–**	**–**	(0.5)	(0.4)	(0.9)
Depreciation charge for the year	**(0.1)**	**(1.7)**	**(1.8)**	(0.3)	(2.6)	(2.9)
Exchange adjustment	**1.2**	**(1.0)**	**0.2**	(0.1)	(0.8)	(0.9)
At 31 December	**3.5**	**4.0**	**7.5**	3.8	11.8	15.6
At 1 January						
Cost	**5.5**	**29.7**	**35.2**	4.9	26.6	31.5
Accumulated depreciation and impairment	**(1.7)**	**(17.9)**	**(19.6)**	(0.9)	(16.1)	(17.0)
Net carrying amount at 1 January	**3.8**	**11.8**	**15.6**	4.0	10.5	14.5
At 31 December						
Cost	**5.3**	**23.2**	**28.5**	5.5	29.7	35.2
Accumulated depreciation and impairment	**(1.8)**	**(19.2)**	**(21.0)**	(1.7)	(17.9)	(19.6)
Net carrying amount at 31 December	**3.5**	**4.0**	**7.5**	3.8	11.8	15.6

Land and buildings with a carrying amount of £nil (2010: £2.8m) are subject to a first charge to secure loans due to the Group's lenders. Plant and equipment of £0.4m (2010: £0.6m) are held within the United Kingdom. All other property, plant and equipment is held outside the United Kingdom.

The £nil impairment loss in 2011 (2010: £0.9m) relates to Equatoria Teak Company Limited.

Capital expenditure contracted for but not provided for in the accounts amounted to £nil (2010: £0.1m).

	Company			
	2011 Plant and equipment £m	**2011 Total £m**	2010 Plant and equipment £m	2010 Total £m
At 1 January	**0.6**	**0.6**	0.9	0.9
Depreciation charge for the year	**(0.2)**	**(0.2)**	(0.3)	(0.3)
At 31 December	**0.4**	**0.4**	0.6	0.6
At 1 January				
Cost	**9.5**	**9.5**	9.4	9.4
Accumulated depreciation and impairment	**(8.9)**	**(8.9)**	(8.5)	(8.5)
Net carrying amount at 1 January	**0.6**	**0.6**	0.9	0.9
At 31 December				
Cost	**9.5**	**9.5**	9.4	9.4
Accumulated depreciation and impairment	**(9.1)**	**(9.1)**	(8.8)	(8.8)
Net carrying amount at 31 December	**0.4**	**0.4**	0.6	0.6

8. BIOLOGICAL ASSETS

	Group 2011 £m	Group 2010 £m
At 1 January, at fair value	**20.0**	36.1
Additions	**0.2**	0.8
Harvested	**(0.1)**	–
Disposed with subsidiaries	**(22.4)**	–
Decrease in fair value for the period	**–**	(18.3)
Exchange adjustment	**2.3**	1.4
At 31 December, at fair value	**–**	20.0

Biological assets consist of tea plantations and forests, held outside the United Kingdom. The fair values of the remaining assets have been determined using the following methods and using the following significant assumptions:

	Valuation methodology	Significant assumptions
Tea plantations	Net present value of future cash flows	Forecast sales volume, price and discount rate
Forests	Net present value of future cash flows	Forecast sales volume, price and discount rate

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

	2011 Mature £m	2011 Immature £m	2011 Total £m	2010 Mature £m	2010 Immature £m	2010 Total £m
Tea plantations	**–**	**–**	**–**	0.6	–	0.6
Forests	**–**	**–**	**–**	18.2	1.2	19.4
At 31 December, at fair value	**–**	**–**	**–**	18.8	1.2	20.0

Biological assets with a carrying value of £nil (2010: £1.7m) were pledged as security for liabilities.

Output of agricultural produce in the period was as follows:

	2011 Tonnes	2010 Tonnes
Tea leaves	**–**	4,583
Timber	**–**	8,309

9. INVESTMENT PROPERTY

	Group 2011 £m	Group 2010 £m
At 1 January, at fair value	**1.0**	3.4
Disposals	**(1.0)**	(2.4)
At 31 December, at fair value	**–**	1.0

Investment properties, which are held outside the United Kingdom, are stated at fair value, which has been determined based on valuations performed by Directors of the Group's property subsidiaries as at 31 December 2011 and the prior year. All officials involved in the valuation process are industry specialists in valuing these types of investment properties. The valuations undertaken were based on open market value, supported by market evidence in which assets could be exchanged by willing buyers and sellers on an arm's length basis.

NOTES TO THE ACCOUNTS
Continued

10. INTANGIBLE ASSETS

	Group			
	2011 Brands, patents, copyrights and goodwill £m	2011 Total £m	2010 Brands, patents, copyrights and goodwill £m	2010 Total £m
At 1 January	–	–	–	–
Additions	2.3	2.3	–	–
Disposals	(0.1)	(0.1)	–	–
Amortisation charge for the year	(0.5)	(0.5)	–	–
Exchange adjustment	0.1	0.1	–	–
At 31 December	1.8	1.8	–	–
At 1 January				
Cost	–	–	–	–
Accumulated amortisation and impairment	–	–	–	–
Net carrying amount at 1 January	–	–	–	–
At 31 December				
Cost	2.3	2.3	–	–
Accumulated amortisation and impairment	(0.5)	(0.5)	–	–
Net carrying amount at 31 December	1.8	1.8	–	–

11. FAIR VALUE FINANCIAL ASSETS

	Group					
	2011 Shares – listed £m	2011 Shares – unlisted £m	2011 Total £m	2010 Shares – listed £m	2010 Shares – unlisted £m	2010 Total £m
At 1 January, at fair value	4.2	1,851.9	1,856.1	2.8	1,341.3	1,344.1
Additions	–	362.5	362.5	–	416.3	416.3
Disposals	–	(256.9)	(256.9)	–	(182.2)	(182.2)
Increase/(decrease) in fair value for the period	0.3	(103.5)	(103.2)	1.4	253.9	255.3
Transfers	–	–	–	–	(0.8)	(0.8)
Exchange adjustment	–	17.0	17.0	–	23.4	23.4
At 31 December, at fair value	4.5	1,871.0	1,875.5	4.2	1,851.9	1,856.1

11. FAIR VALUE FINANCIAL ASSETS (CONTINUED)

	Company					
	2011 Shares – unlisted £m	2011 Shares held in Group companies £m	2011 Total £m	2010 Shares – unlisted £m	2010 Shares held in Group companies £m	2010 Total £m
At 1 January, at fair value	**1,740.1**	**432.8**	**2,172.9**	1,225.6	469.1	1,694.7
Additions	**303.5**	**4.6**	**308.1**	411.0	–	411.0
Disposals	**(92.8)**	**(359.6)**	**(452.4)**	(134.5)	–	(134.5)
(Decrease)/increase in fair value for the period	**(210.6)**	**22.3**	**(188.3)**	229.2	(34.7)	194.5
Transfers	**(628.5)**	**–**	**(628.5)**	(11.5)	–	(11.5)
Exchange adjustment	**(11.2)**	**–**	**(11.2)**	20.3	(1.6)	18.7
At 31 December, at fair value	**1,100.5**	**100.1**	**1,200.6**	1,740.1	432.8	2,172.9

Listed shares are included within Level 1 of the fair value hierarchy, while unlisted shares and shares in Group Companies (except investments in DFCU Limited of £38.6m (2010: £33.5m) which are classified as Level 1) are included within Level 3. CDC holds no Level 2 investments.

