CDC GROUP PLC_ANNUAL REVIEW 2011

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CDC

OUR MISSION

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

CONTENTS

What is CDC?

Established in 1948, CDC is the world's oldest development finance institution (DFI). CDC is wholly owned by the UK government's Department for International Development (DFID), but CDC is not a provider of aid. Instead it plays a key role in DFID's strategy to help build a thriving private sector in the developing world.

What CDC does

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

To do this, CDC invests in developing countries where a lack of capital is holding back growth. Crucially, CDC operates with the same financial rigour as a commercial investor, albeit with an enhanced appetite for risk. A reasonable return is expected from each investment in order to ensure the businesses in which CDC invests are successful and financially sustainable in the long term.

It is a measure of CDC's success that it has required no fresh capital from government since 1995, and has returned a profit (which is reinvested) of £1.6bn since 2004.

How does CDC operate?

Since 2004, CDC has invested capital primarily through private equity funds. In other words, CDC makes long-term commitments to place capital with expert fund managers who then use their local knowledge and expertise to back good businesses. The fund managers then work with the investee companies to grow the businesses and, if needed, improve environmental, social and governance standards (see pages 32-33).

In 2011, CDC announced that it will increase its range of financial instruments to include equity and debt investments, both provided directly.

Please see pages 28-29 for more on CDC's new plan.

Governance

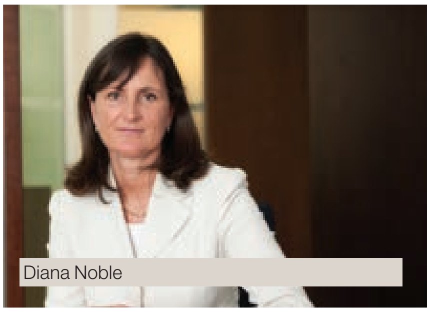
CDC is not a quango or non-departmental public body. It is a government-owned plc operating at arm's-length from its owner, DFID, and regulated by the Financial Services Authority. CDC has its own Board and governance arrangements, overseen by DFID as advised by the Shareholder Executive. CDC invests according to an Investment Policy agreed with DFID.

1,126 investee businesses located in **74** countries at year end 2011

Returned profit since 2004

£1.6bn

CHIEF EXECUTIVE'S STATEMENT



2011 was an important year for CDC. Not only did we manage to grow our core current business of providing capital through funds to build the private sector, taking the number of businesses currently supported to over 1,000 for the first time in CDC's history, but we also published a new high-level business plan that gives CDC a new, ambitious direction for the next five years.

This includes three significant changes: to make development impact more explicit in everything we do (alongside the existing financial return objectives), to shrink our geographies of focus so that we concentrate on the poorest regions of the world and to expand our ways of investing, so that we can provide capital (debt as well as equity) directly over time, as well as through funds.

CDC's Board invited me to join CDC at the end of 2011 to lead the organisation in this exciting, but challenging new direction.

I joined CDC from a career in private equity and venture capital investing, followed by five years at the Clinton Foundation Health Access Initiative – an organisation which has proved enormously effective at providing access to essential medicines to millions of people in low-income countries. I hope to bring to CDC the understanding I have gained of the enormous impact the private sector (and talented individuals with private sector skills) can make in addressing seemingly intractable problems in poor countries. It is a privilege to lead an organisation with a mission to create opportunities through supporting the building of businesses and essential infrastructure that provide new jobs or create the environment where jobs will flourish in the future. CDC is well positioned to provide patient risk capital to support entrepreneurial and committed management teams in Africa and the parts of South Asia where this is in short supply. It has a strong balance sheet, can provide capital in all forms, directly or through an intermediated model, and has a talented team.

During 2012, my priorities are threefold: first, to build on the high level business plan to articulate a clear vision and strategic direction for CDC for the next five years; second, to build strong relationships with the many stakeholders and partners that are so important to our success; and third, to start to build the capability of the organisation to deliver the agreed strategy. It is an incredibly exciting time for me and all the team at CDC and we relish the challenge.

Finally, I'd like to take the opportunity to thank all those who currently work with, partner and support CDC in its mission, especially the management teams and employees of 1,126 companies backed by CDC capital. They work tirelessly to build businesses, often under the most challenging circumstances and in environments which are not always business friendly. CDC could not achieve the impact that it does without them.

Diana Noble
Chief Executive

2011 HIGHLIGHTS

976,000

JOBS IN COMPANIES SUPPORTED BY CDC CAPITAL

US$3.5bn

DIRECT TAXES PAID BY COMPANIES SUPPORTED BY CDC CAPITAL

1,126/74

1,126 UNDERLYING INVESTEE BUSINESSES LOCATED IN 74 COUNTRIES

17

FUND EVALUATIONS OF WHICH 16 HAD SATISFACTORY OR BETTER DEVELOPMENT OUTCOMES

Total loss after tax

£72m

For more information please see page 40.

US$795m

OTHER CAPITAL MOBILISED IN 2011

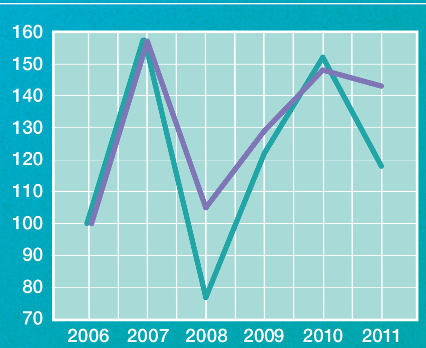
For more information please see page 39.

£188m

NEW COMMITMENTS TO FUNDS

£2,608m

TOTAL ASSETS



PERFORMANCE AGAINST BENCHMARK

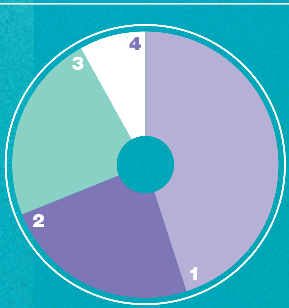
CDC

MSCI Special CDC weighted

UNDERLYING PORTFOLIO BY REGION

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

Total value £1,913m

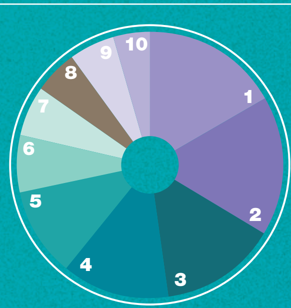


CDC invests according to an Investment Policy agreed with DFID. The new policy stipulates CDC should only make new commitments in Africa and South Asia, but previous policies included places such as China and Latin America. As these places prosper, so CDC has updated its Investment Policy, but as a long-term investor CDC's portfolio will typically include 'legacy' companies outside the current geography.

