CDC Group plc
Annual Report and Accounts 2012

Who we are and what we do

CDC supports the building of businesses throughout Africa and South Asia, to create jobs and make a lasting difference to people's lives in some of the world's poorest places.

Contents

What is CDC?

CDC is the first ever development finance institution (DFI), established in 1948. Wholly-owned by government, it is part of the Department for International Development's (DFID) private sector strategy to alleviate poverty, but operates independently under the governance of an independent board. CDC aims to achieve positive impact where we invest, primarily by creating jobs, while also achieving a fair return on capital. It is a measure of CDC's success that it does not draw capital from the UK taxpayer, but invests from its own balance sheet and recycles profits into new investments.

Total profit since 2004

*

1,250

Investee businesses up from 1,126 in 2011

*

77

Countries where investee businesses are located

Further information

Throughout this report we have included guidance to show where further information on some issues can be located.

Visit:
www.cdcgroup.com

What does CDC do?

CDC supports the growth of businesses and job creation across all of Africa and South Asia – especially in the harder places. We aim to invest where our job creation focus can have greatest impact: in countries where the private sector is weak and jobs are scarce, and in sectors where growth leads to jobs – directly and indirectly – such as manufacturing, agribusiness, infrastructure, financial institutions, construction, health and education.

CDC invests to support the growth of all sizes of business from the micro-level right up to the largest because we believe that a balanced private sector is necessary for economic development and robust job creation. In doing so we like to demonstrate that it is possible to invest successfully in some of the harder places in the world. We aim to avoid providing capital where it is clear that fully commercial capital is plentiful.

How does CDC operate?

CDC provides capital in all its forms, including equity, debt, mezzanine and guarantees, and this capital is typically used for growth. We invest directly and through fund managers that we believe are aligned with our aims.

As a responsible investor, helping companies achieve good standards of governance, along with strong environmental and social policies, is an important part of how CDC adds value. Our investment process is high quality, fast and non-bureaucratic and we strongly believe in being commercial in all we do. Unless businesses are economically and commercially sustainable, no impact can ultimately be achieved.

Chairman's Statement

2012 was an important year for CDC. Not only was a detailed strategy published setting out CDC's priorities for the next five years, but the first important steps towards executing this strategy were taken. The new strategy focuses CDC on supporting the building of businesses in order to create jobs. It also allows CDC to invest using different instruments, and to this end two new teams were established to make direct equity investments, and debt and structured finance investments.

CDC continued to get capital to work in developing countries, with new investments standing at £397m for the year. Moreover, 2012 also saw CDC's investment portfolio perform well, generating a total return of £223m which represents a 9% return for CDC's shareholder DFID.

Finding the right investment opportunities remains a core challenge for both CDC and our investment partners. Together, we must find opportunities in Africa and South Asia that offer both commercial sustainability and the job creation potential that we require. Both regions have strong potential if the right combination of good management and patient capital can be brought together. This represents a potent mix for growing businesses and creating jobs.

Last year, together with members of the CDC Board I visited India to see how our capital is having an impact at a number of businesses. Communicating this impact more widely is an important task for CDC to ensure that our stakeholders understand the many benefits that a growing business can bring to its workforce and, more broadly, its community.

Finally, I would like to thank our shareholder DFID for all its support during the year in which CDC laid the foundations for the years ahead. I should also like to thank the team at CDC for their hard work during the year. The Company is in an exciting phase of growth and its staff have performed admirably and with great dedication.

Richard Gillingwater

Richard Gillingwater CBE Chairman

"CDC continued to get capital to work in developing countries, with new investments standing at £397m for the year."

Chief Executive's Statement

Last year, as a newcomer to CDC, I wrote about the high level business plan that I had inherited and the importance of 2012 in confirming the strategic direction for the next five years.

This past year has seen us develop the strategy so that it is both market-led and designed to support the growth of the private sector where this is most needed in Africa and South Asia. The central theme of the year, however, has been one of people. The CDC that I joined in November 2011 had a surprisingly small team of just over 40 to manage a £2.6bn Balance Sheet and oversee over 150 funds and 1,000 underlying companies. This team was experienced, dedicated and well regarded. They had done an outstanding job in selecting the right fund managers to invest CDC's capital in a range of strategies across emerging markets. Their reputation was for high standards of due diligence and commercial judgement which helped to attract third party capital to the funds they backed. And the specialist teams of finance, legal, ESG, HR and communications had supported the investment teams admirably with limited resources.

Once we confirmed the strategy early in the year, it became clear that we needed to build a larger organisation in order to execute the two key elements. First, to invest equity and debt directly in businesses alongside the existing fund selection strategy. Second, to direct capital towards companies which will create a significant number of jobs as they grow – across Africa and South Asia, but especially in the more challenging places.

We therefore embarked immediately on an ambitious hiring plan. Our aim was to build two new investment teams from scratch that were able to develop pipelines of new opportunities to provide equity and debt directly to interesting businesses and execute transactions that would be financially sound, but also deliver the development impact we desired. We also needed to strengthen the fund selection teams, who were overly stretched in overseeing large portfolios of relationships with too few people. And, in parallel, we needed to grow the specialist teams with high quality technical skills and processes to ensure that as CDC develops it remains a responsible investor with high standards of legal, financial, ESG and business integrity.

I am delighted to say that we were successful in achieving the aims we set out at the start of the year. The new equity investment team was established and made its first investment; momentum continued in making new commitments to funds; and the portfolio as a whole showed a good return. Whilst there is more to do during 2013 to create a distinctive DFI with all the skills and capacity to fully address the opportunities that are available to us, I believe that 2012 built the foundations of a newly focused CDC. Thirty three high quality professionals chose to entrust their careers to us. They have brought a new energy and enthusiasm to the organisation and I am grateful to all of them. They join a CDC with a strong market reputation because of the existing team that has stayed loyal to the organisation and the mission throughout a period of enormous uncertainty. They too deserve enormous thanks.

The new commitments and investments made during 2012, many of which are illustrated in this report, provide a good guide to CDC's future direction. They include a large Pan-African agribusiness, an East and Southern Africa housing fund and an SME fund in India.

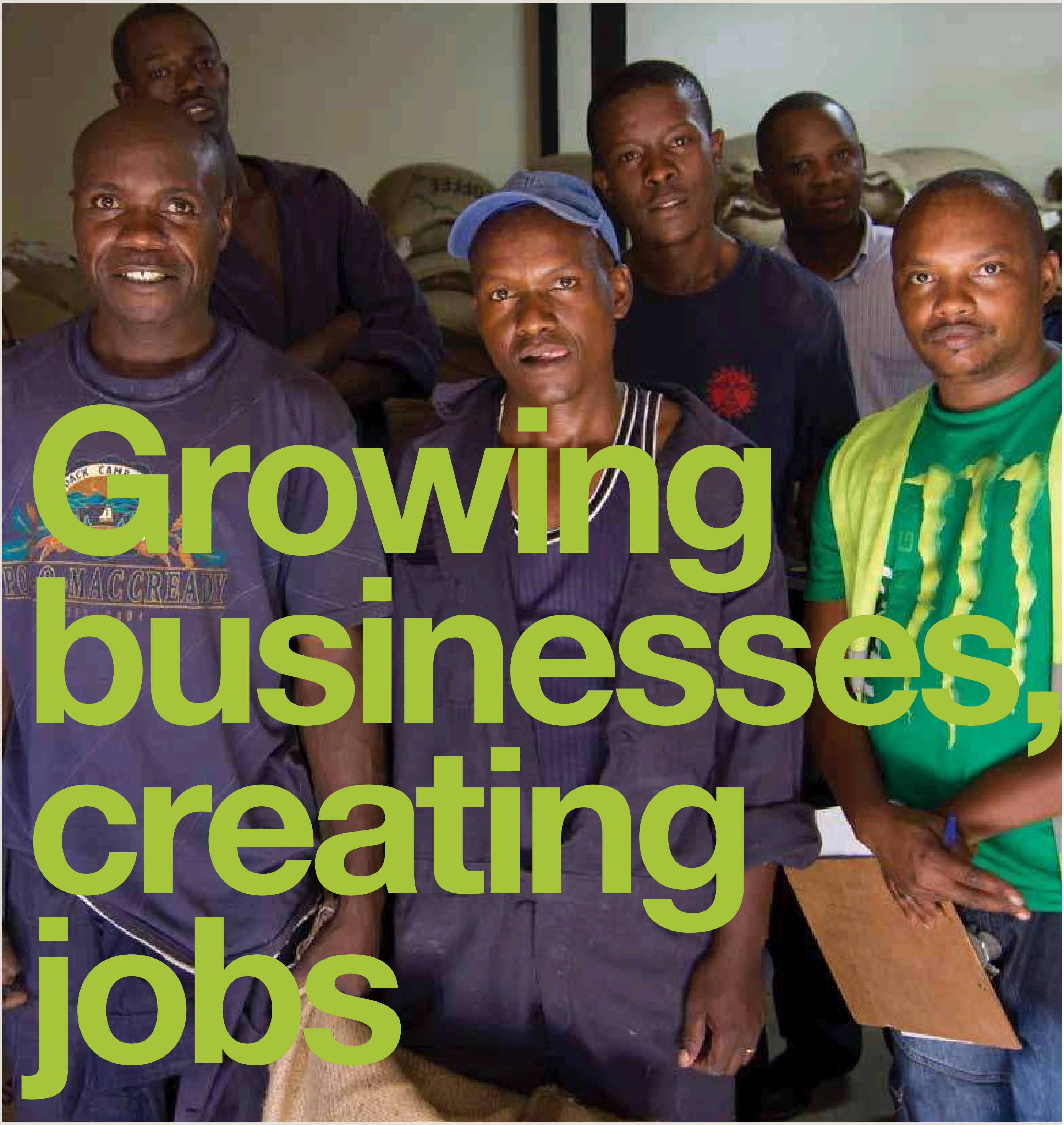
We expect 2013 to be another important year. Our new, larger team will make more investments and commitments which will pave the way for more impact and more capital returned to our Balance Sheet so that we can do even more in future. We will find new ways of communicating our impact, through stories, pictures and films as well as quantitative data. We may only have completed the first year of our five year strategic plan, but we are well on the way to achieving our goals.

Diana Noble Chief Executive

Our mission in action

Jobs supported by CDC capital

1,109,000



Growing businesses, creating jobs

90%
of jobs in developing countries are in the private sector

Currently 200 million people are unemployed globally and by 2020, 600 million jobs must be created in developing countries – mainly in Africa and Asia – to accommodate young people entering the workforce[1].

Growing businesses, creating jobs

The private sector provides nine out of ten jobs in developing countries so helping businesses grow is essential for job creation[2]. According to a World Bank survey of over 45,000 companies in 106 developing countries, the top two constraints facing businesses are the poor investment climate and access to finance.

CDC invests capital to support the growth of businesses and job creation across all of Africa and South Asia – especially in the harder places. Jobs boost living standards, raise productivity and are the main path out of poverty for many. Decent, formal employment can also provide social benefits such as access to healthcare or education; and it allows people to save and plan for their future.

We aim to invest where we can have greatest impact on job creation: in countries where the private sector is weak and jobs are scarce. Our focus is on sectors where growth leads to jobs – directly and indirectly – including manufacturing, agribusiness, infrastructure, financial institutions, construction, health and education.

1 IFC Jobs Study; Assessing private sector contributions to job creation and poverty reduction
2 Ibid

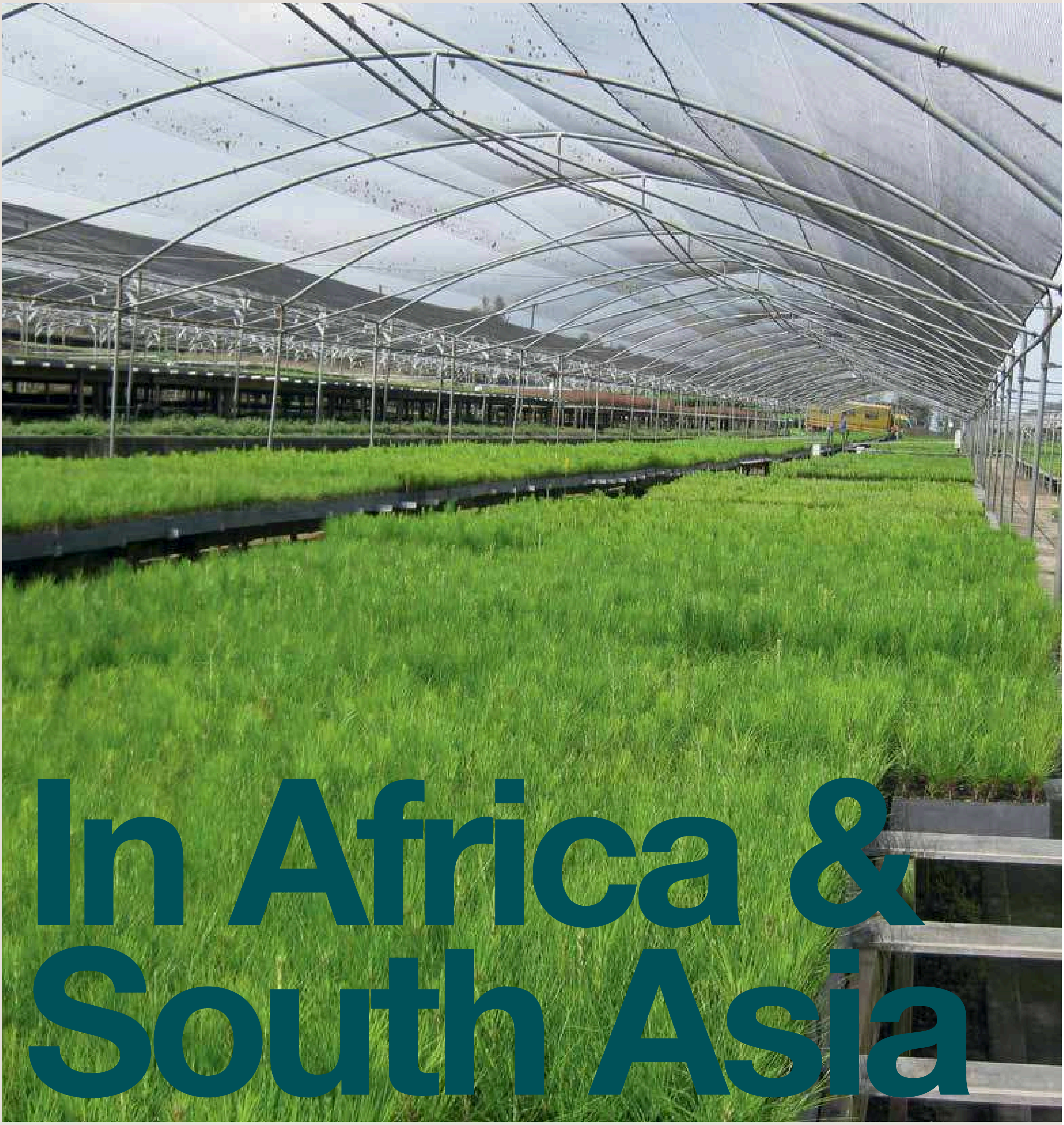
Our mission in action

Value of CDC's 580 investee businesses in Africa

£1,001m

Value of CDC's 321 investee businesses in South Asia

£492m



In Africa & South Asia

of the world's poor people live in Africa and South Asia

CDC makes new investments and loans solely to businesses in Africa and South Asia, regions that include some of the world's hardest investment environments.