The different levels have been defined as follows:

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

12. OTHER FINANCIAL ASSETS (NON-CURRENT)

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Loans and receivables due from third parties	**7.0**	29.7	**7.0**	29.7
Loans and receivables due from Group undertakings	**–**	–	**728.9**	85.9
Advances to customers	**59.6**	58.1	**–**	–
Other receivables	**2.5**	1.5	**1.0**	1.5
At 31 December	**69.1**	89.3	**736.9**	117.1

The movement in loans and receivables was as follows:

	Group		Company			
	2011 £m	2010 £m	2011 Due from third parties £m	2011 Due from Group undertakings £m	2010 Due from third parties £m	2010 Due from Group undertakings £m
At 1 January	**73.5**	103.6	**73.5**	**89.7**	83.1	106.1
New loans advanced	**0.7**	1.2	**0.7**	**677.3**	1.2	17.3
Loan repayments	**(39.4)**	(27.1)	**(39.4)**	**(48.4)**	(13.6)	(28.9)
Provision charge for the year	**(4.9)**	(8.2)	**(4.9)**	**(0.7)**	(1.1)	(6.1)
Exchange adjustment	**(0.8)**	4.0	**(0.8)**	**11.0**	3.9	1.3
At 31 December	**29.1**	73.5	**29.1**	**728.9**	73.5	89.7
Less: Loans and receivables due within one year (note 16)	**(22.1)**	(43.8)	**(22.1)**	**–**	(43.8)	(3.8)
At 31 December	**7.0**	29.7	**7.0**	**728.9**	29.7	85.9

NOTES TO THE ACCOUNTS
Continued

13. DEFERRED TAX ASSETS AND LIABILITIES

	Group 2011 £m	Group 2010 £m
Deferred tax assets		
Fair value financial assets	**0.2**	0.3
Property, plant and equipment	**0.1**	(3.4)
Losses	**–**	2.3
Total deferred tax assets	**0.3**	(0.8)
Deferred tax liabilities		
Biological assets	**–**	(0.2)
Investment property	**(0.2)**	(0.2)
Other assets/liabilities	**(0.3)**	–
Total deferred tax liabilities	**(0.5)**	(0.4)
Net deferred tax liabilities	**(0.2)**	(1.2)

Included within deferred tax assets is £nil (2010: £2.3m) 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 2011, the Group had unrecognised deferred tax assets amounting to £0.4m (2010: £8.4m).

Movement in temporary differences during the year

	At 1 January 2011 £m	Disposed with subsidiaries £m	Utilised during the year £m	Charge for the year £m	Exchange adjustment £m	At 31 December 2011 £m
Property, plant and equipment	**(3.4)**	**5.3**	**–**	**–**	**(1.8)**	**0.1**
Biological assets	**(0.2)**	**0.2**	**–**	**–**	**–**	**–**
Investment property	**(0.2)**	**–**	**–**	**–**	**–**	**(0.2)**
Intangible assets	**–**	**–**	**–**	**–**	**–**	**–**
Fair value financial assets	**0.3**	**–**	**–**	**–**	**(0.1)**	**0.2**
Other financial assets	**–**	**–**	**0.1**	**(0.1)**	**–**	**–**
Losses	**2.3**	**(3.6)**	**–**	**–**	**1.3**	**–**
Other assets/liabilities	**–**	**(0.2)**	**(0.2)**	**–**	**0.1**	**(0.3)**
Total	**(1.2)**	**1.7**	**(0.1)**	**(0.1)**	**(0.5)**	**(0.2)**

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

14. PENSION COMMITMENTS

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

An actuarial valuation of the CDC Pensions Scheme was carried out on 31 March 2009. The valuation showed a deficit of £91m (based on the Technical Provisions as defined in section 222(2) of the Pensions Act 2004, on an ongoing funding basis, which takes into account the current investment strategy of the scheme, minus the value of the scheme's assets). During 2009 the Pensions Scheme Trustees, with the agreement of CDC, purchased a bulk annuity policy which covered the current entitlement of all members of the defined benefit section of the Pensions Scheme. As part of the transaction, £88.3m of assets in a Contingent Asset Trust were utilised. The Company also made contributions of £11.3m in 2010.

The actuarial valuation also showed that after the buy-in, Technical Provisions reduce to £9m and the Scheme assets reduce to £14m giving a funding surplus of £5m (after excluding the assets and liabilities covered by the buy-in insurance contract and subject to any transitional truing up adjustments). The buy-in substantially reduces the chance that scheme assets will diverge in value from the scheme liabilities.

Pension contributions are determined with the advice of a firm of independent qualified actuaries, Towers Watson. The agreed schedule of contributions from 2010 is £1.1m per year. Annual valuations are prepared using the projected unit credit method. Scheme assets are stated at their market values at the respective statement of financial position dates and overall expected rates of return are established by applying brokers' forecasts to each category of scheme assets.

	2011 %	2010 %	2009 %	2008 %
Main assumptions:				
Discount rate	**4.8**	5.3	5.6	6.3
Inflation assumption	**3.2**	3.7	3.7	2.8
Rate of salary increases	**4.7**	5.3	5.3	4.3
Pre 1 May 1996 joiners (for pensions accrued before 1 April 2000)	**5.0**	5.0	5.0	5.0
Rate of increase in pension payment:				
Pre 1 May 1996 joiners (for pensions accrued after 31 March 2000) and post 30 April 1996 joiners	**3.2**	3.7	3.7	3.0
Rate of increase for deferred pensions	**3.2**	3.7	3.7	2.8
Expected rates of return on scheme assets:				
Equities	**n/a**	n/a	n/a	8.1
Insurance policy/bonds	**4.8**	5.3	5.6	5.5
Property	**n/a**	n/a	n/a	7.2
Cash/net current assets	**2.8**	4.2	4.5	3.6
Contingent Asset Trust 2006	**n/a**	n/a	n/a	5.2

The demographic assumptions adopted have used 95% and 75% (for males and females respectively) of SAPS 'SI' series light tables, weighted by amounts (as published by the Continuous Mortality Investigation Bureau of the Institute and Faculty of Actuaries) with long cohort improvements applying a 0.5% minimum to the annual level of future improvement. The table overleaf summarises the life expectancies for pensioners reaching age 60, both for a single member and also a member and a surviving spouse. The corresponding figures from the 2009 valuation are shown in brackets. The expected return on bonds, which comprise the bulk annuity contract, is assumed to be the same as the discount rate used to derive the value of the scheme liabilities that are insured by the policy. The expected return on cash and other assets reflects current short-term returns on such liquid deposits.