UNDERLYING PORTFOLIO BY SECTOR

1	Infrastructure	19%
2	Industrials	19%
3	Financials	15%
4	Consumer Services	12%
5	Real Estate	8%
6	Information Communication Technology (ICT)	7%
7	Healthcare	6%
8	Extractive Industries	6%
9	Agribusiness and Food	5%
10	Education	3%

Total value £1,913m



01_NEW COMMITMENTS **AT A GLANCE**

In 2011 CDC made 12 fund commitments totalling £188m. Each fund has a geographic and sector mandate that guides the investments it can make, in addition to the CDC Investment Code to which all funds must adhere*. The new commitments are summarised below and four commitments are discussed in detail on the following pages.

US$50m

Actis Africa Real Estate Fund 2, sub-Saharan Africa
Real Estate

US$50m

8 Miles, sub-Saharan Africa
Multiple sectors

US$30m

IFC Africa Capitalization Fund, pan Africa
Multiple sectors

US$20m

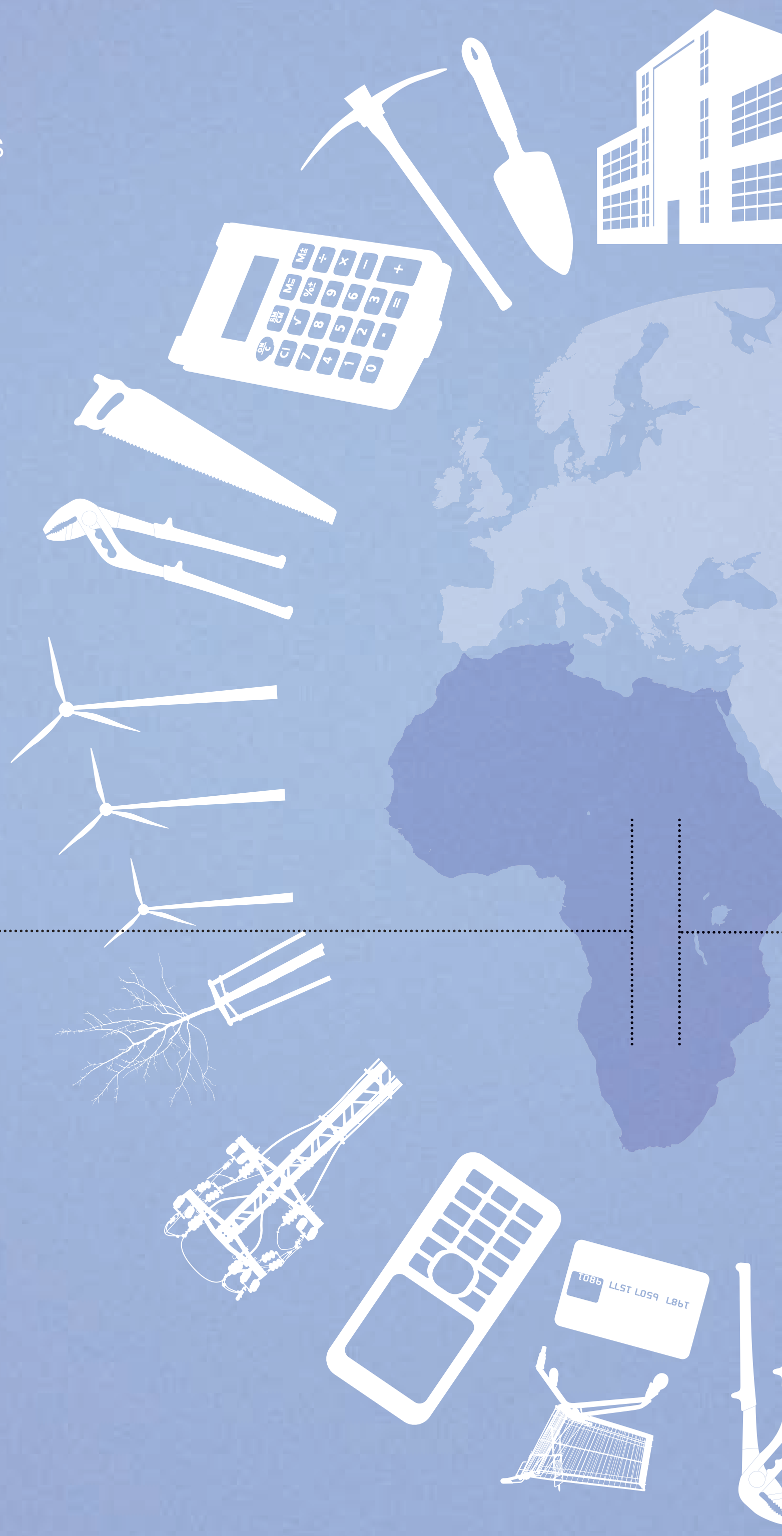
Silverlands Fund, Zambia, Tanzania, Malawi, Mozambique, Uganda
Agribusiness