Growing businesses and creating jobs in Africa and South Asia

The reasons for this focus are simple. Not only are these regions home to over 70% of the world's poor people[1], but they also have growing populations that desperately need jobs.

Today, just 28% of the labour force in Africa has stable wage paying jobs[2] – the rest, whether officially unemployed or in subsistence farming or street vending, are rightly classified as in vulnerable employment with no means of raising their living standards.

The statistics for South Asia are equally stark as those for Africa. Three-quarters of the population in South Asia is in vulnerable employment, some 480m people[3].

Not only is the need for economic development leading to jobs greater in Africa and South Asia, but the need for capital is also greater. For example, the private equity capital pools in these regions are tiny in comparison to developed Western markets. In 2011, for every US$1 of private equity capital raised per capita for investment in Africa and US$2 for India, US$12 was raised for China and US$71 was raised for investment in Europe[4].

Unless private sectors are developed that are competitive, diversified, independent and integrated into global markets, both Africa and South Asia risk wasting their tremendous potential – as well as blighting millions of lives.

1 World Bank
2 ILO
3 Ibid
4 United States Private Equity Data – Pitchbook; EMPEA; BVCA

Our mission in action

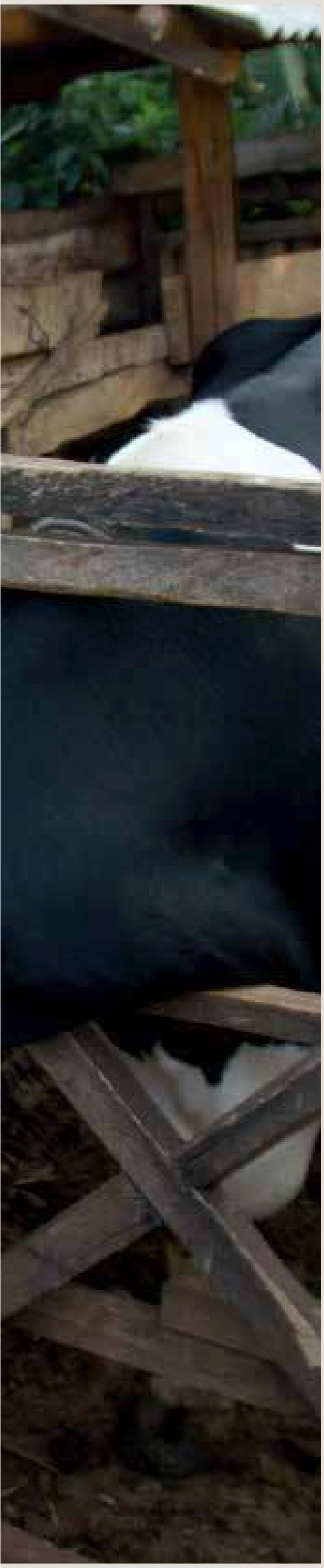
Increase in value of total assets since 2004

£1.8bn

Making a lasting difference

433,000

Increase, since 2008, in jobs provided by businesses in which CDC's capital is invested



We strongly believe in being commercial in all we do. Unless businesses are economically and commercially sustainable, no impact can ultimately be achieved. This is how we make a lasting difference.

Growing businesses and creating jobs in Africa and South Asia to make a lasting difference ››

To be sustainable in the long term a business must be run profitably and responsibly.

— Profits enable companies to invest in training, R&D and expansion, as well as ensuring that they can withstand shocks such as the loss of a large customer. Directing capital to the right opportunities requires CDC to apply commercial judgement to its investment and lending decisions.
— CDC also takes a long-term view when making investments and loans, supporting our partners through good times and bad to help them succeed. This approach is especially important during an economic downturn when other sources of finance are reluctant to commit capital in harder investment environments.
— The businesses that receive CDC's capital must also adhere to its Investment Code, which stipulates environmental, social and governance standards that are often above those required by local law. Investing in difficult geographies means that standards sometimes fall short, but in these cases a plan must be put in place to make the necessary improvements.

A flexible, responsible investment approach backed with commercial rigour not only ensures that the jobs we help create are likely to endure over the long term, but it also demonstrates to other potential investors that reasonable returns can be made in difficult geographies.

Crucially, investing profitably also enables CDC to be self-financing. When CDC's investments and loans generate positive returns these are recycled back into future investments. This model means CDC has had no new capital from government since 1995 and doesn't cost the taxpayer a penny.

2012 Highlights

Portfolio value

+£333m

2012
£2,246m

2011
£1,913m

Total return

2012
£223m
profit

2011
£72m
loss

Total jobs supported in underlying investee businesses

2012
1,109,000

2011
976,000

Underlying investee businesses

2011
1,126

2012
1,250

First investment by new equity team

US$ 32.5m

into Export Trading Group

First investment by new debt and structured finance team

US$ 30m

Investec Africa Credit Opportunities Fund 1

2012 Commitments at a glance

In 2012, CDC made nine new investment commitments totalling US$273.6m. As well as seven commitments to equity funds in Africa and South Asia, our two new CDC investment teams – Equity Investments and Debt and Structured Finance – also made their first investments.

CDC now has investments in 155 funds managed by 84 different fund managers.

The funds and businesses that receive CDC's investment capital must all adhere to CDC's Investment Code which stipulates environmental, social and governance standards. Alongside the Investment Code, each Fund typically has a specific geographic and sector mandate that guides how CDC's capital is deployed.

2012 new commitments

US$ 75m
Actis Africa Real Estate Fund 2, sub-Saharan Africa
Real Estate

US$ 42.9m
Diamond Bank, Nigeria (follow-on commitment)
Financial services

US$ 32.5m
Export Trading Group, pan-Africa
Agribusiness

US$ 30m
Ambit Pragma II, India
Multiple sectors, SME focus

US$ 30m
Investec Africa Credit Opportunities, sub-Saharan Africa
Multiple sectors

US$ 20m
Phatisa Pan-African Housing Fund, Eastern and Southern Africa
Real Estate

US$ 15m
SGI Ethiopia Growth and Transformation Fund I, Ethiopia
Multiple sectors, SME focus

US$ 15m
Aavishkaar Goodwell India, India
Microfinance

US$ 13.2m
I&P Capital III, West Africa and Indian Ocean region
Multiple sectors, SME focus

Case studies of both new commitments and underlying investee businesses from existing funds are discussed in detail on the following pages.

New Commitments
Pan African Housing Fund

48%

CDC provided 48% of committed capital at first close

Fund name
Phatisa Pan African Housing Fund

Date of CDC commitment
2012

Commitment size
US$ 20m

Fund geography
Kenya, Mozambique, Rwanda, Tanzania, Uganda, Zambia

Fund sectors
Construction/real estate, with a focus on housing

65%

of sub-Saharan Africa's urban population live in slum conditions

Investing through private equity funds remains an important part of CDC's investment strategy. Such investments allow CDC to benefit from the knowledge and expertise of local investors and can also help encourage others to put their capital to work in our markets.

In December 2012, CDC committed US$20m to Phatisa's Pan African Housing Fund ('PAHF') with the aim of catalysing finance for the construction of up to 7,500 new homes over ten years. This will create an estimated 22,500 jobs.

The Fund will provide risk capital on a joint basis with selected local developers to build middle and lower-middle income residential housing in Kenya, Zambia, Tanzania, Uganda, Mozambique and Rwanda. All developments will be in urban areas and the housing provided will be for both sale and rental markets. Rent-to-buy schemes that help people get on to the housing ladder may be introduced where appropriate.

The construction and real estate industry is recognised as an essential provider of jobs to both skilled and unskilled workers. As well as the direct jobs created by housing developments, the construction industry also supports significant additional employment in the supply chain.

Housing in East and Southern Africa

65% of sub-Saharan Africa's urban population live in slum conditions with poor infrastructure. This is partly the result of years of under-investment in housing across East and Southern Africa, coupled with growing populations and rapid urbanisation.

In the six countries targeted by PAHF the lack of decent, reasonably-priced housing stock prevents families moving out of the low-quality, informal housing sector. This exacerbates the pressures of urbanisation. For example, in Kenya the total housing backlog is estimated to be two million units[1], and in Tanzania the annual demand for housing construction nationwide is estimated to be 200,000 units[2].

1 World Bank, 2011, *'Developing Kenya's Mortgage Market'*.
2 Shelter Afrique. 2011, *'Feasibility Study on Developing a Social Housing Programme at Shelter Afrique'*.

Up to

7,500

new homes will be built over ten years.

PAHF is the only fund providing the equity financing essential for the growth, development and institutionalisation of middle-income housing as an asset class in the region. By investing in PAHF, CDC aims to increase the provision of housing, a basic human need, as well as helping to raise environmental, social and governance (ESG) standards in the sector.

PAHF will work with selected local small and medium-sized enterprise (SME) developers and improving these partners' ESG standards will be a focus area. During the fund-raising period CDC worked with other investors, notably the African Development Bank and FMO (the Netherlands' DFI), to enhance PAHF's ESG policies and implementation procedures. Each development that requires it will have an ESG action plan covering efficient sewage treatment and recycling units, provision of health and safety training and equipment and the imposition of better construction practices and standards. Thorough due diligence will also be carried out on land history, land title, and land use.

By providing nearly 50% of the Fund's committed capital at first close CDC has helped establish PAHF as the first and only private equity fund currently dedicated to housing development in East and Southern Africa. Not only will it help alleviate the dire need for risk capital, but it should also improve standards in the sector.

2012
2022

22,500

Jobs estimated to be created over ten years by PAHF

New Commitments
Export Trading Group

ETG has 26 processing plants and operates in 27 countries in Africa

Investment
Export Trading Group

Total number of employees
7,000

Date of CDC commitment
2012

Commitment size
US$ 32.5m

Fund geography
Pan-Africa

Fund sectors
Agribusiness

7,000

ETG employs over 7,000 people and reaches hundreds of thousands of smallholder farmers

The first investment made by CDC's new equity investment team was made in November 2012 when CDC provided US$32.5m to the founders of Export Trading Group (ETG). ETG is an African agribusiness with operations in crop buying, warehousing, distribution and merchandising that employs over 7,000 people.

Making direct equity investments is a key pillar of CDC's strategy from 2012-2016. Such investments allow CDC to target its capital at businesses that provide significant employment opportunities and which have the potential for growth and the creation of even more jobs. Over the course of 2012 a team was recruited with equity investment experience to start generating and assessing deal opportunities, initially alongside investors with experienced teams on the ground.

CDC's US$32.5m of financing, made as half of a US$65m finance facility, allows the founders of ETG to fund further investment in the business. ETG was chosen because it combines strong development impact with a compelling investment case. Not only does ETG touch the lives of thousands of smallholder farmers across sub-Saharan Africa, but the company is poised for strong growth, having begun to achieve scale after 30 years of investment by ETG's founders. It is a strong example of CDC supporting the growth of a business that makes a lasting difference in some of Africa's poorest countries.

Founded in 1967, ETG owns and manages a vertically-integrated agriculture supply chain. ETG's 7,000 employees work across 27 African countries and operate 26 processing plants and 600 warehouses. Last year the company procured and distributed nearly 1.4m metric tons of 25 different commodities.

ETG connects African smallholder farmers to consumers around the world by procuring, processing and distributing agricultural commodities including maize, pulses, wheat, rice, cashew nuts, soya, sugar, coffee and tea. 80% of its Africa-originated stock is procured from smallholder farmers who would otherwise have no opportunity to integrate into the global economy. The ETG model consolidates hundreds of thousands of farmers into a supply chain and creates the scale and efficiency necessary to be globally competitive.

600

ETG owns and operates 600 warehouses

In addition to purchasing and processing crops, ETG also acts as a supplier of fertiliser products to small farmers across Africa, using its large-scale buying power to make the products available at highly competitive prices.

It is appropriate that CDC's new equity investment team has made its first investment in an African agribusiness company. Not only does agribusiness have the potential to generate employment, but food scarcity is now frequently an issue of concern among the international community. CDC has a long history of backing the sector across Africa and agribusiness remains an important priority.

> **"We chose ETG because it combines strong development impact – touching the lives of hundreds of thousands of smallholder farmers across sub-Saharan Africa – with a compelling investment case. ETG is poised for strong growth, having begun to achieve scale after 30 years of hard work and investment by ETG's founders. This is a great example of CDC supporting the building of businesses and making a lasting difference in some of Africa's poorest countries."**

Mark Pay, Managing Director, CDC Equity Investments Team

New Commitments
Investec Africa Credit Opportunities

2

Access to finance is the second biggest constraint to business identified by a survey of 45,000 companies in 106 developing countries[1]

New CDC team makes first commitment

Fund name
Investec Africa Credit Opportunities Fund I

Date of CDC commitment
2012

Commitment size
US$ 30m

Fund geography
Sub-Saharan Africa

Fund sectors
Agnostic

CDC commitment to the Investec Africa Credit Opportunities Fund I

US$30m

Towards the end of 2012 CDC committed US$30m to the Investec Africa Credit Opportunities Fund I, sub-Saharan Africa's first corporate debt fund, which is run by Investec Asset Management. The commitment is the first made by CDC's new debt and structured finance team, which was built to include seven investment professionals during the year.

Debt investments, which will be made directly to companies and financial institutions as well as through funds, represent an additional medium through which CDC can now provide capital. CDC has long adopted a flexible approach towards investing, but the addition of debt (in all forms) and direct equity will enable us to meet a greater range of capital needs and target investment towards opportunities with the greatest potential for job creation.

"If African companies are to reach their potential and provide the jobs and economic growth vital to the continent's future then they need access to world-class capital markets. We're backing Investec's new fund because we know that they have the expertise, local knowledge and experience to deliver the impact across Africa that CDC is looking for."

Jeremy Burke, Investment Director, CDC Debt and Structured Finance Team

The Investec Fund, which is also supported by Dutch development bank FMO, will provide long-term capital to businesses of different sizes and sectors across a wide range of countries in sub-Saharan Africa (excluding South Africa). The team is aiming to raise up to US$350m for the fund from a range of commercial investors both in Africa and beyond. CDC played a key role in anchoring the fund and helping the team put the right terms and systems in place.

There is a shortage of credit in sub-Saharan Africa for private sector businesses. In 2013, the IFC ranked each country in the world according to the ease with which businesses can access credit. In this analysis, carried out for the 2013 Doing Business Report, sub-Saharan Africa accounts for 25 of the lowest 50 ranked countries.

CDC has worked closely with Investec to ensure that the fund will bring in other institutional investors and that their money will be used to provide debt capital to companies that need it across sub-Saharan Africa, rather than the usual focus on the more developed economies in the region like South Africa.

The Investec Fund will typically provide capital to businesses and projects which already support local employment, enabling access to longer term funding to companies than is typically available in the market. The finance may be used as working capital or to fund expansion, both of which can result in job creation over time.

Sub-Saharan Africa accounts for 25 of the lowest 50 ranked countries in the World Bank's 2013 Doing Business Report

1 IFC Jobs Study, 2013

New Commitments
Ambit Pragma

44%

CDC provided nearly half of the committed capital at first close

CDC invests US$30m to support SMEs in India

Purple Bus, an investment made by Ambit Pragma Fund I

Fund name
Ambit Pragma Fund II

Date of CDC commitment
2012

Commitment size
US$ 30m

Fund geography
India

Fund sectors
Logistics, entertainment & leisure, healthcare & wellness, infrastructure services and fast moving consumer goods

Direct employment at Purple Bus, an Ambit Pragma Fund I investment, has increased by

1,600%

In 2012, CDC continued to make new investment commitments in India, reflecting our strategy to focus on opportunities that have the greatest possible job creation potential in poor places. A US$30m commitment was made to Ambit Pragma Fund II, a fund that will focus on SME investments in tier two and tier three cities. CDC will have a catalytic effect by committing up to US$30m as an anchor investor at first close, and by introducing and providing references to other potential investors.