NOTES TO THE ACCOUNTS
Continued

14. PENSION COMMITMENTS (CONTINUED)

Life expectancy of a pensioner reaching age 60	Male	Female	Male joint	Female joint
In 2019	29.9	33.4	35.5	34.7
In 2018	(29.9)	(33.3)	(35.5)	(34.7)
In 2011	29.2	32.7	34.9	34.1
In 2010	(29.1)	(32.6)	(34.9)	(34.1)

The value of scheme liabilities is mostly affected by the assumptions on discount rate and life expectancy as the scheme is very mature. An increase in the discount rate assumption of 0.25% decreases scheme liabilities by 4.8%. An increase in life expectancy by one year increases scheme liabilities by 2.9%.

	2011 £m	2010 £m
Assets and liabilities of the scheme at 31 December		
Buy-in contract with Rothesay Life	**311.9**	290.3
Net current assets	**10.1**	10.0
Pension assets	**322.0**	300.3
Present value of pension liabilities	**(323.0)**	(300.3)
Net pension (liability)	**(1.0)**	–

	2011 £m	2010 £m
Changes in the fair value of plan assets		
At 1 January	**300.3**	274.7
Expected return on scheme assets	**15.6**	15.3
Employer contributions	**1.0**	11.3
Benefits paid	**(12.0)**	(11.4)
Expected value of plan assets at end of year	**305.0**	289.9
Actuarial gain on scheme assets	**17.0**	10.4
At 31 December	**322.0**	300.3

	2011 £m	2010 £m
Return on assets for the year		
Expected return on scheme assets	**15.6**	15.3
Actuarial gain on scheme assets	**17.0**	10.4
Actual return on scheme assets	**32.6**	25.7

	2011 £m	2010 £m
Changes in the present value of the defined benefit pension obligations		
At 1 January	**(300.3)**	(279.8)
Current service cost	**(0.3)**	(0.3)
Interest cost	**(15.6)**	(15.3)
Benefits paid	**12.0**	11.4
Expected defined benefit obligation at end of year	**(304.2)**	(284.0)
Actuarial loss on defined benefit obligation	**(18.8)**	(16.3)
At 31 December	**(323.0)**	(300.3)

14. PENSION COMMITMENTS (CONTINUED)

	2011 £m	2010 restated £m
Amounts recognised in the Group's statement of comprehensive income for the year		
Current defined benefit service cost	**(0.3)**	(0.3)
Administrative expenses (note 4c)	**(0.3)**	(0.3)
Expected return on scheme assets	**15.6**	15.3
Interest cost on scheme liabilities	**(15.6)**	(15.3)
Finance income	**–**	–
Recognised actuarial (loss)	**(1.8)**	(5.9)
Total defined benefit pension (expense)	**(2.1)**	(6.2)

	2011 £m	2010 restated £m
Reconciliation of net pension liability:		
At 1 January	**–**	(5.1)
Pension (cost)	**(0.3)**	(0.3)
Employer contributions to the CDC Pensions Scheme	**1.1**	11.3
Recognised actuarial (loss)	**(1.8)**	(5.9)
At 31 December	**(1.0)**	–

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
History of experience gains and losses:					
Fair value of scheme assets	**322.0**	300.3	274.7	340.4	342.9
Present value of defined benefit obligation	**(323.0)**	(300.3)	(279.8)	(241.9)	(281.3)
(Deficit)/surplus in the scheme	**(1.0)**	–	(5.1)	98.5	61.6
Actuarial gain/(loss) on plan assets	**17.0**	10.4	(86.5)	(25.5)	(3.5)
Gain/(loss) on assets as a percentage of assets at end of year	**5.3%**	3.5%	(31.5%)	(7.5%)	(1.0%)
(Loss)/gain on defined benefit obligation due to experience	**(2.0)**	(1.2)	5.6	3.1	(0.5)
(Loss)/gain on defined benefit obligation due to experience as a percentage of defined benefit obligation at end of year	**(0.6%)**	(0.4%)	2.0%	1.3%	(0.2%)

Change in accounting policy

During the year the Company implemented a voluntary change in its accounting policies for pensions. The Company has elected to make this voluntary change as it believes that the new policy provides more reliable and relevant information regarding the CDC Pensions Scheme. The effect of the change in accounting policy is to eliminate the 'corridor method' under which the recognition of actuarial gains and losses could be deferred; instead all actuarial gains and losses are recognised immediately in other comprehensive income. This voluntary change in accounting policy has been applied retrospectively. The following table summarises the adjustments made to the financial statements.

	2011 £m	2010 £m
Total defined benefit pension (expense) reported	**(2.1)**	(6.2)
Reverse recognised actuarial loss	**1.8**	5.9
Recognition of net loss from prior year under the 'corridor method'	**(18.7)**	(22.3)
Total defined benefit pension (expense) under the previous accounting policy	**(19.0)**	(22.6)
Net pension (liabilities) reported	**(1.0)**	–
Unrecognised actuarial loss under the 'corridor method'	**106.5**	123.3
Net pension asset under the previous accounting policy	**105.5**	123.3

Accumulated unrecognised net loss at 1 January 2010, under previous accounting policy, adjusted for through the restated retained earnings reserve at 1 January 2010, was £139.7m.

NOTES TO THE ACCOUNTS
Continued

15. INVENTORIES

	Group	
	2011 £m	2010 £m
Raw materials	**–**	1.1
Finished goods	**–**	0.3
Total inventories	**–**	1.4

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Trade receivables	**1.6**	1.6	**0.2**	–
Loans and receivables due from third parties	**22.1**	43.8	**22.1**	43.8
Loans and receivables due from Group undertakings	**–**	–	**–**	3.8
Advances to customers	**68.8**	50.7	**–**	–
Amounts owed by Group undertakings	**–**	–	**10.8**	6.9
VAT recoverable	**0.4**	0.7	**0.4**	0.7
Other receivables*	**3.6**	15.0	**1.4**	11.7
Total trade and other receivables	**96.5**	111.8	**34.9**	66.9

* Other receivables includes £nil (2010: £10.4m), an advance to former subsidiaries divested in 2009.