€12m

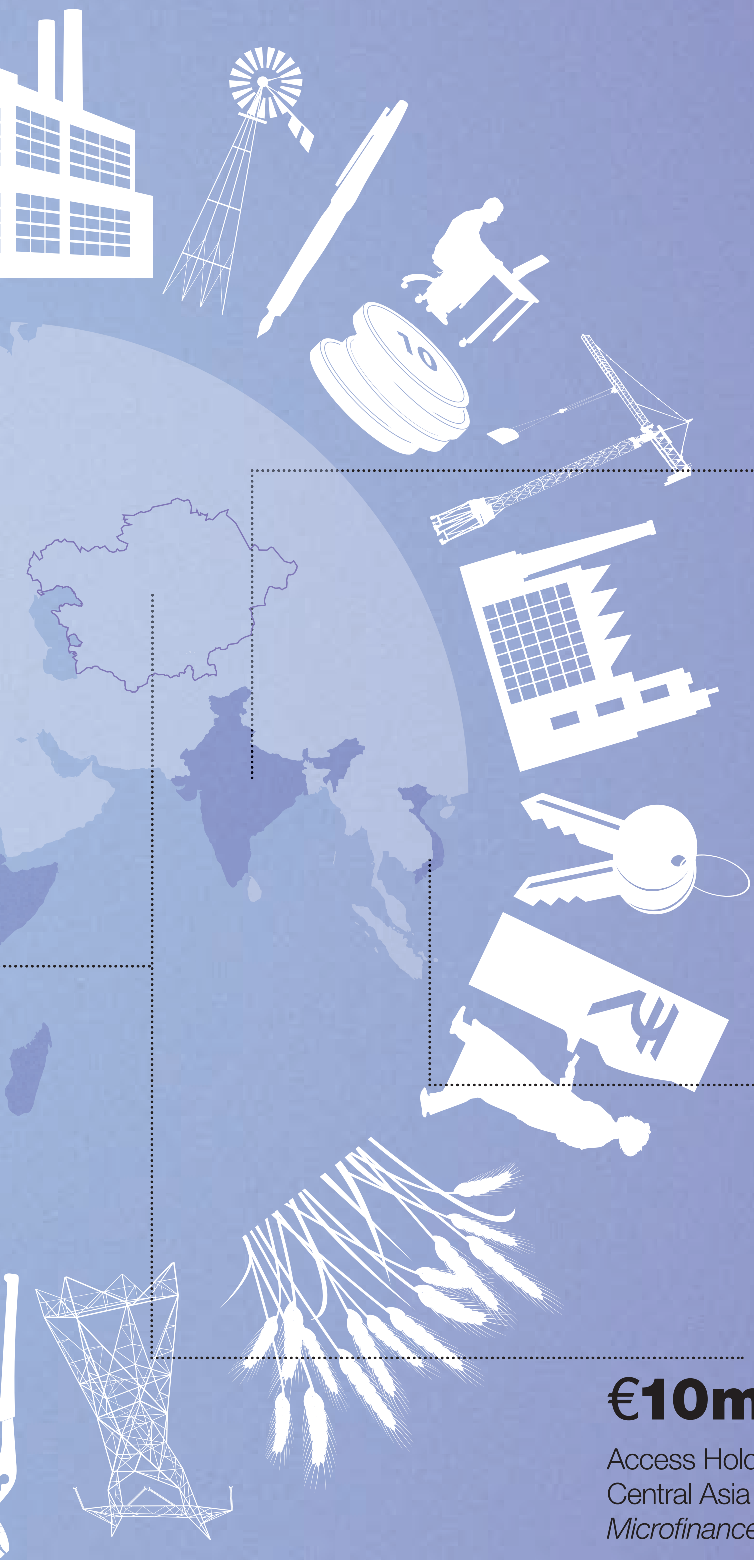
DI Frontier Market Energy & Carbon Fund, East Africa
Renewable Energy

US$10m

Progression Eastern African Microfinance Equity Fund, East Africa
Microfinance



* See www.cdcgroup.com for more information



US$50m

Pragati, India's poorest regions
Multiple sectors

US$25m

Aavishkaar India II, rural India
Multiple sectors

US$10m

International Asset Reconstruction Fund 1, India
Multiple sectors

US$5m

Lok II, India
Microfinance

US$15m

Vietnam Investment Fund II, Vietnam
Multiple sectors

This commitment was made under the 2008-2011 Investment Policy, which included countries in South East Asia.

€10m

Access Holdings AG,
Central Asia and Africa
Microfinance

This committment was made under the 2008-2011 Investment Policy, which included countries in Central Asia.

CDC ANCHORS NEW FUND TO TARGET POOR AREAS OF INDIA
PRAGATI INVESTMENT FUND

India's rapid economic growth has been well documented, but the world's largest democracy remains a country of stark contrasts.

Under its new plan (see pages 28-29), CDC intends to deploy more capital than in the past outside the main cities and in the poorest places. Even with CDC's 60-plus years of experience, getting investment into these areas of India remains a daunting task. Poor infrastructure, unskilled labour and lack of finance all present considerable business challenges. For example:

- Bihar has a household electrification rate of just 10% in rural areas, compared to the national household average of 56%; and
- Uttar Pradesh, the most populous state in India with a population of 193m, has a literacy rate of 56%, far lower than the national average of 65.4%. This means that there are 85m illiterate people in Uttar Pradesh alone.

These areas also lack a proper regulatory framework. In 2009, an International Finance Corporation (IFC) report on doing business in India ranked the main cities of Madhya Pradesh (Indore), Uttar Pradesh (Noida) and Bihar (Patna) in the bottom half of the table, at respectively 11th, 12th and 14th out of the 17 cities covered.

CDC aims to demonstrate that it is possible to invest successfully and responsibly in tough environments. Nevertheless, when CDC started looking at ways of directing capital into the poorest regions of India, there was little appetite from existing fund managers to take on such a task.

Consequently, the team at CDC has worked with a returning member of the Indian Diaspora to set up a wholly new fund – Pragati – with the main purpose of making investments in the poorest regions of India. The team at CDC spent many months working with him as he recruited a team, developed a proposition and a pipeline of possible investments. Crucially, CDC has backed the new fund with a US$50m investment, which should enable Pragati to attract more investors who share CDC's vision for development through the private sector.

The fund has now made its first investment in a manufacturer of engineering goods for water and waste water. It has also received a commitment of up to US$20m from IFC.