Ambit Pragma is one of the few managers in the market fully committed to the SME segment. Despite a well-funded PE market, small companies have difficulty raising capital as the economies of private equity encourage the raising of large funds and a focus on larger companies.

The universe of SME companies in India is very large. These companies are dispersed across regions and industries and while SMEs generally grow faster than their larger counterparts they face greater challenges. In addition to limited access to institutional capital (equity and debt), SMEs can also struggle to access human capital and implement quality processes.

The fund will invest in five sectors – logistics, entertainment and leisure, healthcare and wellness, infrastructure services and fast moving consumer goods – most of which have strong potential for job creation either directly, or indirectly through the supply chain.

CDC first backed Ambit Pragma in 2008, when as a 'first-time' manager the team raised a US$58m SME fund, to which CDC contributed US$20m. This fund has already made five investments, all of which have improved performance and increased their number of employees since the Fund invested.

By targeting companies that are expanding into tier two and tier three cities, Ambit Pragma Fund II will help showcase the viability of investing into these areas, helping to catalyse more investment into these geographies.

In July 2012, Ambit Pragma Fund II made its first investment in a cold supply chain company called Mehta Frozen Food Carriers (MFFC). Food wastage in India is amongst the highest in the world due to its poor food supply chain infrastructure. MFFC, which has a presence across many states in India, is trying to fill this huge gap by investing in quality cold chain infrastructure and the company aims to set up around ten cold chain warehouses in the next three years across multiple cities.

*

CDC commitment to Ambit Pragma II

US$30m

Ambit Pragma Fund I investments

— Purple Bus has professionalised the city bus industry and the company is now a role model for others, having prioritised passenger comfort and safety (particularly for women) and reliable timetable run services. Employment has increased from 99 to 1,576 in two years, and most of the staff come from low-income families.

— At Spear Logistics a new sales and business development growth plan has been implemented. The company now has 72 warehouses (up from 40 at time of investment), mostly in the poorer eastern and northern parts of India.

— Beams Hospitals is only one of three chains in India offering ambulatory surgical services. The capital from Ambit Pragma is helping the company to scale-up from a single physician practice to five centres.

— Through its investment in MAD Studios, the Fund is helping the company offer integrated film production services in India for the first time. Launching in March 2013, MAD Studios will be a one stop shop providing production services, equipment, studio space and any ancillary services related to film production.

— In a highly unorganised dairy product market, Neo Milkfood has established itself as one of the leading business-to-business brands in the Delhi NCR region within six months of launch. The company sources its raw material (milk) from small villages in the Dehli NCR region.

2008

CDC first backed Ambit Pragma as a first time team in 2008

Current Investments
Athi River Steel Plant Ltd

+3,000%

Athi River Steel's melting capacity has increased from 4,000 tonnes per year to 120,000 tonnes per year.

Recycling scrap metal in Kenya

Fund name
Aureos East Africa Fund

Total number of employees
778

Date of CDC commitment
2003

Commitment size
US$ 8m

Fund geography
East Africa region

Fund sectors
All

"There have been challenges during our first phase in Kenya; we had no track record, so getting confidence from investors or from financial institutions was a real problem. We also had difficulties in operations as operational costs in Kenya are very high, we have high electricity and fuel costs and when it comes to finance, borrowing from the banks is very expensive."

Ravi Gupta, co-founder, Athi Steel

Athi River Steel's turnover today is US$18m, up from US$188,000 in 1998

US$18m

Athi River Steel ('Athi Steel') is a steel mill that recycles scrap metal into hundreds of different steel products for use in industry. The business model has proved to be successful and the company now produces over 700 high quality products including nuts and bolts, building materials and water borehole pipes. It also provides nearly 800 direct jobs and supports thousands more in its supply chain, a vital contribution in Kenya where unemployment is high.

Building a successful business in Kenya, however, is not straightforward. Issues such as a lack of skills, poor infrastructure, unreliable electricity and a lack of finance can all inhibit a company's growth.

Part of the Athi Steel success story is investment by CDC. As a patient investor, CDC first backed the company in 1998 and more recently invested US$1.3m in 2006 through local fund manager Aureos Capital. These investments have contributed to the company's growth, the most recent part of which has been the construction of a continuous rolling mill that incorporates the latest industry technology.

Today, Athi Steel is East Africa's leading steel producer with exports heading to other parts of Africa. Turnover has risen from US$188,000 in 1998 to US$18m in 2012. Following completion of its capacity expansion in late 2012, turnover has increased significantly from the previous year. This expansion also means that Athi Steel will be buying more scrap from Kenya's thousands of metal collectors to whom it also provides indirect employment.

There is still room for further expansion. Ravi Gupta, one of the co-founders, reveals that the company has plans to set up a new plant on 200 acres – several times larger than the current site in Kenya – with the aim of exporting steel products to the Middle East.

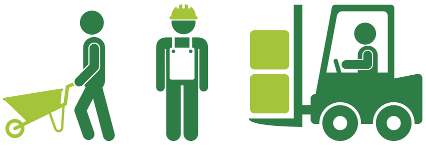
*

Athi Steel produces 789 steel products

789

Lasting employment

Christopher Wangul has been working at Athi River Steel for more than 14 years and has watched the company grow. He said: "Thanks to Athi River Steel I have been able to educate my family. Now I have a steady income there is no hassle of getting my financial obligations to either the family or to dependents. In Africa, if you have a job, you usually have a lot of dependents, not only your family."



2,700%

Jobs provided by Athi Steel have increased from 29 in 1998 to 778 in 2012

Current Investments
Sai Sudhir

CDC commitments

BTS India – US$ 20m
GEEM – US$ 40m
Ventureast Proactive – US$ 20m

Total number of employees

800

CDC invested US$5.9m through Ventureast, BTS and GEEM

US$5.9m

Access to safe, clean drinking water and sanitation are basic human rights, but there are still millions of people worldwide who live without them every day.

In India, a full two thirds of the population live without proper sanitation, and in rural areas, the figure is more than three quarters. Access to drinking water is better – but in no less need of a remedy – with one in ten lacking a source of clean drinking water, climbing to one in eight in rural areas.

CDC is part of the private sector effort to improve the provision of clean water and sanitation in India. As well as recruiting engineers with the skills and expertise needed to construct pipelines and pumping stations, private sector businesses can also attract the capital that is needed to finance the projects.

Engineering company Sai Sudhir is one private sector company that is working to improve this situation, building drinking water, sanitation and irrigation projects in semi-urban and rural India. In 2007, it was a relatively small company unable to find investors who shared its vision and who were willing to provide it with the necessary capital to expand and grow.

Sai Sudhir's projects provide water to 350 villages, reaching over 1 million people

Sai Sudhir provides over

800

direct jobs

In 2007, through investment manager Ventureast, CDC took an equity stake in Sai Sudhir, providing it with the patient growth capital it sought, as well as sharing the company's risks and rewards. CDC also made investments through the BTS and GEEM funds and its total investment reached US$5.9m. This was especially needed because, according to World Bank figures, private sector investment in water and sanitation in India nearly halved between 2007 and 2009.

Using CDC's equity risk capital as evidence of support for the company and its management, Sai Sudhir was able to secure loans from national investors such as IDBI Bank and the Central Bank of India of US$68m, which further boosted the company's growth.

Since CDC's first investment, Sai Sudhir has increased direct employment to 800 staff and increased its revenues tenfold so it now pays over US$10m in business tax (2009-11). It has also increased its provision of clean water and water treatment, reaching over a million additional people in 350-plus small towns and villages across four states since 2008.

As total investment in water and sanitation in India was falling, the investment in Sai Sudhir was counter-cyclical and helped the company secure loan financing for new projects. Sai Sudhir continues to expand to meet acute, local needs and has recently confirmed orders to provide water supplies to 202 villages in the state of Karnataka and has won a tender to provide 17 water treatment plants in Rajasthan.

Development Performance

CDC provides capital and support to grow commercially viable businesses to create jobs across Africa and South Asia.

During 2012, a key outcome of the strategic work undertaken by the new team was the decision to put development impact at the heart of what we do.

As a result, the impact we want to achieve is now focused on job creation, especially in places where the private sector is weak and jobs are scarce. We are still interested in achieving and measuring positive impact across a broad dimension, but the job creation focus is helpful in ensuring we direct capital thoughtfully and prioritise our limited resources behind a mission that inspires us and that we believe is genuinely impactful, both at a macro level, in stimulating the development of the private sector, and at the micro level, in the difference it can make to an individual's life and family.

We have also created an ex ante tool that turns theory into practice and ensures we invest our capital towards our objective of creating jobs, especially in the more challenging places. This new methodology, designed with the help of our shareholder and academics and economists, is described in more detail at www.cdcgroup.com. It is embedded in our investment processes and we use it to assess every investment opportunity at Investment Committee for its potential to create the impact that we are seeking.

As before, we continue to review the ex post data we collect in order to demonstrate the impact we are achieving, and also learn where we are successful and the drivers of this, as well as where our capital has not achieved what we wished. This exercise will deepen during 2013 and beyond through the recruitment of a new position to CDC, a Director of Development Impact. During 2013 we have prioritised:
— job creation;
— taxes paid;
— additionality; and
— mobilisation of third party capital, primarily through fund investments.

2012 Achievements
The data and explanations below demonstrate, we believe, powerful evidence of the impact of CDC's capital.

Employment
The total number of businesses being supported by CDC capital rose from 1,126 in 2011 to 1,250 in 2012. In parallel, the total jobs provided by these businesses rose from 976,000 to 1,109,000, an increase of 14%. This is the first time in CDC's history that its capital has supported businesses providing over 1m jobs.

*

Total return

£223m

Employment – total portfolio, including non-core geographies[1]

Sector	Jobs ('000)
Trade	207
Financial Services	181
Business Services	174
Manufacturing – Heavy	141
Food Processing	85
Mineral Extraction	84
Public Services	72
Agricultural Crops	46
Utilities	39
Communication	35
Manufacturing – Light	26
Transport	16
Forestry & Fisheries	3
Total	**1,109**

We know that measuring direct employment is not the sole way to assess the job creating effect of a growing business. A CDC investee business may have large indirect employment effects through job creation in its supply and distribution chains; or induced employment effects through jobs that result from direct and indirect employees spending more and increasing consumption. However, it is difficult to measure indirect and induced jobs or second-order growth related jobs from improved services, an aspect that is particularly relevant for infrastructure investments. We want to develop good methodologies to capture this broader effect in conjunction with the DFI and IFI community.

We are also interested in the quality of jobs created. Quality of employment matters for a range of reasons: from paying fair wages to workers to ensuring that workplaces are safe and secure. And quality jobs are most effective at maximising companies' productivity and efficiency[2]. In future years we would like to explore this theme further.

Sector analysis
We have prioritised sectors for future investment based on their ability to create jobs (directly and indirectly) as companies grow. The sectors with high priority include construction, food processing, manufacturing (light and heavy), public services, textiles and trade. We have analysed our portfolio in Africa and South Asia (where our capital will exclusively be targeted in future) against these sectors.

[1] Geographies in which CDC invested under previous Investment Policies, but to which CDC no longer makes new investment commitments
[2] IFC Jobs Study, 2013

Employment – Africa and South Asia investment portfolio

Sector	Direct jobs ('000)	CDC investments (£m)	Sector priority
Financial Services	141	350	High*
Business Services	140	333	Low
Manufacturing – Heavy	91	189	High
Trade	63	89	Low*
Public Services	41	51	High
Agricultural Crops	34	10	Medium
Utilities	32	245	Medium
Communication	23	69	Low
Transport	15	20	Medium
Mineral Extraction	17	86	Low
Manufacturing – Light	5	18	High
Food Processing	4	18	High
Forestry & Fisheries	3	15	Medium
Total	**609**	**1,493**	

*Certain business sector priority categorisations are subject to adjustment depending on the business type or geography.

The sectors we have determined to be high priority for future investments don't necessarily attract the most capital today, but we expect them to grow over time and to be the main drivers of job creation in our portfolio. Note that financial services and trade are subject to adjustment depending on the business type or geography. A trade investment may be classified as high priority if a large proportion of its procurement is local as this has a positive impact on indirect local employment. Similarly, financial services investments are reclassified as low priority in some Indian states and countries such as South Africa where fewer than 40% of companies consider access to finance a constraint and access to finance is above 40%.

Taxes paid

As well as creating direct, indirect and induced employment, the businesses in which CDC's capital is invested also pay local taxes. As these businesses grow, helped by the capital provided by CDC, taxes and revenues to government may also increase, providing more funding for essential public services.

In 2012, the amount of local taxes paid by companies in which CDC's capital is invested rose from £2.2bn in 2011 to £2.6bn in 2012, an increase of 20%.

Region	Taxes paid £m
Africa	913
South Asia	553
Non-core geographies[1]	1,145
Total	**2,611**

[1] Geographies in which CDC invested under previous Investment Policies, but to which CDC no longer makes new investment commitments

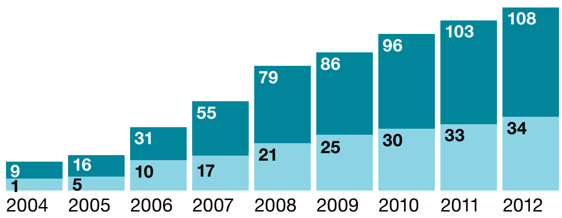
Total mobilisation

148%

Additionality

CDC aims to develop capital markets and grow investment capacity in poor countries. To achieve this, CDC will frequently help a new fund get started by advising the fund team and then endorsing them to the market. CDC can demonstrate confidence in a fund and its team by committing capital at the fund's first close, a move that can encourage others to invest. For example, CDC committed at first close in 108 out of the 142 funds in which it has invested since 2004.

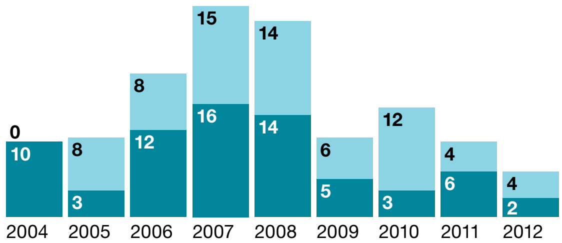
Commitments at first close since 2004



Funds where CDC committed at first close
Funds where CDC committed after first close

CDC's appetite for backing first-time teams remains undiminished and in 2012 such commitments represented one third of the total.

First-time managers by year



Funds managed by other fund managers
Funds managed by first-time fund managers

Third party funds mobilised

In making fund investments, CDC aims to mobilise third party capital investment into Africa and South Asia. During 2012, as in previous years, mobilisation was measured by calculating investment by others in funds when CDC had made a legal commitment plus all capital committed at subsequent closings, subject to a tapering factor. Investments in fund closings prior to the one in which CDC participates are not counted.

In 2012, total mobilisation amounted to £252m down, from £511m in 2011. This partly reflects CDC's new focus on the less developed markets of Africa and South Asia, where third party investors are less willing to commit capital, and partly a smaller total commitment to six funds compared to ten in 2011.

Financial Performance

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 required to operate commercially according to the highest standards of corporate governance.

Godfrey Davies Chief Financial Officer

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.

During the year CDC has implemented a new investment strategy. CDC will continue to invest in sub-Saharan Africa and South Asia and has invested in debt and direct equity as well as continuing the fund of funds business. Financial commitments made under the previous strategy will be honoured.