17. FINANCIAL INSTRUMENTS

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

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Foreign exchange contracts in profit	**13.5**	23.0	**13.5**	23.0
Foreign exchange contracts in loss	**(32.9)**	(51.8)	**(32.9)**	(51.8)
Other derivatives in loss	**(9.4)**	(10.2)	**–**	–
Total	**(28.8)**	(39.0)	**(19.4)**	(28.8)

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

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Non-current assets	**0.2**	3.5	**0.2**	3.5
Current assets	**13.3**	19.5	**13.3**	19.5
Non-current liabilities	**(9.0)**	(2.5)	**(9.0)**	(2.5)
Current liabilities	**(33.3)**	(59.5)	**(23.9)**	(49.3)
Total	**(28.8)**	(39.0)	**(19.4)**	(28.8)

Derivatives not designated for hedge accounting

At 31 December 2011, the Group held 91 FFECs (2010: 118 FFECs) which were not designated for the purposes of hedge accounting, but were used to mitigate the currency effects on the Group's US$, South African rand (ZAR), Euro and Indian rupee (INR) denominated investments and outstanding commitments. These FFECs amounted to US$1,950.3m (2010: US$1,858.4m) at an average spot price of 1.5890 (2010: 1.5899) to sell US$ for £1,227.4m (2010: £1,168.9m) on a range of dates to November 2013; ZAR127.6m (2010: ZAR123.4m) at an average spot price of 11.6607 (2010: 12.5718) to sell ZAR for £10.9m (2010: £9.8m) on a range of dates to March 2013; €41.7m (2010: €40.8m) at an average spot price of 1.1520 (2010: 1.1642) to sell Euros for £36.2m (2010: £35.0m) on a range of dates to March 2013; and INR 5,480.5m (2010: INR 4,124.5m) at an average spot price of 76.5495 (2010: 74.8548) to sell INR for £71.6m (2010: £55.1m) on a range of dates to November 2012.

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

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in managing the risks of the Group can be found in the Performance Review on page 11.

17. FINANCIAL INSTRUMENTS (CONTINUED)

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

Interest rate exposures – Group

	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
2011 Financial assets: Cash							
Sterling	**–**	**1.5**	**0.3**	**1.8**	**–**	**–**	*****
US dollars	**–**	**30.3**	**3.1**	**33.4**	**–**	**–**	*****
Other currencies	**–**	**2.8**	**5.5**	**8.3**	**–**	**–**	*****
Total	**–**	**34.6**	**8.9**	**43.5**	**–**	**–**	*****
2010 Financial assets: Cash							
Sterling	–	1.0	–	1.0	–	–	*
US dollars	–	9.3	3.5	12.8	–	–	*
Other currencies	–	2.3	7.0	9.3	–	–	*
Total	–	12.6	10.5	23.1	–	–	*
2011 Financial assets: Short-term deposits receivable within 90 days							
Sterling	**0.4**	**417.0**	**–**	**417.4**	**–**	**–**	*****
US dollars	**28.7**	**246.0**	**3.0**	**277.7**	**1.0**	**1.0**	*****
Other currencies	**8.9**	**–**	**16.0**	**24.9**	**1.0**	**0.9**	*****
Total	**38.0**	**663.0**	**19.0**	**720.0**	**1.0**	**1.0**	*****
2010 Financial assets: Short-term deposits receivable within 90 days							
Sterling	0.2	416.7	–	416.9	–	–	*
US dollars	17.2	288.4	0.7	306.3	1.0	1.0	*
Other currencies	3.1	20.6	12.2	35.9	1.0	0.5	*
Total	20.5	725.7	12.9	759.1	1.0	1.0	*

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

NOTES TO THE ACCOUNTS
Continued

17. 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
2011 Financial assets: Treasury bills and bonds							
Other currencies	**45.4**	**–**	**–**	**45.4**	**1.0**	**1.0**	**–**
Total	**45.4**	**–**	**–**	**45.4**	**1.0**	**1.0**	**–**
2010 Financial assets: Treasury bills and bonds							
Other currencies	59.8	–	–	59.8	1.0	–	–
Total	59.8	–	–	59.8	1.0	–	–
2011 Financial assets: Advances to customers							
US dollars	**35.3**	**–**	**–**	**35.3**	**–**	**–**	**–**
Other currencies	**93.1**	**–**	**–**	**93.1**	**–**	**–**	**–**
Total	**128.4**	**–**	**–**	**128.4**	**–**	**–**	**–**
2010 Financial assets: Advances to customers							
US dollars	31.5	–	–	31.5	–	–	–
Other currencies	77.3	–	–	77.3	–	–	–
Total	108.8	–	–	108.8	–	–	–
2011 Financial assets: Loans and receivables							
Sterling	**–**	**–**	**0.6**	**0.6**	**–**	**–**	**–**
US dollars	**–**	**25.8**	**–**	**25.8**	**–**	**–**	**–**
Other currencies	**–**	**2.7**	**–**	**2.7**	**–**	**–**	**–**
Total	**–**	**28.5**	**0.6**	**29.1**	**–**	**–**	**–**
2010 Financial assets: Loans and receivables							
Sterling	–	–	–	–	–	–	–
US dollars	–	71.3	–	71.3	–	–	–
Other currencies	–	2.2	–	2.2	–	–	–
Total	–	73.5	–	73.5	–	–	–

17. 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
2011 Financial liabilities: Deposits due to customers							
Sterling	**(0.6)**	**–**	**–**	**(0.6)**	**4.4**	**–**	**–**
US dollars	**(33.1)**	**–**	**–**	**(33.1)**	**8.6**	**0.1**	**–**
Other currencies	**(100.2)**	**–**	**–**	**(100.2)**	**9.5**	**0.1**	**–**
Total	**(133.9)**	**–**	**–**	**(133.9)**	**9.5**	**0.1**	**–**
2010 Financial liabilities: Deposits due to customers							
Sterling	(0.1)	–	–	(0.1)	4.4	–	–
US dollars	(15.1)	–	–	(15.1)	8.6	0.1	–
Other currencies	(114.4)	–	–	(114.4)	9.6	0.1	–
Total	(129.6)	–	–	(129.6)	9.5	0.1	–
2011 Financial liabilities: Interest-bearing loans and borrowings							
Sterling	**–**	**–**	**–**	**–**	**–**	**–**	**–**
US dollars	**(38.4)**	**–**	**–**	**(38.4)**	**5.9**	**5.0**	**–**
Other currencies	**(21.8)**	**(0.5)**	**–**	**(22.3)**	**1.0**	**10.0**	**–**
Total	**(60.2)**	**(0.5)**	**–**	**(60.7)**	**4.0**	**6.9**	**–**
2010 Financial liabilities: Interest-bearing loans and borrowings							
Sterling	–	(1.7)	–	(1.7)	–	–	–
US dollars	(6.2)	(37.3)	(0.5)	(44.0)	6.1	1.0	–
Other currencies	(28.8)	(0.5)	–	(29.3)	1.0	1.0	–
Total	(35.0)	(39.5)	(0.5)	(75.0)	4.0	1.0	–