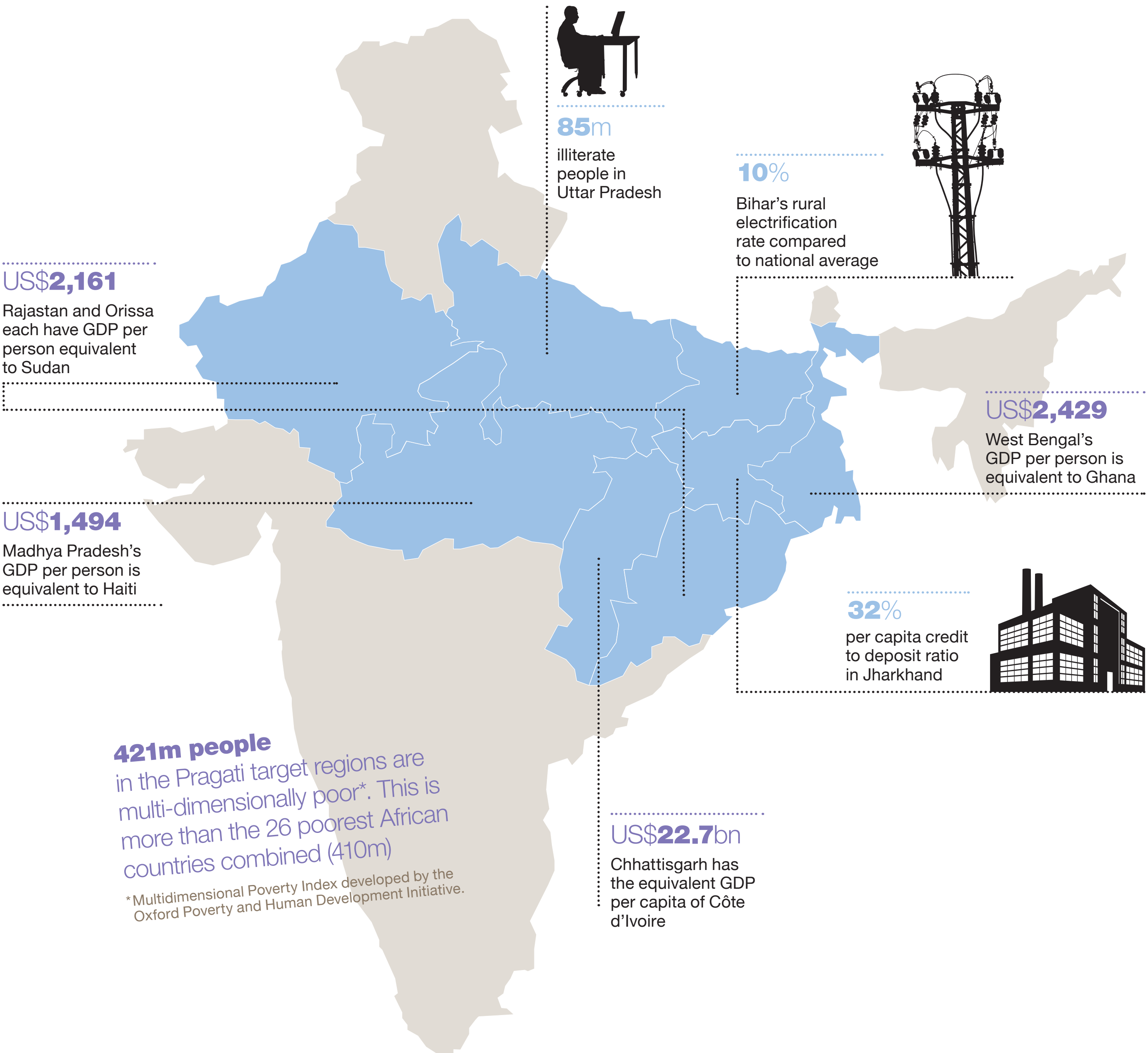
US$50m

CDC commitment to Pragati

> "CDC is making a significant investment in Pragati because it is a truly groundbreaking venture with the potential to bring economic development to the very poorest areas of India. Several years ago CDC was among the first investors in private equity funds in India, and as the mainstream market is now better served by capital it is right that we now pioneer in the poorest places. The fund is clearly addressing a significant gap in the Indian market and we are excited about its potential impact."

Anubha Shrivastava,
CDC Managing Director, Asia

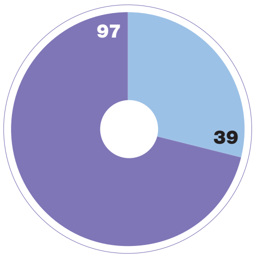
PRAGATI FOCUS REGIONS



CDC-ANCHORED FUNDS

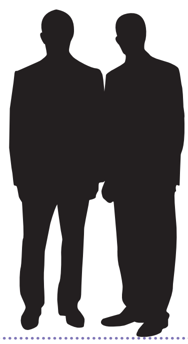
As a development finance institution CDC pioneers investment in regions or sectors that others deem too high risk. In such cases CDC will frequently help a new fund get started by advising the fund team, helping with the fund strategy and providing significant investment. Of 136 fund investments since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

CDC-ANCHORED FUNDS 2004-2011



Total funds: 136

- CDC > 50% at first close
- Other funds



AGRIBUSINESS IN EAST AND SOUTHERN AFRICA
SILVERLANDS FUND

Following the publication of CDC's new plan*, CDC announced a US$20m investment in agribusiness in October 2011.

* See pages 28-29 for more information.

The investment in the Silverlands Fund will back farming businesses in Zambia, Tanzania, Malawi, Mozambique and Uganda and help them expand agricultural production and improve food security in the region.

The fund will provide capital and expertise to locally-run, commercial farms which often struggle to raise the necessary backing to help them grow. It will invest largely in primary agriculture by targeting farms producing crops such as grains, soya, fruits, vegetables, sugar, tea and coffee.

US$300m

The fund is aiming to raise a total of US$300m for investment in up to 15 agribusinesses across the main fertile growing areas of Central and Southern Africa.

Silverlands is also pioneering an innovative way of supporting cooperation between neighbouring small-scale farmers and existing large, commercial farms. Commercial farms will function as hubs where local small-scale farmers can receive crop fertilisers, education, technical assistance, and payment for their harvest. The fund's goal is to reach 100,000 small farmers in each country of operation over ten years, which would lead to an estimated increase in total food production of 2.8m tonnes per year.