CDC and the businesses in which its capital is invested will:
- comply with all applicable laws;
- minimise adverse impacts and enhance positive effects on the environment, workers and all stakeholders as appropriate;
- commit to continuous improvements with respect to management of the environment, social policies and governance;
- work to apply relevant international best practice standards, with appropriate targets and timetables for achieving them; and
- employ management systems which effectively address ESG risks and realise ESG opportunities as a fundamental part of a company's value.

External perspectives
External perspectives on CDC's systems, processes and performance are of great importance to CDC. Independent parties are a source of objectivity, validation and constructive criticism. Since 2009, CDC has engaged KPMG to provide assurance over CDC's management systems to implement its Investment Code as set out in section five of this Code. In 2012, CDC is very pleased to have received a reasonable assurance opinion from KPMG*. The Investment Code, CDC's reporting and the KPMG opinion are available through www.cdcgroup.com/corporate-information.aspx.

Strategies for achieving the objectives of the business

CDC expects its investments 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 investment performance according to financial performance and development impact.

Taxation

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 43 onwards. The Directors' Report gives a summary of those results. However, in order to manage and explain more fully CDC's investment activities as an investment company, CDC provides information, in note 3 to the accounts on pages 55 and 56 and on pages 28 to 31, on a full investment valuation basis where all its investments are included at fair value, consolidating only subsidiaries that are investment holding companies.

Market conditions

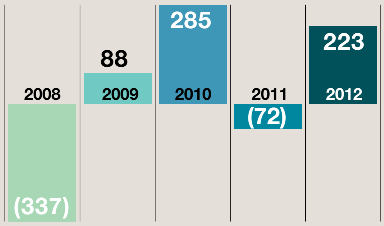
The MSCI Emerging Markets Index is designed to measure quoted equity performance in global emerging markets. In 2012, it rose by 18% (2011: fell by 18%). However, index movements of individual countries varied widely in 2012 with rises from Nigeria of 63%, South Africa of 13%, India of 26% and China of 23%.

The new investment strategy that requires CDC to invest in the more challenging regions, utilising unquoted equity and debt, makes a quoted equity index increasing unconnected to CDC's performance. However, it is a useful indicator of general market sentiment in CDC's geographies.

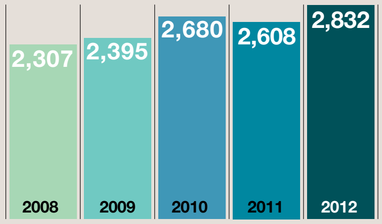
* 'Reasonable' and 'limited' assurance are the two levels of assurance engagement a practitioner is permitted to perform under ISAE 3000 (International Standard on Assurance Engagements 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information). A reasonable assurance engagement requires sufficient work to be undertaken to reasonably conclude that assurance subject matter is fairly stated. A limited assurance engagement typically has a smaller scope of work and results in a lower level of assurance – for example stating that in performing certain procedures nothing came to the attention of the assurance provider to indicate that the subject matter is not fairly stated.

Financial Performance
Continued

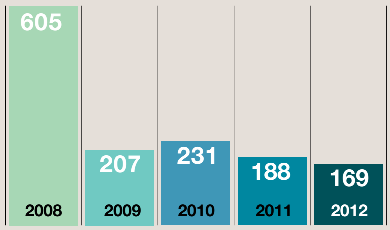
Total return (£m)



CDC value growth (£m)



New commitments (£m)



Current performance

Total return after tax

The overall result is a total return after tax of £223.4m (2011: £72.0m loss). As a return on opening total net assets on a valuation basis, this represents a profit for CDC's shareholder of 9% (2011: 3% loss) this year and an average annual return of 1% over the last five years.

Portfolio return

The portfolio generated £250.6m of profit (2011: £66.3m of losses) driven by the rise in global markets.

Operating costs

Operating costs for the year of £14.8m (2011: £11.7m) have increased due to employees rising to 65 (2011: 49). Operating costs represent 0.6% of the Company's opening net value.

Other net expense

Other net expense of £12.4m (2011: £6.0m income) came mainly from currency translation losses. Interest on cash held remained low due to low interest rates.

	2012 £m	2011 £m
Portfolio return	**250.6**	(66.3)
Operating costs	**(14.8)**	(11.7)
Other net (expense)/income	**(12.4)**	6.0
Total return after tax	**223.4**	(72.0)

Portfolio and net assets

	2012 £m	2011 £m
Portfolio	**2,246.0**	1,913.3
Net cash and short-term deposits	**589.7**	697.2
Other net liabilities	**(4.1)**	(2.3)
Total net assets on a valuation basis	**2,831.6**	2,608.2

Total net assets increased in the year from £2,608.2m to £2,831.6m, a rise of 9% (2011: 3% fall).

	2012 £m	2011 £m
Portfolio at start of year	**1,913.3**	1,933.2
New investments	**396.6**	363.7
Realisations	**(308.2)**	(274.5)
Value change	**244.3**	(109.1)
Portfolio at end of year	**2,246.0**	1,913.3

The portfolio, which consists mostly of investments in funds managed by fund managers, increased from £1,913.3m to £2,246.0m. The increase came from net new investments and valuation gains driven by market conditions.

New commitments

In 2012, CDC made commitments of £169.2m (2011: £188.4m). Total new commitments were:

	£m
Actis Africa Real Estate 2	46.2
Diamond Bank*	26.9
Export Trading Group*	20.3
Ambit Pragma II	18.5
Investec Africa Credit Opportunities	18.5
Phatisa Pan African Housing	12.3
SGI Ethiopia I	9.2
Aavishkaar Goodwell India Microfinance	9.2
I&P Capital III	8.1
Total commitments in 2012	169.2

*Direct investments

CDC has investments in 155 funds managed by 84 different fund managers.

Cash flow

	2012 £m	2011 £m
Portfolio drawdowns	**(396.6)**	(363.7)
Portfolio cash generated	**309.5**	326.9
Net fund flows	**(87.1)**	(36.8)
Hedging	**3.8**	0.5
Other cash flows	**(24.2)**	(4.4)
Net cash flow	**(107.5)**	(40.7)

Drawdowns for new investments at £396.6m (2011: £363.7m) were higher than last year. £170.5m was invested in Africa in the year (2011: £149.9m) representing 43% of new investments (2011: 41%).

There was a lower level of portfolio cash generated this year at £309.5m (2011: £326.9m).

Net cash and short-term deposits held

With the level of drawdowns and portfolio realisations, cash and short-term deposits were lower this year at £589.7m (2011: £697.2m). A substantial portion of this balance is placed on deposit with the UK Government's Debt Management Office. However, cash will be recycled into investments and current outstanding commitments for investment stand at £1,019.4m, presenting an overcommitment rate of 22%, when taking into account the standby borrowing facility of £246.0m.

Capital structure

Since 2004, CDC has mostly 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 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.

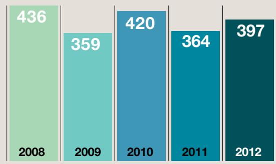
Risks and risk management

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:

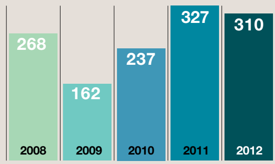
Reputational risk

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 Investment Code Toolkit. Investments are monitored twice a year and there is a more extensive evaluation of performance twice during the life of an investment to review adherence to the Investment Code, assess development impact and learn lessons for the future.

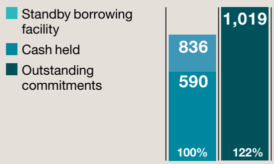
Portfolio drawdowns (£m)



Portfolio cash generated (£m)

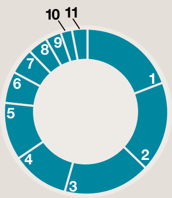


Cash and outstanding commitments at 31 December 2012 (£m)



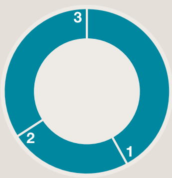
Financial Performance
Continued

Underlying portfolio by sector



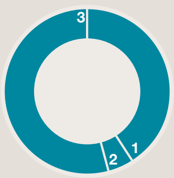
1	Business Services	19%
2	Financial Services	18%
3	Utilities	17%
4	Manufacturing – Heavy	11%
5	Trade	11%
6	Public Services	6%
7	Mineral Extraction	5%
8	Communication	4%
9	Food Processing	3%
10	Manufacturing – Light	2%
11	Other	4%
	– Agricultural	2%
	– Transport	1%
	– Forestry & Fisheries	1%

Underlying portfolio by region



1	Africa	46%
2	South Asia	23%
3	Rest of World	31%

Funds under management by fund manager



1	Actis	42%
2	Aureos	5%
3	Others	53%

General risks associated with investment

CDC has invested in developing countries. Such investments are 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. A wholly owned subsidiary of CDC has a committed standby borrowing facility of US$400m (£246m). At 31 December 2012, CDC had significant undrawn commitments of £1,019.4m (2011: £1,279.8m), which is normal for a fund of funds business, representing 122% 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 £589.7m. However, market values have decreased as well as increased in the past. The timing of cash distributions from investments 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 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 was 42% (2011: 40%) at the end of 2012.

CDC has investments in 155 private equity funds providing it with a portfolio of over 1,200 underlying companies that are diversified by vintage year, size, geography and industry sector. CDC's highest sector exposures are 19% in Business Services and 18% in Financial Services. The top 20 investments represent 35% of the portfolio with the largest individual investment representing 7%.

CDC's highest country exposures are 21% in India, 15% in China, 12% in South Africa and 9% 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 regions of India, which will increase the risk profile of CDC's portfolio.

Currency risk

CDC's investments are in many currencies, particularly US$, therefore as 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 currency exposures and derivatives are given in notes 16 and 24 to the accounts.

Valuation risk
CDC is now in its 13th 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 51 to 52.

Pension funding risk
With the agreement of CDC, the Pensions Scheme Trustees purchased a bulk annuity policy in 2010. This policy covered the entitlement of all members, at that time, of the defined benefit section of the Pensions Scheme. Pension funding is therefore no longer a material risk for the Company.

Carbon footprint
In 2012, CDC measured its corporate carbon footprint, based on its emissions from air travel and electricity usage.

CDC's total carbon footprint is 254 tonnes of CO_2. 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.

In Kenya, CDC is supporting an innovative project using carbon finance to provide water purification filters to 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 wood and charcoal. 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.

Godfrey Davies
Chief Financial Officer

Board of Directors

Richard Gillingwater CBE

Diana Noble

Valentine Chitalu

Richard Gillingwater CBE
Chairman
Nominations Chair, Co-Investment Chair

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

Richard has previously held senior appointments in the City and government and was recently Dean of Cass Business School. Previous to this he was founder Chief Executive 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 Chairman designate of Henderson Group and holds Non-executive Directorships at Scottish and Southern Energy plc and supermarket group, Morrisons. He is a Senior Independent Director at Hiscox Ltd and 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 five years with the Clinton Foundation's Health Access Initiative where she took a number of roles, including EVP Operations, responsible for 43 countries and five 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

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.

Ian Goldin

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.

Jeremy Sillem

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.

Fields Wicker-Miurin OBE

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

Directors' Report

The Directors submit their report and the audited financial statements of CDC Group plc (CDC or the Company) (Registered in England No 3877777) and its subsidiaries (the Group) for the year ended 31 December 2012. The Directors' Remuneration Report on pages 39 to 41 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 risk capital investment. It invests directly in companies through debt and equity instruments. It also invests indirectly through investment funds and other investment vehicles managed by third party investment fund managers.

Business review

The information that fulfils the requirements of the Business Review may be found in the Performance Review on pages 26 to 31, which is incorporated into this report by reference.

Responsible investment

CDC's investments are underpinned by a firm commitment to responsible investment and 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.

Profit from operations

The profit from operations before tax and finance costs of £279.6m compares with a loss of £102.9m for 2011; this increase has been driven by fair value gains on the portfolio.

Taxation

The tax charge for 2012 was £2.7m (2011: £2.7m). 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 profit for the year attributable to equity holders of CDC was £238.3m (2011: loss of £106.7m). Comprehensive income for the year attributable to equity holders of CDC was £228.8m (2011: loss of £87.4m).

Cash flow

Cash flows from operating activities were an outflow of £32.0m (2011: inflow of £16.0m).

Statement of financial position

Total assets increased from £2,875.1m to £3,044.0m.

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. CDC has early adopted International Accounting Standard 19 (revised), which shows a net pension deficit of £2.2m (2011: £1.0m). Further details are shown in note 14 to the audited financial statements.

Dividend recommended

The Directors do not recommend payment of a dividend for the year (2011: nil).

Regulation

CDC is authorised and regulated by the Financial Services Authority under the Financial Services and Markets Act 2000. On 1 April 2013 the Financial Services Authority changed its name to the Financial Conduct Authority. 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 2012, so far as is practicable for a company that is wholly owned by the UK government.

Directors

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The Directors are responsible for preparing the Directors' Report and the Company and Group financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Company and Group financial statements for each financial year. Under that law they have elected to prepare both the Company and the Group financial statements in accordance with IFRS as adopted by the EU and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of their profit or loss for that period.

In preparing each of the Company and Group financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping accurate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CDC's objectives, business activities, performance, financial position, cash flows and liquidity position are described in the Performance Review on pages 26 to 31.

In addition, note 17 to the financial statements includes the Group's policies and processes for managing its financial risk, details of its financial instruments and hedging activities and its exposures to credit and liquidity risk. The Group has considerable financial resources. As a consequence the Directors believe that the Group is well placed to manage its business risks successfully despite the continuing 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.

Board membership

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

The Board met six times during 2012 and has scheduled six meetings for 2013. It also visited India for a week in 2012, meeting state government officials, fund managers and the management of portfolio companies in less developed regions of the country. 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 its 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

Directors' Report
Continued

in Board decisions. They contribute to strategy and policy formation and monitor CDC's financial and managerial performance.

The Articles permit the Board to grant to its Directors indemnities in relation to their duties as directors. Such indemnities are in respect of liabilities incurred by a Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company unless the Director is ultimately held to be at fault. In line with market practice, each Director has the benefit of a deed of indemnity which includes provisions in relation to duties as a Director of the Company or an associated company, qualifying third party indemnity provisions and protection against derivative actions.

Board Directors
The table below indicates the attendance of all the Board Directors, whose biographies are on pages 32 to 33, during the year ended 31 December 2012:

Number of meetings during the year	6
Richard Gillingwater CBE (Chair)	6
Diana Noble	6
Fields Wicker-Miurin OBE	6
Ian Goldin	6
Jeremy Sillem	6
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 2012, the Chairman held three 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 in fulfilling its responsibilities. The terms of reference of all Board Committees are available for inspection 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	3
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 attended all meetings by invitation.

Number of meetings during the year	4
Ian Goldin (Chair)	4
Fields Wicker-Miurin OBE	4
Jeremy Sillem	4
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 39 to 41.

Development
The table below indicates the members and their attendance at scheduled meetings during the year. The quorum is two members, which must include those nominated by DFID. The Chief Executive attended all meetings by invitation. The Chief Operating Officer also attends by invitation.

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

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 as holder of a special share in the Company).

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

Investment Committees

The Board has delegated certain of its investment decision making powers to the Chief Executive acting through the Company's investment committees. Following a change in investment strategy, the Company now has seven investment committees, namely Funds Africa, Funds Asia, Direct Equity Africa, Direct Equity Asia, Debt and Structured Finance Africa, Debt and Structured Finance Asia and Impact. The membership of the investment committees includes independent members, certain Non-executive Directors and members of senior executive management. The independent members and Non-executive Directors attend frequent investment committee meetings, often at short notice, and dedicate substantial time to this role. Their investment expertise in developing countries is valued by senior executive management. Individuals performing this role include Valentine Chitalu, Jeremy Sillem, Donald Peck, Graham Wrigley and Nicholas Rouse.