NOTES TO THE ACCOUNTS
Continued

17. 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
2011 Financial assets: Cash							
Sterling	**–**	**1.5**	**–**	**1.5**	**–**	**–**	**–**
US dollars	**–**	**25.4**	**–**	**25.4**	**–**	**–**	**–**
Other currencies	**–**	**2.7**	**–**	**2.7**	**–**	**–**	**–**
Total	**–**	**29.6**	**–**	**29.6**	**–**	**–**	**–**
2010 Financial assets: Cash							
Sterling	–	0.9	–	0.9	–	–	–
US dollars	–	7.7	–	7.7	–	–	–
Other currencies	–	1.8	–	1.8	–	–	–
Total	–	10.4	–	10.4	–	–	–
2011 Financial assets: Short-term deposits receivable within 90 days							
Sterling	**–**	**416.9**	**–**	**416.9**	**–**	**–**	**–**
US dollars	**–**	**245.9**	**–**	**245.9**	**–**	**–**	**–**
Other currencies	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**–**	**662.8**	**–**	**662.8**	**–**	**–**	**–**
2010 Financial assets: Short-term deposits receivable within 90 days							
Sterling	–	416.6	–	416.6	–	–	–
US dollars	–	288.3	–	288.3	–	–	–
Other currencies	–	20.5	–	20.5	–	–	–
Total	–	725.4	–	725.4	–	–	–
2011 Financial assets: Loans and receivables							
Sterling	**–**	**–**	**1.0**	**1.0**	**–**	**–**	**–**
US dollars	**–**	**34.1**	**720.6**	**754.7**	**–**	**–**	**–**
Other currencies	**–**	**2.3**	**–**	**2.3**	**–**	**–**	**–**
Total	**–**	**36.4**	**721.6**	**758.0**	**–**	**–**	**–**
2010 Financial assets: Loans and receivables							
US dollars	–	163.2	–	163.2	–	–	–
Total	–	163.2	–	163.2	–	–	–

17. FINANCIAL INSTRUMENTS (CONTINUED)

Currency exposures – Group

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

Functional currency	2011 Sterling £m	2011 US dollars £m	2011 Other £m	2011 Total £m	2010 Sterling £m	2010 US dollars £m	2010 Other £m	2010 Total £m
Sterling	**–**	**271.4**	**1.5**	**272.9**	–	308.7	0.6	309.3
US dollars	**–**	**–**	**–**	**–**	–	–	0.4	0.4
Ugandan shillings	**–**	**36.8**	**9.2**	**46.0**	0.1	33.9	1.4	35.4
Other currencies	**–**	**0.9**	**0.1**	**1.0**	–	(2.2)	–	(2.2)
Total	**–**	**309.1**	**10.8**	**319.9**	0.1	340.4	2.4	342.9

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

	2011 Listed equity at valuation £m	2011 Unlisted equity at valuation £m	2011 Total £m	2010 Listed equity at valuation £m	2010 Unlisted equity at valuation £m	2010 Total £m
US dollars	**–**	**1,072.4**	**1,072.4**	–	1,013.1	1,013.1
South African rand	**4.5**	**32.8**	**37.3**	4.2	40.5	44.7
Indian rupees	**–**	**351.3**	**351.3**	–	379.2	379.2
Chinese yuan	**–**	**273.7**	**273.7**	–	243.0	243.0
Nigerian naira	**–**	**91.1**	**91.1**	–	119.6	119.6
Other	**–**	**49.7**	**49.7**	–	56.5	56.5
Total	**4.5**	**1,871.0**	**1,875.5**	4.2	1,851.9	1,856.1

Currency exposures – Company

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

Functional currency	2011 US dollars £m	2011 Other £m	2011 Total £m	2010 US dollars £m	2010 Other £m	2010 Total £m
Sterling	**(243.7)**	**(1.1)**	**(244.8)**	(54.9)	–	(54.9)
Total	**(243.7)**	**(1.1)**	**(244.8)**	(54.9)	–	(54.9)

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

	2011 Listed equity at valuation £m	2011 Unlisted equity at valuation £m	2011 Total £m	2010 Listed equity at valuation £m	2010 Unlisted equity at valuation £m	2010 Total £m
Sterling	**–**	**83.6**	**83.6**	–	109.9	109.9
US dollars	**–**	**370.1**	**370.1**	–	1,168.3	1,168.3
South African rand	**–**	**33.6**	**33.6**	–	40.7	40.7
Indian rupees	**–**	**287.2**	**287.2**	–	364.0	364.0
Chinese yuan	**–**	**226.5**	**226.5**	–	243.7	243.7
Nigerian naira	**–**	**91.1**	**91.1**	–	118.6	118.6
Other	**38.6**	**69.9**	**108.5**	33.5	94.2	127.7
Total	**38.6**	**1,162.0**	**1,200.6**	33.5	2,139.4	2,172.9

NOTES TO THE ACCOUNTS
Continued

17. 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:

2011 Financial assets: Maturity profile	**Short-term deposits £m**	**Treasury bills and bonds £m**	**Advances to customers £m**	**Loans and receivables £m**	**Forward foreign exchange contracts £m**
Due on demand	**–**	**–**	**–**	**–**	**–**
Due within one year, but not on demand	**720.0**	**45.4**	**68.8**	**22.2**	**13.3**
Due within one to two years	**–**	**–**	**59.6**	**1.3**	**0.3**
Due within two to three years	**–**	**–**	**–**	**1.2**	**–**
Due within three to four years	**–**	**–**	**–**	**2.0**	**–**
Due within four to five years	**–**	**–**	**–**	**0.8**	**–**
Due after five years	**–**	**–**	**–**	**1.6**	**–**
Total	**720.0**	**45.4**	**128.4**	**29.1**	**13.6**

2010 Financial assets: Maturity profile	Short-term deposits £m	Treasury bills and bonds £m	Advances to customers £m	Loans and receivables £m	Forward foreign exchange contracts £m
Due on demand	–	–	–	–	–
Due within one year, but not on demand	759.1	59.8	50.7	43.8	19.5
Due within one to two years	–	–	58.1	23.6	3.5
Due within two to three years	–	–	–	1.8	–
Due within three to four years	–	–	–	1.1	–
Due within four to five years	–	–	–	1.9	–
Due after five years	–	–	–	1.3	–
Total	759.1	59.8	108.8	73.5	23.0