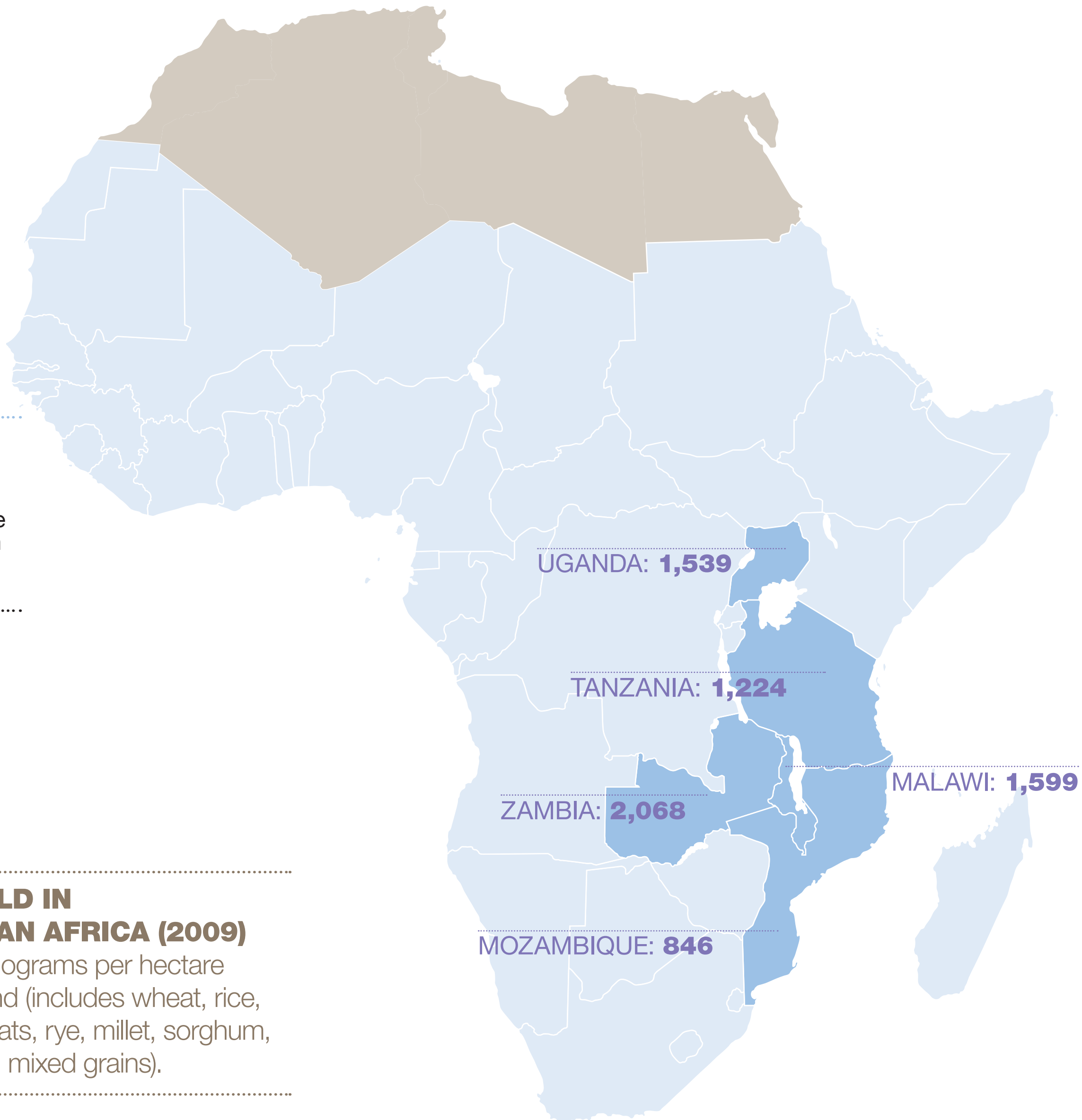
The fund is aiming to raise a total of US$300m for investment in up to 15 agribusinesses across the main fertile growing areas of Central and Southern Africa. The fund is one of only a tiny number of private equity funds investing in African agribusiness. Encouraged by CDC's investment, other development finance institutions, such as Finnfund, have also backed the fund, as well as large European pension funds.

While the main investment focus of the fund will be on primary farming, CDC's capital may also back businesses that process farm produce, provide farming services and equipment and offer financial services specifically for the wider agricultural sector. Its investments will follow the UN Global Compact Guidelines on ethical employment practices, positive social impact and environmental sensitivity. Conservation farming practices will be promoted, including no-tillage methods which allow for reduced use of fertilisers and fuel.

> **"While global demand for food rises, the amount of agricultural land in production in Africa has barely increased since the mid-1960s. Increasing financing for farms and making the commercial agribusiness sector more efficient are vital if African countries are to increase food production and move away from being net importers of staple foods. For countries in Central and Southern Africa it is often possible with the help of better irrigation to have two crops a season. We're encouraged that Silverlands will focus on improving irrigation systems which will mean higher yields and will provide insurance against drought."**
>
> **Rod Evison, CDC Managing Director, Africa**

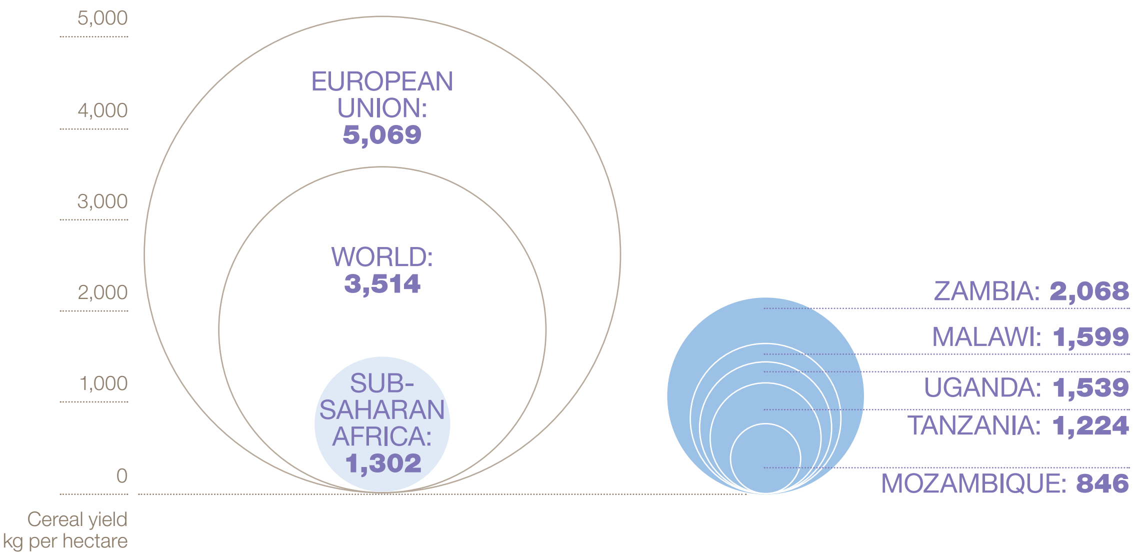
66

of CDC's investee businesses are in the agribusiness and food sector.