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 for approval by the Board, subject, if necessary, to appropriate conditions.

General Counsel and Company Secretary

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

The most material financial risk to CDC is a significant reduction in the value of its portfolio and any 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. 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 for International Development 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

Directors' Report
Continued

ordinary share of £1 is held by the Solicitor for the Affairs of Her Majesty's Treasury.

Political and charitable contributions
In 2012 CDC made a charitable donation of £2,000 to Ntataise, an independent not-for-profit organisation in South Africa that helps women in poor rural areas establish early childhood development programmes for children in their communities, in lieu of Christmas cards (2011: £2,000). CDC makes no political contributions (2011: nil).

Policy for paying creditors
CDC's policy is to pay its creditors promptly, as encouraged by UK government initiatives. At 31 December 2012 the Company had an average of 24 days purchases outstanding in trade creditors (2011: 22 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 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
27 March 2013

Directors' Remuneration Report

The new remuneration framework

In 2012 CDC implemented a new Remuneration Framework which had been agreed with DFID in 2011, which supports the shift in CDC's 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 be based on Development Finance Institutions.

Although the new remuneration framework has made it more difficult to attract capable employees, CDC believes that, in time, it will attract sufficient employees motivated to use their investing skills to achieve lasting benefits to 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 Consumer Price Index (CPI) and other economic factors. In this respect, the annual increase in January 2013 was 2.7% which was the CPI for the year to October 2012.

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 and team 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 CDC's portfolio.

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 2011, were paid in 2011 according to the old framework. All employees have started on the new framework with effect from 1 January 2012. The residual short term incentive plan (STIP) 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)

The final payment under this scheme was made in March 2012 relating to the year to 31 December 2011. Richard Laing, who resigned as a Director on 30 June 2011, was eligible for a bonus but decided to waive it.

Long term incentive plan (LTIP)

For the reducing number of 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 (for the period 2009-2011) and in March 2013 (for the period 2010-2012). A further and final payment is due in March 2014 (for the period 2011-2013.) Richard Laing donated the 2009-2011 LTIP he received in April 2012 to charity.

Benefits

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

- 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 a pension plan of her choice. Details of her pension contributions are disclosed on page 41.

Remuneration committee and advisers
CDC's Remuneration Committee during 2012 comprised Ian Goldin (Chair), Fields Wicker-Miurin, Richard Gillingwater and Jeremy Sillem.

CDC appointed Towers Watson 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 £256,750 for 2013 (2012: £250,000). 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 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 (2011: £22,000).

The basic fee for the Chairman is £40,000 per annum (2011: £40,000). Non-executive Directors, except the Chairman, receive an additional £2,000 per annum (2011: £2,000) for each committee membership and £4,000 per annum (2011: £4,000) for each committee which they chair.

In addition, Valentine Chitalu receives £15,000 per annum for being Chair of the Direct Equity Investment Committee for Africa and Jeremy Sillem receives £15,000 per annum for being Deputy Chair of the Direct Equity Investment Committee for Africa and Asia.

As stated in the Directors' Report, the role of investment committees within the Company is assuming increased importance following a change in investment strategy. The Non-executive Directors who sit on such investment committees attend frequent meetings, often at short notice, and dedicate substantial time to this role.

The fees paid to Non-executive Directors in 2012 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		
Diana Noble	7 November 2011	12
Non-executive Directors		
Valentine Chitalu	26 May 2010	3
Richard Gillingwater CBE	22 January 2009	3
Ian Goldin	10 February 2010	3
Jeremy Sillem	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.

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 £	Investment committee fee £	Annual bonus £	Long-term bonus £	Benefits £	Total 2012 £	Total 2011
Executive Directors							
Diana Noble (from 7 November 2011)	250,000	–	–	36,000	2,543	**288,543**	38,141
Non-executive Directors							
Valentine Chitalu	30,000	6,865	–	–	–	**36,865**	29,667
Richard Gillingwater CBE	40,000	–	–	–	–	**40,000**	40,000
Ian Goldin	30,000	–	–	–	–	**30,000**	30,000
Fields Wicker-Miurin OBE	32,000	–	–	–	–	**32,000**	32,000
Jeremy Sillem (from 29 March 2011)	28,000	6,865	–	–	–	**34,865**	21,431
Past Directors							
Richard Laing (Director to 30 June 2011)[†*]	30,000	–	–	164,424	623	**195,047**	467,370

[†] Richard Laing donated the 2009-2011 LTIP he received in April 2012 to charity.

* Richard Laing retired from CDC on 17 February 2012.

Pension entitlements (audited by KPMG Audit Plc)

The pension entitlements for Diana Noble were contributions to defined contribution schemes of £56,250.

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

We have audited the financial statements of CDC Group plc for the year ended 31 December 2012 set out on pages 43 to 82.

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 pages 34 and 35, 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 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 Financial Reporting Council's website: www.frc.org.uk/auditscopeukprivate.

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 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provision of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Vincent Neate
(Senior Statutory Auditor)
for and on behalf of **KPMG Audit Plc,**
Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
27 March 2013

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

	Notes	2012 Total £m	2011 Total £m
Income	4a	**70.4**	37.0
Cost of sales		**–**	(4.6)
Gross profit		**70.4**	32.4
Fair value gains/(losses)	11	**236.2**	(103.2)
Other income	4b	**8.4**	5.9
Selling and distribution costs		**–**	(0.5)
Administrative expenses	4c	**(33.6)**	(30.2)
Other expenses	4d	**(1.8)**	(7.3)
		209.2	(135.3)
Profit /(loss) from operations before tax and finance costs		**279.6**	(102.9)
Finance costs	5a	**(14.7)**	(9.9)
Finance income	5a	**2.0**	1.9
Net foreign exchange differences	5b	**(23.5)**	9.1
Profit /(loss) from operations before tax		**243.4**	(101.8)
Tax charge	6	**(2.7)**	(2.7)
Profit /(loss) for the year		**240.7**	(104.5)
Other comprehensive income			
Exchange differences on translating foreign operations		**(8.7)**	19.4
Exchange profit on disposed subsidiaries		**–**	5.2
Recognised actuarial loss on pensions	14	**(2.1)**	(1.8)
		(10.8)	22.8
Total comprehensive income for the year		**229.9**	(81.7)
Profit /(loss) attributable to:			
Equity holders of the parent		**238.3**	(106.7)
Non-controlling interests		**2.4**	2.2
Profit /(loss) for the year		**240.7**	(104.5)
Total comprehensive income attributable to:			
Equity holders of the parent		**228.8**	(87.4)
Non-controlling interests		**1.1**	5.7
Total comprehensive income for the year		**229.9**	(81.7)

The notes on pages 50 to 82 form part of the financial statements.

Consolidated Statement of Financial Position
At 31 December

	Notes	2012 £m	2011 £m
Assets			
Non-current assets			
Property, plant and equipment	7	**8.3**	7.5
Biological assets	8	**–**	–
Investment property	9	**–**	–
Intangible assets	10	**1.4**	1.8
Fair value financial assets	11	**2,139.3**	1,875.5
Other financial assets	12	**112.8**	69.1
Deferred tax assets	13	**0.2**	0.3
Derivative financial instruments	24	**9.7**	0.2
		2,271.7	1,954.4
Current assets			
Trade and other receivables	15	**65.5**	96.5
Prepayments		**1.7**	2.0
Derivative financial instruments	24	**25.6**	13.3
Treasury bills and bonds maturing after more than 90 days	18	**41.7**	36.3
Cash and cash equivalents	18	**637.8**	772.6
		772.3	920.7
Total assets		**3,044.0**	2,875.1
Equity and liabilities			
Attributable to the equity holders of the Company			
Issued capital	19	**765.0**	765.0
Currency translation reserve	19	**(41.1)**	(33.7)
Retained earnings	19	**2,097.1**	1,860.9
		2,821.0	2,592.2
Non-controlling interests		**7.0**	8.0
Total equity		**2,828.0**	2,600.2
Non-current liabilities			
Trade and other payables	21	**2.8**	0.6
Interest-bearing loans and borrowings	22	**41.4**	31.0
Provisions	23	**0.5**	0.5
Deferred tax liabilities	13	**0.6**	0.5
Net pension liability	14	**2.2**	1.0
Derivative financial instruments	24	**0.1**	9.0
		47.6	42.6
Current liabilities			
Trade and other payables excluding current tax	20	**141.2**	169.0
Current tax liabilities	20	**0.4**	0.3
Interest-bearing loans and borrowings	22	**21.6**	29.7
Derivative financial instruments	24	**5.2**	33.3
		168.4	232.3
Total liabilities		**216.0**	274.9
Total equity and liabilities		**3,044.0**	2,875.1

The notes on pages 50 to 82 form part of the financial statements.

The accounts were approved by the members of the Board on 27 March 2013 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	2012 £m	2011 £m
Cash flows from operating activities			
Profit /(loss) from operations before tax		**243.4**	(101.8)
Depreciation and impairment of property, plant and equipment	7	**1.3**	1.8
Amortisation of other intangible assets	10	**0.5**	0.5
Finance costs	5a	**14.7**	9.9
Finance income	5a	**(2.0)**	(1.9)
Provision charge on loans and receivables	12	**(0.3)**	4.9
Defined benefits pension costs	14	**0.2**	0.3
Change in value of fair value financial assets	11	**(236.2)**	103.2
(Profit)/loss on disposal of fair value financial assets	4a	**(29.3)**	10.0
Profit on disposal of subsidiaries	4a	**(1.3)**	(4.4)
Loss on disposal of property, plant and equipment	4d	**–**	0.1
Exchange and other movements		**81.9**	14.5
Profit from operations before changes in working capital and provisions		**72.9**	37.1
Increase in trade and other receivables		**(0.2)**	(11.2)
Decrease/(increase) in other financial assets		**1.3**	(5.4)
Increase in derivative financial instruments		**(58.8)**	(10.2)
Decrease in inventories		**–**	1.4
Increase in treasury bills and bonds maturing after more than 90 days		**(5.4)**	(13.2)
(Decrease)/increase in trade and other payables		**(25.6)**	28.7
Utilisation of provisions	23	**–**	(0.2)
Cash flows from operations		**(15.8)**	27.0
Defined benefit pension contributions paid	14	**(1.1)**	(1.1)
Bank interest received	5a	**2.0**	1.9
Interest paid	5a	**(14.7)**	(9.9)
Tax payments		**(2.4)**	(1.9)
Cash flows from operating activities		**(32.0)**	16.0

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

	Notes	2012 £m	2011 £m
Cash flows from investing activities			
Proceeds from sale of fair value financial assets	3	**282.9**	277.4
Loan repayments	12 & 3	**21.5**	39.4
Acquisition of fair value financial assets	11 & 3	**(360.1)**	(362.5)
Loan advances	12 & 3	**(36.5)**	(0.7)
Acquisition of intangible assets	10	**(0.3)**	(2.3)
Acquisition of property, plant and equipment	7	**(3.1)**	(4.8)
Acquisition of biological assets	8	**–**	(0.2)
Cash flows from investing activities		**(95.6)**	(53.7)
Cash flows from financing activities			
Proceeds from increase in borrowings		**16.4**	13.3
Repayment of borrowings		**(13.4)**	(9.2)
Dividends paid to non-controlling interests		**(2.1)**	(1.1)
Cash flows from financing activities		**0.9**	3.0
Net decrease in cash and cash equivalents	3	**(126.7)**	(34.7)
Cash and cash equivalents at 1 January		**772.1**	817.2
Effect of exchange rate fluctuations on cash held		**(7.6)**	(10.4)
Cash and cash equivalents at 31 December	18	**637.8**	772.1

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company					
	Share capital £m	Currency translation reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2011	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
Changes in equity for 2012						
Exchange differences on translating foreign operations	**–**	**(7.4)**	**–**	**(7.4)**	**(1.3)**	**(8.7)**
Recognised actuarial loss on pensions	**–**	**–**	**(2.1)**	**(2.1)**	**–**	**(2.1)**
Net income recognised directly in equity	**–**	**(7.4)**	**(2.1)**	**(9.5)**	**(1.3)**	**(10.8)**
Profit for the year	**–**	**–**	**238.3**	**238.3**	**2.4**	**240.7**
Total comprehensive income for the year	**–**	**(7.4)**	**236.2**	**228.8**	**1.1**	**229.9**
Dividends paid	**–**	**–**	**–**	**–**	**(2.1)**	**(2.1)**
At 31 December 2012	**765.0**	**(41.1)**	**2,097.1**	**2,821.0**	**7.0**	**2,828.0**

Company Statement of Changes in Equity

	Share capital £m	Retained earnings £m	Total £m
At 1 January 2011	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
Profit for the year	**–**	**242.3**	**242.3**
Recognised actuarial loss on pensions	**–**	**(2.1)**	**(2.1)**
Total comprehensive income for the year	**–**	**240.2**	**240.2**
At 31 December 2012	**765.0**	**2,076.4**	**2,841.4**

Company Statement of Financial Position
At 31 December

	Notes	2012 £m	2011 £m
Assets			
Non-current assets			
Plant and equipment	7	–	0.4
Fair value financial assets	11	**1,477.0**	1,200.6
Other financial assets	12	**759.4**	736.9
Derivative financial instruments	24	**9.7**	0.2
		2,246.1	1,938.1
Current assets			
Trade and other receivables	15	**21.0**	34.9
Prepayments		**0.4**	0.7
Derivative financial instruments	24	**25.6**	13.3
Cash and cash equivalents	18	**587.4**	692.4
		634.4	741.3
Total assets		**2,880.5**	2,679.4
Equity and liabilities			
Issued capital	19	**765.0**	765.0
Retained earnings	19	**2,076.4**	1,836.2
Total equity		**2,841.4**	2,601.2
Non-current liabilities			
Provisions	23	**0.5**	0.5
Net pension liability	14	**2.2**	1.0
Derivative financial instruments	24	**0.1**	9.0
		2.8	10.5
Current liabilities			
Trade and other payables excluding current tax	20	**35.6**	43.2
Interest-bearing loans and borrowings	18 & 22	–	0.5
Current tax liabilities	20	–	0.1
Derivative financial instruments	24	**0.7**	23.9
		36.3	67.7
Total liabilities		**39.1**	78.2
Total equity and liabilities		**2,880.5**	2,679.4

The notes on pages 50 to 82 form part of the financial statements.