2011 Financial liabilities: Maturity profile	**Overdrafts £m**	**Deposits due to customers £m**	**Interest-bearing loans and borrowings £m**	**Forward foreign exchange contracts £m**	**Other derivatives £m**
Due on demand	**0.5**	**–**	**–**	**–**	**9.4**
Due within one year, but not on demand	**–**	**133.8**	**29.1**	**23.9**	**–**
Due within one to two years	**–**	**0.1**	**17.5**	**9.0**	**–**
Due within two to three years	**–**	**–**	**5.0**	**–**	**–**
Due within three to four years	**–**	**–**	**3.7**	**–**	**–**
Due within four to five years	**–**	**–**	**3.7**	**–**	**–**
Due after five years	**–**	**–**	**1.2**	**–**	**–**
Total	**0.5**	**133.9**	**60.2**	**32.9**	**9.4**

2010 Financial liabilities: Maturity profile	Overdrafts £m	Deposits due to customers £m	Interest-bearing loans and borrowings £m	Forward foreign exchange contracts £m	Other derivatives £m
Due on demand	1.7	–	–	–	10.2
Due within one year, but not on demand	–	129.6	20.0	59.5	–
Due within one to two years	–	–	11.9	2.5	–
Due within two to three years	–	–	2.0	–	–
Due within three to four years	–	–	1.9	–	–
Due within four to five years	–	–	11.7	–	–
Due after five years	–	–	25.8	–	–
Total	1.7	129.6	73.3	62.0	10.2

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

17. 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:

2011 Financial assets: Maturity profile	Short-term deposits £m	Loans receivable £m	Forward foreign exchange contracts £m
Due within one year, but not on demand	**662.8**	**22.1**	**13.3**
Due within one to two years	**–**	**1.3**	**0.2**
Due within two to three years	**–**	**17.1**	**–**
Due within three to four years	**–**	**2.0**	**–**
Due within four to five years	**–**	**0.8**	**–**
Due after five years	**–**	**714.7**	**–**
Total	**662.8**	**758.0**	**13.5**

2010 Financial assets: Maturity profile	Short-term deposits £m	Loans receivable £m	Forward foreign exchange contracts £m
Due within one year, but not on demand	725.4	47.6	19.5
Due within one to two years	–	23.7	3.5
Due within two to three years	–	1.7	–
Due within three to four years	–	61.1	–
Due within four to five years	–	1.9	–
Due after five years	–	27.2	–
Total	725.4	163.2	23.0

2011 Financial liabilities: Maturity profile	Forward foreign exchange contracts £m
Due within one year, but not on demand	**23.9**
Due within one to two years	**9.0**
Total	**32.9**

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

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

NOTES TO THE ACCOUNTS
Continued

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

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

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

	2011 Book value £m	2011 Fair value £m	2011 Gross cash flow £m	2010 Book value £m	2010 Fair value £m	2010 Gross cash flow £m
Within one year	**(11.3)**	**(12.7)**	**(12.8)**	(13.8)	(15.9)	(16.1)
After one year and not more than five years	**(43.1)**	**(45.9)**	**(46.4)**	(55.3)	(58.3)	(58.8)
After five years	**(6.3)**	**(6.4)**	**(6.4)**	(5.9)	(5.7)	(5.7)
Total	**(60.7)**	**(65.0)**	**(65.6)**	(75.0)	(79.9)	(80.6)

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

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

Liquidity risk
The Group's and Company's policy on liquidity risk is to ensure that they always have sufficient funding to meet all short to medium-term funding requirements. The Group's cash balance at 31 December 2011 was £808.9m (2010: £842.0m) and its capital commitments including long-term commitment were £1,279.8m (2010: £1,430.2m).

	Group		Company	
Analysis of total cash balance	2011 £m	2010 £m	2011 £m	2010 £m
Cash at bank and in hand	**43.5**	23.1	**29.6**	10.4
Short-term deposits receivable within 90 days	**720.0**	759.1	**662.8**	725.4
Treasury bills and bonds maturing within 90 days	**9.1**	36.7	**–**	–
Treasury bills and bonds maturing after more than 90 days	**36.3**	23.1	**–**	–
Total	**808.9**	842.0	**692.4**	735.8

The Group's and Company's contractual maturities of derivatives and non-derivative financial liabilities are disclosed in note 17 Financial instruments.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fund commitments: maturity profile

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

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

	2011 £m	2010 £m
2003 and prior	**4.3**	4.4
2004	**26.5**	31.2
2005	**17.1**	15.5
2006	**75.2**	132.3
2007	**481.6**	599.7
2008	**208.6**	293.4
2009	**83.1**	107.5
2010	**240.3**	246.2
2011	**143.1**	–
Total	**1,279.8**	1,430.2

Credit risk

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

		Group		Company	
	Notes	2011 £m	2010 £m	2011 £m	2010 £m
Fair value financial assets	11	**1,875.5**	1,856.1	**1,200.6**	2,172.9
Loans and receivables	12	**29.1**	73.5	**758.0**	163.2
Derivative financial instruments	17	**(28.8)**	(39.0)	**(19.4)**	(28.8)
Trade and other receivables (excluding loans and advances to customers)	16	**5.6**	17.3	**12.8**	19.3
Advances to customers	12/16	**128.4**	108.8	**–**	–
Short-term deposits	19	**720.0**	759.1	**662.8**	725.4
Treasury bills and bonds	19	**45.4**	59.8	**–**	–
Cash and cash equivalents	19	**43.5**	23.1	**29.6**	10.4
Total		**2,818.7**	2,858.7	**2,644.4**	3,062.4

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

	Group					
	Loans and receivables		Advances to customers		Trade receivables	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Not past due	**29.1**	73.5	**90.1**	104.6	**5.6**	17.3
Past due	**–**	–	**38.3**	4.2	**–**	–
Total	**29.1**	73.5	**128.4**	108.8	**5.6**	17.3

The fair value of collateral held on overdue advances to customers was £38.3m (2010: £8.3m).