CEREAL YIELD IN SUB-SAHARAN AFRICA (2009)

Measured as kilograms per hectare of harvested land (includes wheat, rice, maize, barley, oats, rye, millet, sorghum, buckwheat and mixed grains).



Source: World Bank.

MICROFINANCE – CDC BACKS FIRST-TIME TEAM
PROGRESSION FUND

In December 2011, CDC invested US$10m in the Progression Eastern African Microfinance Equity Fund.

Microfinance institutions (MFIs) provide access to credit to the rural and urban unbanked in developing countries, and are often the only alternative to informal moneylenders. The small loans that are made promote micro entrepreneurship and often enable people at the 'bottom of the pyramid' to develop their own small businesses. Women are traditionally well-served by the industry.

CDC has invested in these institutions since 2003 through specialist microfinance investment funds that promote and adhere to responsible lending practices. Backing funds that invest CDC's capital in several MFIs ensures CDC's capital and good practices reach more people in a wider area.

While CDC has backed over 25 MFIs in South Asia, the sector is considerably less developed in sub-Saharan Africa with few local or indigenous fund managers investing sustainably in this area.

Financial inclusion on the continent is low. Over 80% of sub-Saharan African adults have no access to formal financial services, and despite being home to roughly a quarter of the world's poor people, it attracts just 13% of the total global funding for microfinance. In East Africa, only 4% of the population are currently using microfinance. With this in mind CDC has harboured ambitions to back a microfinance fund in sub-Saharan Africa for some time.

In 2011, CDC invested US$10m in the Progression Eastern African Microfinance Equity Fund. The investment followed over two years of discussions with the team behind it, with the fund aiming to raise a total of US$40m. The capital will be invested in emerging and early-stage MFIs, primarily in the Eastern Africa Community plus Zambia.

Historically, fund propositions for microfinance in Africa have not met with significant financial success due to the challenging operating environment. Moreover, Progression is run by a small first-time team, a fact that would usually deter private investors further. CDC chose to back the Progression team based on its experience in the microfinance sector and excellent networks and operating knowledge in the region.

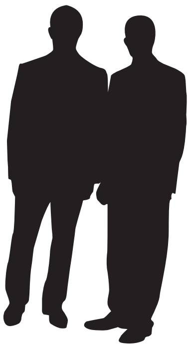
CDC is committed to supporting the development of local investment infrastructure in its target countries. It has a long tradition of nurturing first-time teams – of the 80 fund managers we work with, 39 were first-time fund managers when CDC first invested.

Where will CDC's capital be invested?

The objective of the fund is to invest in companies that are directly or indirectly engaged in financial inclusion for the under-served regions in its target countries, mainly Kenya, Uganda, Tanzania, Rwanda and Zambia. Kenya and Uganda have exhibited leadership in the sector by providing progressive regulatory frameworks and oversight for the microfinance universe as well as for the facilitation of savings.

US$10m

CDC commitment to Progression



Expertise

CDC chose to back the Progression team based on their expertise in the microfinance sector and excellent networks and operating knowledge in the region.

Collaboration

CDC provided Progression with expert advice on various aspects of the fund including structure, terms and strategy.

In the case of Progression, CDC provided advice on various aspects of the fund including: structure, terms, strategy, budget, investment committee composition and other key terms to make it more attractive to commercial capital.

Once the fund starts operations, CDC will continue to add value by taking a seat on the advisory committee.

As well as investing in MFIs, CDC has also stipulated that the fund may invest up to a quarter of its capital in businesses which, although not directly involved in microfinance, play an important role in deepening financial inclusion. These include micro-insurance, mobile banking, low cost housing, banking software and other support services.

[1] Microfinance Information Exchange: "SSA Benchmarking Report 2009", April 2010.

[2] World Bank Development Indicators.

[3] 2009 CGAP Microfinance Funder Survey for SSA.

[4] Microfinance Information Exchange: "SSA Benchmarking Report 2009".

[5] Kenya FinAccess Survey 2009.

Target countries

KENYA

Only 40.5% of the Kenyan adult population is served by formal financial services. The country has emerged as a leader in microfinance in terms of the regulatory environment for microfinance, a vital pillar to support sustainable lending. While urban and semi-urban areas of Kenya have some provision of microfinance services, the bulk of the poor, most of whom live in rural areas, have no access to formal financial services.

UGANDA

The microfinance industry has evolved over a period of 20 years to include 3.5m people by the end of 2008. The evolution has mainly covered urban areas where financial services are widely provided, so the fund is highly sensitive to risks of over-lending in Uganda. The fund will therefore prioritise rural and other under-served areas.

TANZANIA

Tanzania's proximity to the two most developed microfinance markets in East Africa (Kenya and Uganda) has not resulted in a similar level of microfinance service penetration; microfinance service delivery is limited to within the country's four main commercial hubs.