The accounts were approved by the members of the Board on 27 March 2013 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	2012 £m	2011 £m
Cash flows from operating activities			
Profit /(loss) from operations before tax		**242.3**	(55.8)
Depreciation and impairment of plant and equipment	7	**0.4**	0.2
Finance income		**(2.0)**	–
Finance costs		**0.1**	–
(Reversal of impairment)/impairment of loans and receivables	12	**(0.6)**	5.6
Defined benefit pension costs	14	**0.2**	0.3
Change in value of fair value financial assets	11	**(225.5)**	188.3
Profit on disposal of fair value financial assets		**(29.4)**	(93.1)
Exchange and other movements		**83.7**	(3.7)
Profit from operations before changes in working capital and provisions		**69.2**	41.8
(Increase)/decrease in trade and other receivables		**(6.5)**	8.1
Decrease in other financial assets		**0.6**	0.6
Increase in derivative financial instruments		**(53.9)**	(9.4)
Decrease in trade and other payables		**(7.6)**	(361.7)
Utilisation of provisions	23	**–**	(0.1)
Cash flows from operations		**1.8**	(320.7)
Defined benefit pension contributions paid	14	**(1.1)**	(1.1)
Bank interest received		**2.0**	1.9
Interest paid		**(0.1)**	(0.2)
Overseas taxes paid		**(0.1)**	(0.1)
Cash flows from operating activities		**2.5**	(320.2)
Cash flows from investing activities			
Proceeds from sale of fair value financial assets		**147.8**	546.1
Acquisition of fair value financial assets	11	**(219.5)**	(308.1)
Investment transfers to subsidiary undertakings		**–**	628.5
Loan advances	12	**(104.3)**	(678.0)
Loan repayments	12	**69.0**	87.8
Cash flows from investing activities		**(107.0)**	276.3
Net decrease in cash and cash equivalents		**(104.5)**	(43.9)
Cash and cash equivalents at 1 January		**691.9**	735.8
Cash and cash equivalents at 31 December	18	**587.4**	691.9

Notes to the Accounts

1. Corporate information
The financial statements of CDC Group plc (CDC or the Company) for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Directors on 27 March 2013. CDC is a limited company incorporated in England and Wales whose shares are not publicly traded.

The Group's primary activity is investing in emerging markets. Both the Company and some of the Group's subsidiaries make investments.

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 on a going concern basis and 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 2012. 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. Identifiable assets and liabilities acquired and contingent liabilities are measured at fair value. Acquisition costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Non-controlling 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.

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 the reporting currency of the Group 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. 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.

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 less any directly attributable transaction costs. Subsequent to initial recognition, 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 a funded defined benefit pension scheme in the UK, called the CDC Pensions Scheme, for staff who entered service prior to 1 April 2000. There is a defined contribution section for subsequent entrants.

The CDC Pensions 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.

Change in accounting policy

During the year the Company early adopted IAS 19 (revised) for pensions.

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.

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.

IFRSs issued but not yet effective

The accounting policies set out in these financial statements have been applied consistently to all periods presented. The following standards are issued but not yet effective, and have not been applied to these financial statements. The impact of these is not expected to be material:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- IFRS 13: Fair Value Measurement
- Disclosures: Offsetting Financial Assets and Financial Liabilities (amendments to IFRS 7)
- Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32)

3. Operating segments analysis

CDC has one business segment, which is its investment business. Management reports containing key performance indicators for the 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 26 to 31. Key performance indicators for the business include: total return after tax; portfolio; investment drawdowns; and portfolio 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. Investment drawdowns and portfolio cash generated reflect the cash outflows and inflows of the investment business.

Within the management reports, 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 financial services. The main reconciling item between the management reports and the primary statements is the inclusion of the subsidiaries consolidated in the primary statements that are not consolidated in the management reports. In the management reports, these subsidiaries are shown as investments at valuation, giving a second reconciling item which is the removal of the valuation adjustments against these subsidiaries. Lastly there are classification and other differences, some relating to the portfolio, such as the classification of yield and some relating to non-portfolio items, such as tax and bank interest. Other differences include intercompany and consolidation adjustments.

Statement of comprehensive income

			Reconciling items				
	Notes	Fund of funds business management reports 2012 £m	Reclassify portfolio items 2012 £m	Consolidated subsidiaries valuation adjustments 2012 £m	Add in consolidated subsidiary accounts 2012 £m	Other items and re-classifications 2012 £m	Primary statements 2012 £m
Net realised profits/(losses)	4a	**59.2**	**(22.2)**	**(1.1)**	**33.0**	**1.5**	**70.4**
Unrealised value movements/ fair value and gains	11	**191.4**	**38.9**	**4.5**	**–**	**1.4**	**236.2**
Portfolio return		**250.6**	**16.7**	**3.4**	**33.0**	**2.9**	**306.6**
Operating costs/administrative expenses	4c	**(14.8)**	**(2.7)**	**–**	**(14.2)**	**(1.9)**	**(33.6)**
Other net income		**(12.4)**	**(14.0)**	**–**	**6.8**	**(6.8)**	**(26.4)**
Depreciation	4d	**–**	**–**	**–**	**(1.0)**	**(0.3)**	**(1.3)**
Finance costs	5a	**–**	**–**	**–**	**(14.2)**	**(0.5)**	**(14.7)**
Finance income	5a	**–**	**–**	**–**	**–**	**2.0**	**2.0**
Tax charge	6	**–**	**–**	**–**	**(2.7)**	**–**	**(2.7)**
Total return after tax/total comprehensive income		**223.4**	**–**	**3.4**	**7.7**	**(4.6)**	**229.9**

		2011 £m	2011 £m	2011 £m	2011 £m	2011 £m	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	–	–	(26.9)	27.2
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	(22.3)	(81.7)

Notes to the Accounts
Continued

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

	Notes	Fund of funds business management reports 2012 £m	Reconciling items: Reclassify portfolio items 2012 £m	Reconciling items: Consolidated subsidiaries valuation adjustments 2012 £m	Reconciling items: Add in consolidated subsidiary accounts 2012 £m	Primary statements 2012 £m
Portfolio	11 & 12*	**2,246.0**	**(30.0)**	**(34.1)**	**–**	**2,181.9**
Net cash and short-term deposits	18	**589.7**	**–**	**–**	**89.8**	**679.5**
Other net liabilities		**(4.1)**	**30.0**	**–**	**(59.3)**	**(33.4)**
Total net assets attributable to equity holders of the Company		**2,831.6**	**–**	**(34.1)**	**30.5**	**2,828.0**
		2011 £m	2011 £m	2011 £m	2011 £m	2011 £m
Portfolio	11 & 12*	1,913.3	28.8	(38.6)	1.1	1,904.6
Net cash and short-term deposits	18	697.2	–	–	111.2	808.4
Other net liabilities		(2.3)	(28.8)	–	(81.7)	(112.8)
Total net assets attributable to equity holders of the Company		2,608.2	–	(38.6)	30.6	2,600.2

* 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 2012 £m	Reconciling items: Reclassify portfolio items 2012 £m	Reconciling items: Add in consolidated subsidiary accounts 2012 £m	Reconciling items: Other items and re-classifications 2012 £m	Primary statements 2012 £m
Fund drawdowns	**(396.6)**	**–**	**–**	**–**	**(396.6)**
Fund cash generated	**309.5**	**(5.3)**	**–**	**0.2**	**304.4**
Net fund flows	**(87.1)**	**(5.3)**	**–**	**0.2**	**(92.2)**
Hedging	**3.8**	**(3.8)**	**–**	**–**	**–**
Other cash flows	**(24.2)**	**9.1**	**(19.8)**	**0.4**	**(34.5)**
Net decrease in cash and cash equivalents	**(107.5)**	**–**	**(19.8)**	**0.6**	**(126.7)**
	2011 £m	2011 £m	2011 £m	2011 £m	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)

4. Income and expenses

	2012 Total £m	2011 Total £m
4a. Income		
Sale of goods	–	8.5
Investment income:		
Interest income	**38.9**	30.7
Dividend income	**0.9**	3.4
Profit/(loss)on disposal of fair value financial assets	**29.3**	(10.0)
Profit on disposal of subsidiaries	**1.3**	4.4
Total income	**70.4**	37.0
4b. Other income		
Loan and guarantee fee income	**5.4**	1.8
Provision release on loans and receivables	**0.3**	–
Other operating income	**2.7**	4.1
Total other income	**8.4**	5.9
4c. Administrative expenses		
Wages and salaries	**(11.0)**	(10.3)
Social security costs	**(1.1)**	(1.2)
Pension costs – defined benefit	**(0.2)**	(0.3)
Pension costs – defined contribution	**(0.5)**	(0.1)
Total employee benefits expense	**(12.8)**	(11.9)
Fund management expenses	**(2.7)**	(2.4)
Provisions against advances to customers	**(2.2)**	(1.1)
Power maintenance costs	**(0.1)**	(0.1)
Insurance costs	**(0.6)**	(0.6)
Staff-related other expenses	**(1.5)**	(1.3)
Professional services	**(2.1)**	(1.9)
Office premises expenses	**(3.2)**	(2.8)
Travel expenses	**(1.2)**	(0.9)
Deal transaction costs	–	(0.6)
Communications costs	**(1.5)**	(1.6)
Auditors' remuneration (see 4e)	**(0.5)**	(0.4)
Other administrative expenses	**(5.2)**	(4.6)
Total administrative expenses	**(33.6)**	(30.2)

The average monthly number of Group employees during the year was 524 (2011: 1,187).

Refer to pages 39 to 41 for the Directors' Remuneration Report which gives more details on remuneration.

Notes to the Accounts
Continued

4. Income and expenses (continued)

	2012 Total £m	2011 Total £m
4d. Other expenses		
Amortisation of other intangible assets	**(0.5)**	(0.5)
Loss on disposal of property, plant and equipment	**–**	(0.1)
Depreciation and impairment of property, plant and equipment	**(1.3)**	(1.8)
Loans and receivables provision charges	**–**	(4.9)
Total other expenses	**(1.8)**	(7.3)
4e. Auditors' remuneration		
Audit of the financial statements*	**(0.3)**	(0.2)
Other fees to auditors		
Local statutory audits for subsidiaries	**(0.1)**	(0.1)
Other services	**(0.1)**	(0.1)
Total auditors' remuneration	**(0.5)**	(0.4)

* Audit fees for the Company amounted to £0.2m (2011: £0.2m).

5a. Finance costs and income

	2012 Total £m	2011 Total £m
Interest payable on bank loans and overdrafts	**(14.2)**	(0.3)
Interest payable on other loans	**(0.5)**	(9.6)
Total finance costs	**(14.7)**	(9.9)
Bank interest received	**2.0**	1.9
Total finance income	**2.0**	1.9
Net finance costs	**(12.7)**	(8.0)

5b. Net foreign exchange differences

	2012 Total £m	2011 Total £m
Exchange losses arising on fair value financial assets	**(42.3)**	(0.3)
Exchange gains arising on forward foreign exchange contracts	**62.7**	9.7
Other foreign exchange loss	**(43.9)**	(0.3)
Total net foreign exchange differences	**(23.5)**	9.1

6. Tax

The major components of the tax charge are as follows:

	2012 Total £m	2011 Total £m
Current tax		
Current overseas tax charge	**(2.5)**	(2.6)
Deferred tax		
Tax charge relating to origination and reversal of temporary differences	**(0.2)**	(0.1)
Tax charge reported in the statement of comprehensive income	**(2.7)**	(2.7)

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

	2012 Total £m	2011 Total £m
Accounting profit/(loss) before tax	**243.4**	(101.8)
Tax (charge)/credit on the accounting profit/(loss) at the UK tax rate of 24.5% (2011: 26.5%)	**(59.6)**	27.0
Decrease/(increase) in charge due to:		
Effect of UK tax exemption*	**58.2**	(14.9)
Effect of overseas taxation	**(1.4)**	(14.8)
Expenses not deductible for tax purposes	**0.1**	–
Deferred tax assets not recognised	**–**	(0.4)
Deferred income tax liabilities not recognised	**–**	0.4
Tax charge at an effective tax rate of 1.1% (2011: 2.7%)	**(2.7)**	(2.7)

* 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 24.5% (2011: 26.5%).

UK tax exemption

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

Notes to the Accounts
Continued

7. Property, plant and equipment

	Group					
	2012 Land and buildings £m	2012 Plant and equipment £m	2012 Total £m	2011 Land and buildings £m	2011 Plant and equipment £m	2011 Total £m
At 1 January	3.5	4.0	7.5	3.8	11.8	15.6
Additions	2.5	0.6	3.1	3.3	1.5	4.8
Disposed with subsidiaries	–	–	–	(4.7)	(6.6)	(11.3)
Depreciation charge for the year	–	(1.3)	(1.3)	(0.1)	(1.7)	(1.8)
Exchange adjustment	(0.6)	(0.4)	(1.0)	1.2	(1.0)	0.2
At 31 December	5.4	2.9	8.3	3.5	4.0	7.5
At 1 January						
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 1 January	3.5	4.0	7.5	3.8	11.8	15.6
At 31 December						
Cost	7.2	23.4	30.6	5.3	23.2	28.5
Accumulated depreciation and impairment	(1.8)	(20.5)	(22.3)	(1.8)	(19.2)	(21.0)
Net carrying amount at 31 December	5.4	2.9	8.3	3.5	4.0	7.5

Plant and equipment of £nil (2011: £0.4m) are held within the United Kingdom. All other property, plant and equipment is held outside the United Kingdom.

	Company			
	2012 Plant and equipment £m	2012 Total £m	2011 Plant and equipment £m	2011 Total £m
At 1 January	0.4	0.4	0.6	0.6
Depreciation charge for the year	(0.4)	(0.4)	(0.2)	(0.2)
At 31 December	–	–	0.4	0.4
At 1 January				
Cost	9.5	9.5	9.5	9.5
Accumulated depreciation and impairment	(9.1)	(9.1)	(8.9)	(8.9)
Net carrying amount at 1 January	0.4	0.4	0.6	0.6
At 31 December				
Cost	9.5	9.5	9.5	9.5
Accumulated depreciation and impairment	(9.5)	(9.5)	(9.1)	(9.1)
Net carrying amount at 31 December	–	–	0.4	0.4

8. Biological assets

	Group	
	2012 £m	2011 £m
At 1 January, at fair value	–	20.0
Additions	–	0.2
Harvested	–	(0.1)
Disposed with subsidiaries	–	(22.4)
Exchange adjustment	–	2.3
At 31 December, at fair value	–	–

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

9. Investment property

	Group	
	2012 £m	2011 £m
At 1 January, at fair value	–	1.0
Disposals	–	(1.0)
At 31 December, at fair value	–	–

10. Intangible assets

	Group			
	2012 Brands, patents, copyrights and goodwill £m	2012 Total £m	2011 Brands, patents, copyrights and goodwill £m	2011 Total £m
At 1 January	1.8	1.8	–	–
Additions	0.3	0.3	2.3	2.3
Disposals	–	–	(0.1)	(0.1)
Amortisation charge for the year	(0.5)	(0.5)	(0.5)	(0.5)
Exchange adjustment	(0.2)	(0.2)	0.1	0.1
At 31 December	1.4	1.4	1.8	1.8
At 1 January				
Cost	2.3	2.3	–	–
Accumulated amortisation and impairment	(0.5)	(0.5)	–	–
Net carrying amount at 1 January	1.8	1.8	–	–
At 31 December				
Cost	2.4	2.4	2.3	2.3
Accumulated amortisation and impairment	(1.0)	(1.0)	(0.5)	(0.5)
Net carrying amount at 31 December	1.4	1.4	1.8	1.8

Notes to the Accounts
Continued

11. Fair value financial assets

	Group					
	2012 Shares – listed £m	2012 Shares – unlisted £m	2012 Total £m	2011 Shares – listed £m	2011 Shares – unlisted £m	2011 Total £m
At 1 January, at fair value	**4.5**	**1,871.0**	**1,875.5**	4.2	1,851.9	1,856.1
Additions	**–**	**360.1**	**360.1**	–	362.5	362.5
Disposals	**(4.5)**	**(249.1)**	**(253.6)**	–	(256.9)	(256.9)
Increase/(decrease) in fair value for the year	**–**	**236.2**	**236.2**	0.3	(103.5)	(103.2)
Exchange adjustment	**–**	**(78.9)**	**(78.9)**	–	17.0	17.0
At 31 December, at fair value	**–**	**2,139.3**	**2,139.3**	4.5	1,871.0	1,875.5