	Company					
	Loans and receivables		Advances to customers		Trade receivables	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Not past due	**758.0**	163.2	**–**	–	**12.8**	19.3
Past due	**–**	–	**–**	–	**–**	–
Total	**758.0**	163.2	**–**	–	**12.8**	19.3

NOTES TO THE ACCOUNTS
Continued

18. FINANCIAL RISK MANAGEMENT (CONTINUED)
The movement in the allowance for impairment during the year was:

	Group			
	Loans and receivables		Advances to customers	
	2011 £m	2010 £m	2011 £m	2010 £m
Balance at 1 January	**36.5**	39.3	**3.4**	3.8
Impairment loss recognised	**4.9**	8.2	**0.2**	0.2
Exchange	**1.3**	(11.0)	**(0.1)**	(0.6)
Balance at 31 December	**42.7**	36.5	**3.5**	3.4

	Company			
	Loans and receivables		Advances to customers	
	2011 £m	2010 £m	2011 £m	2010 £m
Balance at 1 January	**33.6**	46.9	**–**	–
Impairment loss recognised/(released)	**4.9**	(7.2)	**–**	–
Exchange	**(0.2)**	(6.1)	**–**	–
Balance at 31 December	**38.3**	33.6	**–**	–

The ageing of financial assets impaired during the year was:

	Group			
	Loans and receivables		Advances to customers	
	2011 £m	2010 £m	2011 £m	2010 £m
Not past due	**3.6**	–	**0.3**	0.2
Past due	**–**	–	**–**	4.1
Total	**3.6**	–	**0.3**	4.3

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

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

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

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

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

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

Interest rate risk

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

As at 31 December 2011, the average interest rate earned on the Group's and Company's bank deposit was 0.5% (2010: 0.4%). A 0.75% (2010: 0.75%) change in all interest rates, with all other variables held constant, would have a 0.6%, £430.4m impact on the Group's profit before tax (2010: 0.7%, £1.9m). 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's largest exposure is to the US dollar. As at 31 December 2011, £1,793m, 93.7% of the funds in which the Group and Company invest in are denominated in US dollars (2010: £1,826.2m (94.4%)). In order to protect the Group's Sterling statement of financial position and reduce cash flow risk, the Group uses forward foreign exchange contracts to hedge foreign exposures arising on forecast receipts and payments in foreign currencies.

A 16 cent, 10% movement in the average exchange rate for the US dollar against Sterling with all other variables held constant would impact profit by £74.2m (2010: 16 cent (10%) movement, impact: £72.6m).

Equity price risk

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

As at 31 December 2010, the Group and Company had legal commitments to invest in 152 funds (2010: 143 funds) with 80 fund managers (2010: 71 fund managers). As at 31 December 2011 and 2010, one outstanding balance to Actis Infrastructure Fund II exceeded 5% of the Company's net assets.

A 10% change in the fair value of the Group's equity investment would impact the Group's profit by £187.6m (2010: 10% change, impact £185.6m).

Valuation risk

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

Capital management

CDC considers its capital to be the total equity shown in note 20. The Company's objectives when managing capital are:

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

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

NOTES TO THE ACCOUNTS
Continued

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Cash at bank and in hand	**43.5**	23.1	**29.6**	10.4
Short-term deposits receivable within 90 days	**720.0**	759.1	**662.8**	725.4
Treasury bills and bonds maturing within 90 days	**9.1**	36.7	**–**	–
Total cash and cash equivalents	**772.6**	818.9	**692.4**	735.8

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and 90 days depending on the immediate requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £772.6m (2010: £818.9m).

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	
	2011 £m	2010 £m	2011 £m	2010 £m
Treasury bills and bonds maturing after more than 90 days	**36.3**	23.1	**–**	–
Total amounts maturing after more than 90 days	**36.3**	23.1	**–**	–

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

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Cash at bank and in hand	**43.5**	23.1	**29.6**	10.4
Short-term deposits receivable within 90 days	**720.0**	759.1	**662.8**	725.4
Treasury bills and bonds maturing within 90 days	**9.1**	36.7	**–**	–
Bank overdrafts	**(0.5)**	(1.7)	**(0.5)**	–
Total cash and cash equivalents per statement of cash flows	**772.1**	817.2	**691.9**	735.8

20. ISSUED CAPITAL AND RESERVES

	2011 £m	2010 £m
Allotted, called up and fully paid		
765,036,043 Ordinary shares of £1 each	**765.0**	765.0

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

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

20. ISSUED CAPITAL AND RESERVES (CONTINUED)

Other reserves

		Group			Company	
	Note	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 2010		(1.8)	(46.2)	1,819.7	(1.4)	1,781.8
Impact of change in accounting policy	14	–	–	(139.7)	–	(139.7)
At 1 January 2010 restated		(1.8)	(46.2)	1,680.0	(1.4)	1,642.1
Profits on cash flow hedges taken to equity		1.8	–	–	1.4	–
Currency translation differences on retranslation of net assets of subsidiaries		–	(8.6)	–	–	–
Total comprehensive income for the year attributable to equity shareholders		–	–	289.4	–	251.7
At 31 December 2010 restated		–	(54.8)	1,969.4	–	1,893.8
Currency translation differences on retranslation of net assets of subsidiaries		**–**	**21.1**	**–**	**–**	**–**
Total comprehensive income for the year attributable to equity shareholders		**–**	**–**	**(108.5)**	**–**	**(57.6)**
At 31 December 2011		**–**	**(33.7)**	**1,860.9**	**–**	**1,836.2**

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 statement of comprehensive income to match the hedged item or if the hedge ceases to be effective.

Currency translation reserve

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

21. TRADE AND OTHER PAYABLES (CURRENT)

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Trade payables	**–**	0.4	**–**	–
Deposits due to customers	**133.9**	129.6	**–**	–
Amounts owed to Group companies	**–**	–	**39.0**	401.5
Other taxes and social security	**0.2**	0.2	**0.2**	0.1
Other payables	**30.2***	5.7	**1.0**	0.7
Accruals and deferred income	**4.7**	4.9	**3.0**	3.5
Total trade and other payables excluding current tax	**169.0**	140.8	**43.2**	405.8
Current tax liabilities	**0.3**	0.2	**0.1**	0.2
Total trade and other payables (current)	**169.3**	141.0	**43.3**	406.0

* Includes short term borrowings.

NOTES TO THE ACCOUNTS
Continued

22. TRADE AND OTHER PAYABLES (NON-CURRENT)

	Group 2011 £m	Group 2010 £m
Other payables	**0.5**	0.6
Deposits due to customers	**0.1**	–
Total trade and other payables (non-current)	**0.6**	0.6