RWANDA

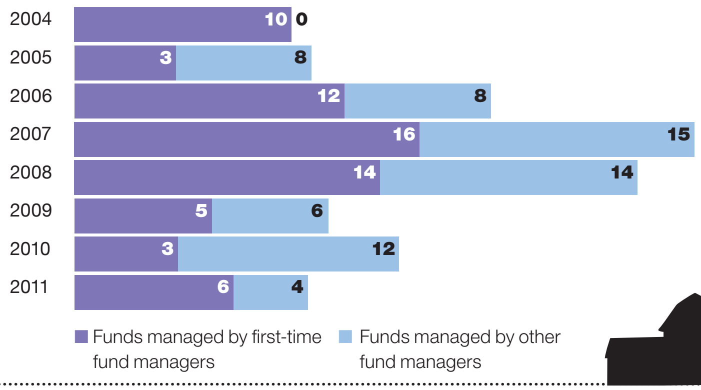
Rwanda has a relatively young financial services industry which is concentrated around major towns thus leaving rural areas widely unbanked. The attempts made by MFIs to penetrate rural areas have had limited success due to poor infrastructure and inappropriate products. Microfinance supply is very limited, and the vast majority of the 116 local institutions are of very limited scale.

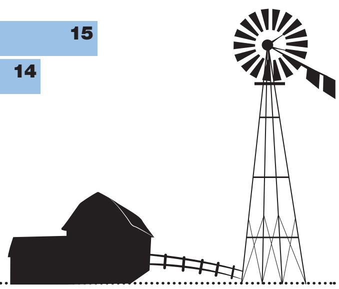
ZAMBIA

Despite the existence of commercial banks and microfinance institutions, most of the 'microfinance' activity is actually driven by consumer credit organisations chasing the top 15% of adult population who are salaried. The fund sees good opportunities for setting up a new MFI operation in Zambia.

FIRST-TIME MANAGERS BY YEAR

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





MOBILISING CAPITAL FOR GREEN ENERGY
DI FRONTIER MARKET ENERGY AND CARBON FUND

To help address the shortage of risk capital in the renewable energy sector, CDC announced a new **€**12m commitment to DI Frontier Market Energy and Carbon Fund (DI Energy) in September 2011.

CDC understands the importance of energy infrastructure for sustainable economic development in sub-Saharan Africa.

According to a recent study published by the Africa Infrastructure Country Diagnostic, the poor state of infrastructure in sub-Saharan Africa cuts national economic growth by 2% every year and depresses business productivity by as much as 40%.

In particular, the development of additional power generation capacity has been limited over the past decade and although private participation has increased, it has again lagged behind other developing markets.

Despite increased interest in the emerging and frontier markets as an investment destination, the fundraising environment in Africa still remains difficult. While there is now some debt or passive equity finance available to support well-developed infrastructure projects, the need is for project sponsors and developers who can ensure nascent projects reach the 'bankable' stage and who are sufficiently credible to secure debt financing.

CDC expects that over the fund's life its investments will:

- produce around **7,000 GWh** of electricity, enough to provide an additional 500,000 households with electricity; and
- produce an annual greenhouse gas reduction of **645,000 tonnes** of CO_2 equivalent.

€12m

CDC commitment to DI Energy

> **"By supporting this new fund CDC can contribute to the development of new generation assets which have the potential for both a positive financial and development return.**
>
> **While renewable energy will not solve all of the energy problems in sub-Saharan Africa, it does represent an untapped opportunity and can contribute to a balanced portfolio of assets as countries seek to expand their generation capacity through a variety of technologies. CDC's commitment to DI Energy will demonstrate that responsible investment strategies can successfully unlock the potential of renewable energy resources in Africa."**
>
> **Rod Evison, CDC Managing Director, Africa**

The fund has reached a first financial close at €60m, so CDC's capital represents a fifth of the committed capital.

DI Energy has been launched by Danish first-time fund management team, Frontier Investment Management. It will develop and construct standalone renewable energy installations, including mini-hydroelectric plants, wind farms, biomass and biogas facilities. Each project will receive **€**3m to **€**10m of investment from the fund as this smaller-scale sector of the market is notably capital-starved.

With a focus on Kenya, Tanzania and Uganda, it will not only add to the existing stock of power generation assets in sub-Saharan Africa, but will also reduce the overall carbon emissions in the region and increase participation in international carbon trading markets.

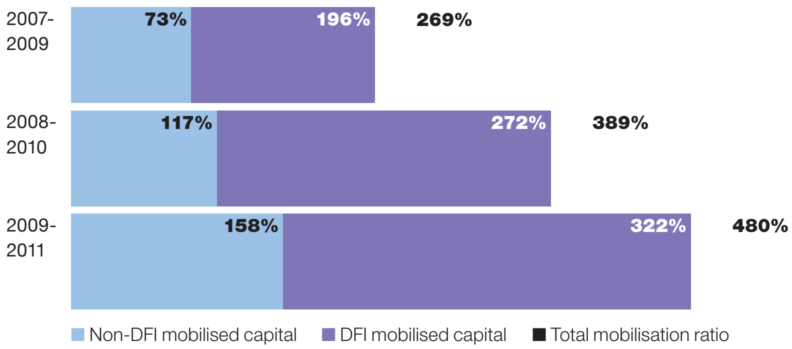
The fund has reached a first financial close at **€**60m, so CDC's capital represents a fifth of the committed capital.

MAKING CDC CAPITAL GO FURTHER

CDC's capital is a tiny fraction of what is required to establish decent infrastructure and a thriving private sector in poor countries. To make its capital work harder, CDC aims to catalyse third parties to invest alongside CDC.

CDC ROLLING THREE-YEAR MOBILISATION

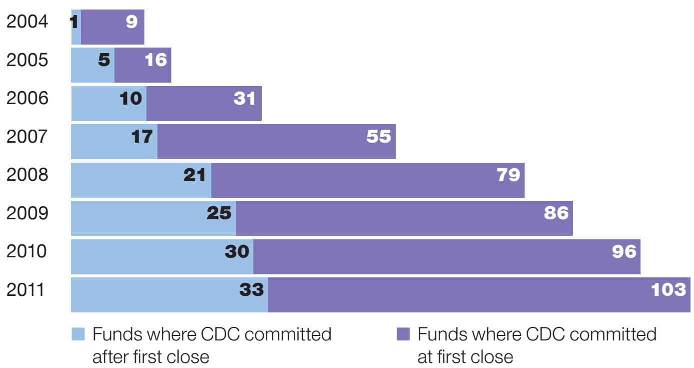
CDC has well exceeded its historic targets for mobilisation of 200%*. In the period 2009-2011 CDC achieved a mobilisation rate of 480%. In other words, for each £1 invested by CDC, a further £4.80 was invested in a fund by third parties.