	Company					
	2012 Shares – unlisted £m	2012 Shares held in Group companies £m	2012 Total £m	2011 Shares – unlisted £m	2011 Shares held in Group companies £m	2011 Total £m
At 1 January, at fair value	**1,100.5**	**100.1**	**1,200.6**	1,740.1	432.8	2,172.9
Additions	**219.5**	**–**	**219.5**	303.5	4.6	308.1
Disposals	**(117.6)**	**(0.8)**	**(118.4)**	(92.8)	(359.6)	(452.4)
Increase/(decrease) in fair value for the year	**92.1**	**133.4**	**225.5**	(210.6)	22.3	(188.3)
Transfers	**–**	**–**	**–**	(628.5)	–	(628.5)
Exchange adjustment	**(49.5)**	**(0.7)**	**(50.2)**	(11.2)	–	(11.2)
At 31 December, at fair value	**1,245.0**	**232.0**	**1,477.0**	1,100.5	100.1	1,200.6

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 £34.1m (2011: £38.6m) 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	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Loans and receivables due from third parties	**41.2**	7.0	**41.2**	7.0
Loans and receivables due from Group undertakings	**–**	–	**717.8**	728.9
Advances to customers of DFCU Limited	**69.3**	59.6	**–**	–
Other receivables	**2.3**	2.5	**0.4**	1.0
At 31 December	**112.8**	69.1	**759.4**	736.9

The movement in loans and receivables was as follows:

	Group		Company			
	2012 £m	2011 £m	**2012 Due from third parties £m**	**2012 Due from Group undertakings £m**	2011 Due from third parties £m	2011 Due from Group undertakings £m
At 1 January	**29.1**	73.5	**29.1**	**728.9**	73.5	89.7
New loans advanced	**36.5**	0.7	**36.5**	**67.8**	0.7	677.3
Loan repayments	**(21.5)**	(39.4)	**(21.5)**	**(47.5)**	(39.4)	(48.4)
Provision release/(charge) for the year	**0.3**	(4.9)	**0.3**	**0.3**	(4.9)	(0.7)
Exchange adjustment	**(1.8)**	(0.8)	**(1.8)**	**(31.7)**	(0.8)	11.0
At 31 December	**42.6**	29.1	**42.6**	**717.8**	29.1	728.9
Less: Loans and receivables due within one year (note 15)	**(1.4)**	(22.1)	**(1.4)**	**–**	(22.1)	–
At 31 December	**41.2**	7.0	**41.2**	**717.8**	7.0	728.9

Notes to the Accounts
Continued

13. Deferred tax assets and liabilities

	Group 2012 £m	Group 2011 £m
Deferred tax assets		
Fair value financial assets	**0.2**	0.2
Property, plant and equipment	**–**	0.1
Losses	**–**	–
Total deferred tax assets	**0.2**	0.3
Deferred tax liabilities		
Biological assets	**–**	–
Investment property	**–**	(0.2)
Other financial assets	**(0.1)**	–
Other assets/liabilities	**(0.5)**	(0.3)
Total deferred tax liabilities	**(0.6)**	(0.5)
Net deferred tax liabilities	**(0.4)**	(0.2)

At 31 December 2012, the Group had unrecognised deferred tax assets amounting to £nil (2011: £0.4m).

Movement in temporary differences during the year

	At 1 January 2012 £m	Disposed with subsidiaries £m	Utilised during the year £m	(Charge)/ credit for the year £m	Exchange adjustment £m	At 31 December 2012 £m
Property, plant and equipment	**0.1**	**–**	**–**	**(0.1)**	**–**	**–**
Biological assets	**–**	**–**	**–**	**–**	**–**	**–**
Investment property	**(0.2)**	**–**	**–**	**0.1**	**0.1**	**–**
Fair value financial assets	**0.2**	**–**	**–**	**–**	**–**	**0.2**
Other financial assets	**–**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Losses	**–**	**–**	**–**	**–**	**–**	**–**
Other assets/liabilities	**(0.3)**	**–**	**(0.2)**	**–**	**–**	**(0.5)**
Total	**(0.2)**	**–**	**(0.2)**	**(0.1)**	**0.1**	**(0.4)**

	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)
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)

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 scheme. The pension scheme is funded by the payment of contributions to a separately administered trust fund.

During 2009 the Pensions Scheme Trustees, with the agreement of CDC, purchased a bulk annuity policy which covered the 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 31 March 2009 actuarial valuation also showed that after the buy-in, Technical Provisions were £9m and the Scheme assets were £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.

As the majority of the scheme's liabilities are covered by the insurance policy, if the discount rate was to decrease by 0.25% scheme liabilities would increase by 4.8% but this would be largely offset by an increase in scheme assets of 4.7%. Similarly, if life expectancy at age 60 was to increase by one year, scheme liabilities would increase by 3.4% but assets would increase by 3.3%.

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. The funding valuation as at 31 March 2012 is currently underway and as part of this process a revised schedule of contributions might be negotiated.

	2012 %	2011 %	2010 %	2009 %
Main assumptions:				
Discount rate	**4.2**	4.8	5.3	5.6
Inflation assumption	**3.0**	3.2	3.7	3.7
Rate of salary increases	**4.5**	4.7	5.3	5.3
Pre 1 May 1996 joiners (for pensions accrued before 1 April 2000)	**5.0**	5.0	5.0	5.0
Pre 1 May 1996 joiners (for pensions accrued after 31 March 2000) and post 30 April 1996 joiners	**3.0**	3.2	3.7	3.7
Rate of increase for deferred pensions	**3.0**	3.2	3.7	3.7

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

Life expectancy of a pensioner reaching age 60	Male	Female	Male joint	Female joint
In 2020	29.9	33.4	35.5	34.7
In 2019	(29.9)	(33.4)	(35.5)	(34.7)
In 2012	29.2	32.7	34.9	34.1
In 2011	(29.2)	(32.7)	(34.9)	(34.1)

The weighted average duration of the defined benefit obligations is 19 years.

Notes to the Accounts
Continued

14. Pension commitments (continued)

	2012 £m	2011 £m
Assets and liabilities of the scheme at 31 December		
Buy-in contract with Rothesay Life	**336.7**	311.9
Net current assets	**11.0**	10.1
Pension assets	**347.7**	322.0
Present value of pension liabilities	**(349.9)**	(323.0)
Net pension liability	**(2.2)**	(1.0)

	2012 £m	2011 restated £m
Changes in the fair value of plan assets		
At 1 January	**322.0**	300.3
Interest income on scheme assets	**15.1**	15.6
Employer contributions	**1.1**	1.1
Benefits paid	**(17.5)**	(11.9)
Administrative costs paid	**(0.4)**	(0.3)
Actuarial gain on scheme assets	**27.4**	17.2
At 31 December	**347.7**	322.0

	2012 £m	2011 restated £m
Changes in the present value of the defined benefit pension obligations		
At 1 January	**(323.0)**	(300.3)
Current service cost	**(0.2)**	(0.3)
Interest cost on defined benefit obligation	**(15.1)**	(15.6)
Benefits paid	**17.5**	11.9
Administrative costs paid	**0.4**	0.3
Actuarial loss on defined benefit obligation	**(29.5)**	(19.0)
At 31 December	**(349.9)**	(323.0)

	2012 £m	2011 restated £m
Cost recognised in the Group's statement of comprehensive income		
Employer service cost	**0.2**	0.3
Cost recognised in the Group's statement of comprehensive income	**0.2**	0.3

14. Pension commitments (continued)

	2012 £m	2011 restated £m
Amounts recognised in the Group's statement of comprehensive income for the year		
Actuarial (gain)/loss due to liability experience	**(4.1)**	2.0
Actuarial loss due to liability assumptions	**33.6**	17.0
Actuarial gain on assets	**(27.4)**	(17.2)
Remeasurement effects recognised in the Group's statement of comprehensive income	**2.1**	1.8

	2012 £m	2011 restated £m
Reconciliation of net pension liability:		
At 1 January	**(1.0)**	–
Pension cost	**(0.2)**	(0.3)
Employer contributions to the CDC Pensions Scheme	**1.1**	1.1
Remeasurement effects recognised in the Group's statement of comprehensive income	**(2.1)**	(1.8)
At 31 December	**(2.2)**	(1.0)

Change in accounting policy

During the year the Company early adopted IAS 19 (revised). Whilst some analysis above has changed the net pension expense, remeasurement effects recognised in the Group's statement of comprehensive income and the net pension liability reported are unchanged.

15. Trade and other receivables

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
Trade receivables	**2.2**	1.6	**10.5**	0.2
Loans and receivables due from third parties	**1.4**	22.1	**1.4**	22.1
Advances to customers of DFCU Limited	**58.0**	68.8	**–**	–
Amounts owed by Group undertakings	**–**	–	**6.6**	10.8
VAT recoverable	**0.8**	0.4	**0.8**	0.4
Other receivables	**3.1**	3.6	**1.7**	1.4
Total trade and other receivables	**65.5**	96.5	**21.0**	34.9

Notes to the Accounts
Continued

16. Financial instruments

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
2012 Financial assets: Cash							
Total	**–**	**43.2**	**11.5**	**54.7**	**–**	**–**	*****
2011 Financial assets: Cash							
Total	–	34.6	8.9	43.5	–	–	*
2012 Financial assets: Short-term deposits receivable within 90 days							
Total	**537.8**	**21.3**	**13.5**	**572.6**	**1.0**	**1.0**	*****
2011 Financial assets: Short-term deposits receivable within 90 days							
Total	428.0	273.0	19.0	720.0	1.0	1.0	*
2012 Financial assets: Treasury bills and bonds							
Total	**52.2**	**–**	**–**	**52.2**	**1.0**	**1.0**	**–**
2011 Financial assets: Treasury bills and bonds							
Total	45.4	–	–	45.4	1.0	1.0	–
2012 Financial assets: Advances to customers							
Total	**127.3**	**–**	**–**	**127.3**	**–**	**–**	**–**
2011 Financial assets: Advances to customers							
Total	128.4	–	–	128.4	–	–	–
2012 Financial assets: Loans and receivables							
Total	**–**	**42.4**	**0.2**	**42.6**	**–**	**–**	**–**
2011 Financial assets: Loans and receivables							
Total	–	28.5	0.6	29.1	–	–	–
2012 Financial liabilities: Deposits due to customers							
Total	**(132.6)**	**–**	**–**	**(132.6)**	**9.5**	**0.1**	**–**
2011 Financial liabilities: Deposits due to customers							
Total	(133.9)	–	–	(133.9)	9.5	0.1	–
2012 Financial liabilities: Interest-bearing loans and borrowings							
Total	**(27.4)**	**(35.6)**	**–**	**(63.0)**	**6.5**	**3.0**	**–**
2011 Financial liabilities: Interest-bearing loans and borrowings							
Total	(19.6)	(41.1)	–	(60.7)	4.0	6.9	–

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

16. 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
2012 Financial assets: Cash							
Total	**–**	**41.6**	**1.5**	**43.1**	**–**	**–**	**–**
2011 Financial assets: Cash							
Total	–	29.6	–	29.6	–	–	–
2012 Financial assets: Short-term deposits receivable within 90 days							
Total	**523.2**	**21.1**	**–**	**544.3**	**–**	**–**	**–**
2011 Financial assets: Short-term deposits receivable within 90 days							
Total	635.9	26.9	–	662.8	–	–	–
2012 Financial assets: Loans and receivables							
Total	**–**	**42.4**	**718.0**	**760.4**	**–**	**–**	**–**
2011 Financial assets: Loans and receivables							
Total	–	36.4	721.6	758.0	–	–	–

Currency exposures – Group

The tables below show 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.

The following table shows the Group's foreign currency denominated cash balances:

Functional currency	2012 Sterling £m	2012 US dollars £m	2012 Other £m	2012 Total £m	2011 Sterling £m	2011 US dollars £m	2011 Other £m	2011 Total £m
Sterling	**–**	**180.0**	**4.6**	**184.6**	–	271.4	1.5	272.9
Ugandan shillings	**0.3**	**16.7**	**4.3**	**21.3**	–	36.8	9.2	46.0
Other currencies	**–**	**–**	**–**	**–**	–	0.9	0.1	1.0
Total	**0.3**	**196.7**	**8.9**	**205.9**	–	309.1	10.8	319.9

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

Functional currency	2012 Listed equity at valuation £m	2012 Unlisted equity at valuation £m	2012 Total £m	2011 Listed equity at valuation £m	2011 Unlisted equity at valuation £m	2011 Total £m
US dollars	**–**	**2,021.7**	**2,021.7**	–	1,782.2	1,782.2
South African rand	**–**	**12.7**	**12.7**	–	13.5	13.5
Indian rupees	**–**	**14.3**	**14.3**	4.5	7.6	12.1
Chinese yuan	**–**	**17.4**	**17.4**	–	16.8	16.8
Euro	**–**	**73.2**	**73.2**	–	50.9	50.9
Total	**–**	**2,139.3**	**2,139.3**	4.5	1,871.0	1,875.5

Notes to the Accounts
Continued

16. Financial instruments (continued)

Currency exposures – Company

The tables below show 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.

The following table shows the Company's foreign currency denominated cash balances:

Functional currency	2012 US dollars £m	2012 Other £m	2012 Total £m	2011 US dollars £m	2011 Other £m	2011 Total £m
Sterling	**177.8**	**4.6**	**182.4**	243.7	(1.1)	242.6
Total	**177.8**	**4.6**	**182.4**	243.7	(1.1)	242.6

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

Functional currency	2012 Listed equity at valuation £m	2012 Unlisted equity at valuation £m	2012 Total £m	2011 Listed equity at valuation £m	2011 Unlisted equity at valuation £m	2011 Total £m
Sterling	**–**	**20.6**	**20.6**	–	20.6	20.6
US dollars	**–**	**1,306.6**	**1,306.6**	–	1,053.2	1,053.2
South African rand	**–**	**12.7**	**12.7**	–	13.5	13.5
Indian rupees	**–**	**12.1**	**12.1**	–	5.9	5.9
Chinese yuan	**–**	**17.4**	**17.4**	–	16.8	16.8
Euro	**–**	**73.2**	**73.2**	–	50.9	50.9
Other	**34.1**	**0.3**	**34.4**	38.6	1.1	39.7
Total	**34.1**	**1,442.9**	**1,477.0**	38.6	1,162.0	1,200.6

16. 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:

2012 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	572.6	40.2	58.0	1.4	25.6
Due within one to two years	–	7.5	69.3	1.4	9.7
Due within two to three years	–	1.7	–	32.9	–
Due within three to four years	–	0.2	–	1.2	–
Due within four to five years	–	–	–	0.9	–
Due after five years	–	2.6	–	4.8	–
Total	572.6	52.2	127.3	42.6	35.3

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

2012 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	–	–	9.0	–	4.5
Due within one year, but not on demand	–	130.3	12.6	0.7	–
Due within one to two years	–	2.3	10.1	0.1	–
Due within two to three years	–	–	6.8	–	–
Due within three to four years	–	–	5.4	–	–
Due within four to five years	–	–	3.1	–	–
Due after five years	–	–	16.0	–	–
Total	–	132.6	63.0	0.8	4.5

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

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

Notes to the Accounts
Continued

16. 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:

2012 Financial assets: Maturity profile	Short-term deposits £m	Loans and receivables £m	Forward foreign exchange contracts £m
Due within one year, but not on demand	544.3	1.4	25.6
Due within one to two years	–	14.0	9.7
Due within two to three years	–	32.9	–
Due within three to four years	–	1.2	–
Due within four to five years	–	0.9	–
Due after five years	–	710.0	–
Total	544.3	760.4	35.3

2011 Financial assets: Maturity profile	Short-term deposits £m	Loans and receivables £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

2012 Financial liabilities: Maturity profile	Forward foreign exchange contracts £m
Due within one year, but not on demand	0.7
Due within one to two years	0.1
Total	0.8

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

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

16. 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 in profit 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 in loss 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:

	2012 Book value £m	2012 Fair value £m	2012 Gross cash flow £m	2011 Book value £m	2011 Fair value £m	2011 Gross cash flow £m
Within one year	**(21.6)**	**(25.1)**	**(25.5)**	(11.3)	(12.7)	(12.8)
After one year and not more than five years	**(25.4)**	**(41.6)**	**(42.2)**	(43.1)	(45.9)	(46.4)
After five years	**(16.0)**	**(1.0)**	**(1.0)**	(6.3)	(6.4)	(6.4)
Total	**(63.0)**	**(67.7)**	**(68.7)**	(60.7)	(65.0)	(65.6)

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

17. 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 2012 was £679.5m (2011: £808.9m) and its capital commitments including long-term commitment were £1,019.4m (2011: £1,279.8m).