23. INTEREST-BEARING LOANS AND BORROWINGS
Details of interest-bearing loans and borrowings are as follows:

	Fixed/ floating rate	Effective interest rate %	Repayment frequency	Maturity	Group Non-current 2011 £m	Group Non-current 2010 £m	Group Current 2011 £m	Group Current 2010 £m
Bank overdrafts	Floating	Various	On demand	On demand	**–**	–	**0.5**	1.7
					–	–	**0.5**	1.7
Interest-bearing loans (US Dollar)								
IFC*[1]	Floating	3.9	Bi-annual	2016	**2.3**	3.2	**2.1**	0.9
PROPARCO*[2]	Floating	2.9	Bi-annual	2014	**6.7**	8.0	**2.5**	1.4
European Investment Bank*	Fixed	5.2	Quarterly	2011	**–**	4.0	**–**	1.2
East African Development Bank	Floating	2.2	Revolving	2012	**–**	2.7	**3.2**	0.5
Norfund*[3]	Floating	4.0	Annual	2017	**6.4**	1.6	**2.4**	0.3
FMO*[4]	Floating	3.8	Quarterly	2018	**8.8**	5.6	**2.3**	0.2
Finnish Fund For Industrial Cooperation	Fixed	12.5	Annual	2012	**–**	–	**2.7**	2.4
CRDB Bank**[5]	Floating	8.0	Quarterly	2015	**–**	4.6	**–**	1.2
					24.2	29.7	**15.2**	8.1
Interest-bearing loans (other currencies)								
European Investment Bank*	Fixed	9.0	Bi-annual	2013	**0.5**	3.9	**1.8**	2.5
European Investment Bank/PEFF*[6]	Fixed	11.3	Bi-annual	2017	**3.8**	2.5	**2.2**	1.0
European Investment Bank Global II*	Fixed	11.3	Bi-annual	2015	**0.5**	1.9	**0.9**	1.5
Uganda Government (KfW I loan)*[7]	Fixed	nil	Annual	2012	**–**	–	**7.2**	0.1
Uganda Government (KfW IV loan)*	Fixed	nil	Bi-annual	2011	**–**	3.0	**–**	0.4
					4.8	11.3	**12.1**	5.5
Others (all of which are under £2.5m individually)					**2.0**	12.3	**1.9**	6.4
Total interest bearing loans and borrowings					**31.0**	53.3	**29.7**	21.7

* The loans are secured by subsidiary's tangible and intangible assets, including leasehold and freehold lands, plant and machinery, company's bank accounts and any benefit arising out of existing and future projects.
** This loan was held by Kilombero Valley Teak Company Ltd which was disposed in 2011.

[1] IFC: International Finance Corporation.
[2] PROPARCO: Promotion et Participation pour la Coopération Economique (part of Agence Française de Developpment).
[3] Norfund: Norwegian Investment Fund for Developing Countries.
[4] FMO: Netherlands Development Finance Company.
[5] CRDB: Cooperative and Rural Development Bank.
[6] PEFF: Private Enterprise Finance Facility.
[7] KfW: Kreditanstalt für Wiederaufbau.

23. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

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

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

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

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

24. PROVISIONS

	Group					
	2011 Post-retirement benefits £m	**2011 Other provisions £m**	**2011 Total £m**	2010 Post-retirement benefits £m	2010 Other provisions £m	2010 Total £m
At 1 January	**0.7**	**–**	**0.7**	0.2	2.3	2.5
Charge in the year	**–**	**–**	**–**	0.5	–	0.5
Utilised	**(0.2)**	**–**	**(0.2)**	–	(2.3)	(2.3)
At 31 December	**0.5**	**–**	**0.5**	0.7	–	0.7

	Company					
	2011 Post-retirement benefits £m	**2011 Other provisions £m**	**2011 Total £m**	2010 Post-retirement benefits £m	2010 Other provisions £m	2010 Total £m
At 1 January	**0.6**	**–**	**0.6**	0.2	2.0	2.2
Charge in the year	**–**	**–**	**–**	0.4	–	0.4
Utilised	**(0.1)**	**–**	**(0.1)**	–	(2.0)	(2.0)
At 31 December	**0.5**	**–**	**0.5**	0.6	–	0.6

NOTES TO THE ACCOUNTS
Continued

25. CAPITAL COMMITMENTS AND GUARANTEES
Amounts contracted for but not provided for in the accounts amounted to £1,279.8m (2010: £1,430.2m) for subscriptions to debentures, loans and shares.

26. OBLIGATIONS UNDER OPERATING LEASES
Operating lease commitments – Group and Company as lessee
Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Within one year	**1.3**	1.3	**1.3**	1.3
After one year but not more than five years	**1.2**	2.0	**1.2**	2.0
Total	**2.5**	3.3	**2.5**	3.3

27. CONTINGENT LIABILITIES
The Group and the Company had the following contingent liabilities:

- in support of the borrowings of third parties which had a principal value of £0.2m (2010: £1.2m); and
- in respect of undertakings to power distributors and governments in connection with the operation of power generating subsidiaries with a maximum legal liability of £9.9m (2010: £9.8m).

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

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

	2011 £m	2010 £m
Statement of comprehensive income		
Interest income	**1.5**	2.5
Interest earned on deposit with Debt Management Office*	**1.0**	1.1
Dividend income	**247.4**	68.1
Profit on disposal of fair value financial assets	**6.4**	–
Management fee income	**–**	0.1
Interest payable	**(0.2)**	(0.4)
Statement of financial position		
Fair value financial assets	**85.8**	432.8
Loans and receivables with CDC subsidiaries	**725.9**	89.7
Deposit with Debt Management Office*	**390.0**	390.0
Trade and other receivables	**7.0**	6.8
Trade and other payables	**(39.1)**	(401.5)

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

29. PRINCIPAL SUBSIDIARIES
The principal subsidiaries of CDC Group plc during the year to 31 December 2011 and the percentage of equity capital are set out below. The Company has taken advantage of section 410(2) of the Companies Act 2006 in not detailing all subsidiaries due to the length of the disclosure. A complete list of investments in subsidiaries will be attached to the Company's annual return made to the Registrar of Companies.

Region/country of incorporation	Company	Class of share	Percentage held by CDC	Principal activities
Africa				
Mauritius	CDC South Asia Limited	Ordinary	100	Investment holding
Uganda	DFCU Limited	Ordinary	60	Financial institution
Europe				
Guernsey	CDC Holdings Guernsey Limited	Ordinary	100	Investment holding

ADDRESS

CDC Group plc
Cardinal Place
Level 2
80 Victoria Street
London SW1E 5JL

T +44 (0)20 7963 4700
F +44 (0)20 7963 4750
enquiries@cdcgroup.com
www.cdcgroup.com

Registered in England No 3877777

VAT registration number 774 1067 28

FOOTNOTE

MSCI Emerging & Frontier Markets Custom Country Weighted Index

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

RECYCLED
Paper made from recycled material
FSC® C022913
www.fsc.org

Printed by Pureprint Group on 9 Lives Offset, a FSC® certified 100% recycled fibre paper manufactured at a mill accredited with ISO 14001 environmental management standard. The pulp used in this product is bleached using a Totally Chlorine Free (TCF) process. Pureprint is a CarbonNeutral® company, registered to the Environmental Management System ISO 14001 and EMAS, the Eco Management and Audit Scheme. On average 99.36% of any waste associated with the production of this document will be diverted from landfill.

Designed and produced by Rare Corporate Design, London. www.rarecorporate.co.uk