Analysis of total cash balance	Group 2012 £m	Group 2011 £m	Company 2012 £m	Company 2011 £m
Cash at bank and in hand	**54.7**	43.5	**43.1**	29.6
Short-term deposits receivable within 90 days	**572.6**	720.0	**544.3**	662.8
Treasury bills and bonds maturing within 90 days	**10.5**	9.1	**–**	–
Treasury bills and bonds maturing after more than 90 days	**41.7**	36.3	**–**	–
Total	**679.5**	808.9	**587.4**	692.4

The Group's and Company's contractual maturities of derivatives and non-derivative financial liabilities are disclosed in note 16 Financial instruments.

Notes to the Accounts
Continued

17. 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:

	2012 £m	2011 £m
2004 and prior	**17.9**	30.8
2005	**11.9**	17.1
2006	**49.6**	75.2
2007	**347.2**	481.6
2008	**135.3**	208.6
2009	**68.0**	83.1
2010	**161.7**	240.3
2011	**164.9**	143.1
2012	**62.9**	–
Total	**1,019.4**	1,279.8

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	2012 £m	2011 £m	2012 £m	2011 £m
Fair value financial assets	11	**2,139.3**	1,875.5	**1,477.0**	1,200.6
Loans and receivables	12	**42.6**	29.1	**760.4**	758.0
Derivative financial instruments	24	**30.0**	(28.8)	**34.5**	(19.4)
Trade and other receivables (excluding loans and advances to customers)	15	**6.1**	5.6	**19.6**	12.8
Advances to customers	12/15	**127.3**	128.4	**–**	–
Short-term deposits	18	**572.6**	720.0	**544.3**	662.8
Treasury bills and bonds	18	**52.2**	45.4	**–**	–
Cash and cash equivalents	18	**54.7**	43.5	**43.1**	29.6
Total		**3,024.8**	2,818.7	**2,878.9**	2,644.4

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

	Group					
	Loans and receivables		Advances to customers		Trade receivables	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Not past due	**42.6**	29.1	**126.0**	90.1	**6.1**	5.6
Past due	**–**	–	**1.3**	38.3	**–**	–
Total	**42.6**	29.1	**127.3**	128.4	**6.1**	5.6

The fair value of collateral held on overdue advances to customers was £4.7m (2011: £38.3m).

	Company					
	Loans and receivables		Advances to customers		Trade receivables	
	2012 £m	2011 £m	2012 £m	2011 £m	2012 £m	2011 £m
Not past due	**760.4**	758.0	**–**	–	**19.6**	12.8
Past due	**–**	–	**–**	–	**–**	–
Total	**760.4**	758.0	**–**	–	**19.6**	12.8

17. Financial risk management (continued)

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

	Group			
	Loans and receivables		Advances to customers	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Balance at 1 January	**42.7**	36.5	**3.5**	3.4
Impairment loss (released)/recognised	**(0.3)**	4.9	**0.9**	0.2
Exchange	**–**	1.3	**(0.4)**	(0.1)
Balance at 31 December	**42.4**	42.7	**4.0**	3.5

	Company			
	Loans and receivables		Advances to customers	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Balance at 1 January	**38.3**	33.6	**–**	–
Impairment loss (released)/recognised	**(0.6)**	4.9	**–**	–
Exchange	**–**	(0.2)	**–**	–
Balance at 31 December	**37.7**	38.3	**–**	–

The ageing of financial assets impaired during the year was:

	Group			
	Loans and receivables		Advances to customers	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Not past due	**–**	3.6	**1.4**	0.3
Total	**–**	3.6	**1.4**	0.3

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.

Notes to the Accounts
Continued

17. 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 2012, the average interest rate earned on the Group's and Company's bank deposit was 0.7% (2011: 0.5%). A 0.75% (2011: 0.75%) change in all interest rates, with all other variables held constant, would have a 0.1%, £0.3m impact on the Group's profit before tax (2011: 0.4%, £0.4m). 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 2012, £2,021.7m, 94.5% of the investments of the Group and Company, are denominated in US dollars (2011: £1,782.2m, 95%). 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 £63.7m (2011: 16 cent (10%) movement, impact: £74.2m).

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 2012, the Group and Company had legal commitments to invest in 155 funds (2011: 152 funds) with 84 fund managers (2011: 80 fund managers). As at 31 December 2012 and 2011, one outstanding balance to Actis Infrastructure Fund II exceeded 5% of the Group's net assets.

A 10% change in the fair value of the Group's equity investment would impact the Group's profit by £213.9m (2011: 10% change, impact £187.6m).

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 19. 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.

18. Cash and cash equivalents

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
Cash at bank and in hand	**54.7**	43.5	**43.1**	29.6
Short-term deposits receivable within 90 days	**572.6**	720.0	**544.3**	662.8
Treasury bills and bonds maturing within 90 days	**10.5**	9.1	**–**	–
Total cash and cash equivalents	**637.8**	772.6	**587.4**	692.4

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and 90 days depending on the immediate requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £637.8m (2011: £772.6m).

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	
	2012 £m	2011 £m	2012 £m	2011 £m
Treasury bills and bonds maturing after more than 90 days	**41.7**	36.3	**–**	–
Total amounts maturing after more than 90 days	**41.7**	36.3	**–**	–

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

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
Cash at bank and in hand	**54.7**	43.5	**43.1**	29.6
Short-term deposits receivable within 90 days	**572.6**	720.0	**544.3**	662.8
Treasury bills and bonds maturing within 90 days	**10.5**	9.1	**–**	–
Bank overdrafts	**–**	(0.5)	**–**	(0.5)
Total cash and cash equivalents per statement of cash flows	**637.8**	772.1	**587.4**	691.9

19. Issued capital and reserves

	2012 £m	2011 £m
Allotted, called up and fully paid		
765,036,043 Ordinary shares of £1 each	**765.0**	765.0

Special rights redeemable preference share

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

Parent company

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

Notes to the Accounts
Continued

19. Issued capital and reserves (continued)
Other reserves

	Group		Company
	Currency translation reserve £m	Retained earnings £m	Retained earnings £m
At 1 January 2011	(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
Currency translation differences on retranslation of net assets of subsidiaries	**(7.4)**	**–**	**–**
Total comprehensive income for the year attributable to equity shareholders	**–**	**236.2**	**240.2**
At 31 December 2012	**(41.1)**	**2,097.1**	**2,076.4**

Nature and purpose of 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.

20. Trade and other payables (current)

	Group		Company	
	2012 £m	2011 £m	2012 £m	2011 £m
Deposits due to customers of DFCU Limited	**130.3**	133.9	**–**	–
Amounts owed to Group companies	**–**	–	**31.0**	39.0
Other taxes and social security	**0.1**	0.2	**0.1**	0.2
Other payables	**6.9**	30.2*	**1.1**	1.0
Accruals and deferred income	**3.9**	4.7	**3.4**	3.0
Total trade and other payables excluding current tax	**141.2**	169.0	**35.6**	43.2
Current tax liabilities	**0.4**	0.3	**–**	0.1
Total trade and other payables (current)	**141.6**	169.3	**35.6**	43.3

* Includes short-term borrowings.

21. Trade and other payables (non-current)

	Group 2012 £m	Group 2011 £m
Other payables	**0.5**	0.5
Deposits due to customers of DFCU Limited	**2.3**	0.1
Total trade and other payables (non-current)	**2.8**	0.6

22. 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 2012 £m	Group Non-current 2011 £m	Group Current 2012 £m	Group Current 2011 £m
Bank overdrafts	Floating	Various	On demand	On demand	**–**	–	**–**	0.5
					–	–	**–**	0.5
Interest-bearing loans (US Dollar)								
Interbank	Fixed	nil	On demand	On demand	**–**	–	**3.9**	–
Finnish Fund For Industrial Cooperation	Fixed	12.5	Annual	2012	**–**	–	**2.9**	2.7
East African Development Bank*	Floating	2.2	Revolving	2012	**–**	–	**–**	3.2
Norfund (Sub debt)*[1]	Floating	4.0	Bi-annual	2014	**0.5**	6.4	**0.9**	2.4
FMO SME Finance Facility*[2]	Floating	3.8	Quarterly	2016	**7.6**	8.8	**3.9**	2.3
IFC*[3]	Floating	3.1	Quarterly	2017	**1.3**	2.3	**1.6**	2.1
PROPARCO*[4]	Floating	4.1	Bi-annual	2017	**6.2**	6.7	**1.8**	2.5
DEG*[5]	Floating	6.0	Quarterly	2020	**6.2**	–	**–**	–
					21.8	24.2	**15.0**	15.2
Interest-bearing loans (other currencies)								
East African Development Bank*	Floating	17.0	Revolving	2012	**1.2**	–	**–**	–
Uganda Government (KfW I loan)*[6]	Fixed	nil	Annual	2012	**–**	–	**–**	7.2
Norfund (Senior loan)*[1]	Floating	24.0	Quarterly	2014	**3.6**	–	**0.8**	–
European Investment Bank/PEFF*[7]	Fixed	9.0	Bi-annual	2017	**7.6**	3.8	**2.2**	2.2
					12.4	3.8	**3.0**	9.4
Others (all of which are under £2.5m individually)					**7.2**	3.0	**3.6**	4.6
Total interest-bearing loans and borrowings					**41.4**	31.0	**21.6**	29.2

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

1 Norfund: Norwegian Investment Fund for Developing Countries.
2 FMO SME: Netherlands Development Finance Company – Small and Medium-sized Enterprises Finance Facility.
3 IFC: International Finance Corporation.
4 PROPARCO: Promotion et Participation pour la Coopération Economique (part of Agence Française de Développement).
5 DEG: Deutsche Investitions und Entwicklungsgesellschaft.
6 KfW: Kreditanstalt für Wiederaufbau.
7 PEFF: Private Enterprise Finance Facility.

Notes to the Accounts
Continued

22. 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 an operating subsidiary. It is this subsidiary which generates 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.

23. Provisions

	Group		Company	
	2012 Post-retirement benefits £m	2011 Post-retirement benefits £m	**2012 Post-retirement benefits £m**	2011 Post-retirement benefits £m
At 1 January	**0.5**	0.7	**0.5**	0.6
Utilised	**–**	(0.2)	**–**	(0.1)
At 31 December	**0.5**	0.5	**0.5**	(0.5)

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

	Group		Company	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Foreign exchange contracts in profit	**35.3**	13.5	**35.3**	13.5
Foreign exchange contracts in loss	**(0.8)**	(32.9)	**(0.8)**	(32.9)
Other derivatives in loss*	**(4.5)**	(9.4)	**–**	–
Total	**30.0**	(28.8)	**34.5**	(19.4)

* Other derivatives in loss relate to DFCU Limited, a financial institution.

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

	Group		Company	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Non-current assets	**9.7**	0.2	**9.7**	0.2
Current assets	**25.6**	13.3	**25.6**	13.3
Non-current liabilities	**(0.1)**	(9.0)	**(0.1)**	(9.0)
Current liabilities	**(5.2)**	(33.3)	**(0.7)**	(23.9)
Total	**30.0**	(28.8)	**34.5**	(19.4)

24. Derivative financial instruments (continued)

Derivatives not designated for hedge accounting

At 31 December 2012, the Group held 103 FFECs (2011: 91 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$2,354.1m (2011: US$1,950.3m) at an average spot price of 1.5875 (2011: 1.5890) to sell US$ for £1,482.9m (2011: £1,227.4m) on a range of dates to November 2014; ZAR126.1m (2011: ZAR127.6m) at an average spot price of 13.4420 (2011: 11.6607) to sell ZAR for £9.4m (2011: £10.9m) on a range of dates to September 2013; €64.1m (2011: €41.7m) at an average spot price of 1.2212 (2011: 1.1520) to sell Euros for £52.5m (2011: £36.2m) on a range of dates to June 2014; and INR 7,992.6m (2011: INR 5,480.5m) at an average spot price of 90.9865 (2011: 76.5495) to sell INR for £87.8m (2011: £71.6m) on a range of dates to September 2013.

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 30.

25. Capital commitments and guarantees

Amounts contracted for but not provided for in the accounts amounted to £1,019.4m (2011: £1,279.8m) for subscriptions to debentures, loans and shares.

26. Operating leases

Group and Company as lessor

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

	Group		Company	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Within one year	**1.2**	1.3	**1.2**	1.3
After one year but not more than five years	**0.4**	1.2	**0.4**	1.2
Total	**1.6**	2.5	**1.6**	2.5

Group and Company as lessee

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

	Group		Company	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Within one year	**1.3**	0.8	**1.3**	0.8
After one year but not more than five years	**6.6**	3.2	**6.6**	3.2
More than five years	**15.9**	1.3	**15.9**	1.3
Total	**23.8**	5.3	**23.8**	5.3

Notes to the Accounts
Continued

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 £nil (2011: £0.2m); 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 £9.4m (2011: £9.9m).

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.
The transactions entered into and trading balances outstanding at 31 December were as follows:

	2012 £m	2011 £m
Statement of comprehensive income		
Interest income	**1.0**	1.5
Dividend income	**9.2**	247.4
Profit on disposal of fair value financial assets	**1.3**	6.4
Management fee income	**14.5**	–
Interest payable	**(0.1)**	(0.2)
Statement of financial position		
Fair value financial assets	**232.0**	100.1
Loans and receivables with CDC subsidiaries	**717.8**	728.9
Trade and other receivables	**15.8**	7.0
Trade and other payables	**(31.0)**	(39.1)

29. Principal subsidiaries
The principal subsidiaries of CDC Group plc during the year to 31 December 2012 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

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Footnotes

Data disclaimer

Whilst we have used our reasonable efforts to ensure the accuracy of the data used in this report, data on pages 4 to pages 25 regarding employment and taxes paid, has not been audited or independently verified. Data on employment and taxes paid has been received from many but not all of CDC's investee businesses. We have received this data from the fund managers that have invested our capital (and the capital of others) in these businesses. Data may be from different points in time but was requested to relate as closely as possible to year end 2012. Employment data may sometimes include contract workers and other non-permanent workers. Tax data mostly refers to corporate taxes paid in the 2011 financial year by CDC's investee businesses.

This data should be read as indicative of magnitude rather than exact figures. We have avoided extrapolations, which would show estimated data for CDC's entire portfolio, in order to keep quoted figures as close as possible to the information we have received from our fund managers.

Photographs

All photographs originate from CDC's image library of investee business, or have been supplied by fund managers, or have been taken by CDC staff on site visits.

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