*See page 7 CDC 2011 Annual Report and Accounts, www.cdcgroup.com

COMMITMENTS AT FIRST CLOSE

By committing capital at the fund's first close, CDC can send a strong signal of confidence to the market and encourage others to invest. CDC committed at first close in 103 out of the 136 funds in which it has invested since 2004.



02_CURRENT INVESTMENTS
GETTING CAPITAL TO WORK

In 2011, CDC announced changes to the way it invests. Since 2004, CDC has operated primarily as a fund-of-funds investor, but from now on CDC will broaden its range of investment instruments to provide debt and equity directly to businesses in the world's poorest countries, generally alongside other investors and lenders. More investment instruments will allow CDC to address a wider range of capital needs for growing businesses in more challenging operating environments.

For each £1 that CDC invests*...

£1

£1.58

...other DFIs typically invest £1.58 to match the CDC investment...

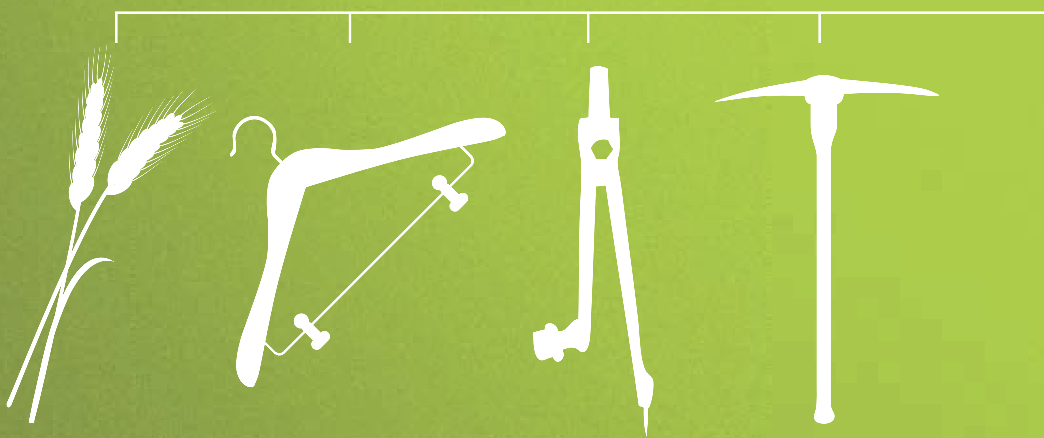
£3.22

...and commercial investors provide a further £3.22 of capital...

TO INVEST

...as a combined pool of capital in promising businesses in poor countries.

* Based on CDC's three-year rolling mobilisation 2009-2011. Please see page 39 for more information.



Agribusiness and Food	Consumer Services	Education	Extractive Industries
5%	**12**%	**3**%	**6**%

CDC
gets capital into businesses in two ways

Direct equity and debt

- Targets specific sectors and areas
- Gives CDC more influence over individual investments
- Closer relationship with management
- Ability to take longer term view

Investing through intermediaries

- Harnesses local knowledge
- Builds local investment capacity
- Allows a small CDC team to deploy capital widely and effectively

Financials	Healthcare	Information and Communication Technology (ICT)	Industrials	Infrastructure	Real Estate
15%	**6**%	**7**%	**19**%	**19**%	**8**%

PHARMACEUTICAL MANUFACTURING IN EAST AFRICA

ABACUS PARENTERAL DRUGS

In 2010, CDC committed €12m to the AfricInvest Fund II, which in turn made a €6.8m investment in Kiboko Holdings Limited, a manufacturer and distributor of pharmaceuticals.

The benefits of a thriving local pharmaceutical manufacturing sector are manifest – skilled employment, potential for lower-priced products, technology and knowledge transfer. Domestic production in Uganda, however, is limited to just 11 manufacturers.

The pharmaceutical market in Uganda is worth around €150m, but it is estimated that between 80% and 90% of the products are imported from countries such as India and China. The market is essentially generic, with price being the major determinant factor for purchase and use.

In spite of high demand for products, there are several difficulties involved in setting up a local pharma manufacturer. The key challenges are the high cost of operations, high cost of energy and competition, particularly on price from imported products. Access to capital is also a problem with few credit lines and even less risk capital available.

Following the funding from CDC and AfricInvest, Kiboko has established Abacus Parenteral Drugs Ltd, a new manufacturer of life-saving intravenous (IV) fluids and vials of sterile water for injections and eye drops. This has involved the construction of a 36 acre plant outside Kampala – the first facility of its kind in Uganda – with the capacity to produce 65m units of parenteral drugs per year. The plant will produce IV fluids and sterile water for Uganda, Burundi, Rwanda, Eastern DRC, South Sudan, Kenya and Tanzania.

Being the first and only IV fluid manufacturing company in Uganda, Abacus provides competitively priced local products that compare favourably to imports. This has enabled low-income customers to have access to affordable pharmaceutical products.

Operational efficiency

In accordance with CDC's best practice environmental processes, Abacus has applied innovative solutions to manage costs and improve efficiency. For example, to reduce high fuel costs and mitigate the frequent power shortages, the company will install a biomass boiler at a cost of €400,000 that will burn abundantly available coffee husks for fuel.

Furthermore, to alleviate a shortage of plastic granules used in packaging, Abacus installed a granules recycling plant in the second quarter of 2011. Not only does the recycling plant make use of scrap materials, but it also reduces costs.

Staff and community benefits

Abacus provides educational benefits for its staff to ensure their children can attend school and offers university scholarships to students from poor backgrounds to study for a Bachelor of Pharmacy at a local university.

Each year the company sponsors five students who are taken through their entire university education. In return the students enter into an agreement to work in rural areas for a period after completion of their four year course to facilitate provision of rural health services.

INVESTMENT INFO

Fund name
AfricInvest Fund II

Total number of Abacus employees
688

Date of CDC commitment
2010

Commitment size
€12m

Fund geography
Pan African (with focus on sub-Saharan Africa)

Fund sectors
All sectors excluding Infrastructure, Real Estate, Extractive

The IV fluid manufacturing process

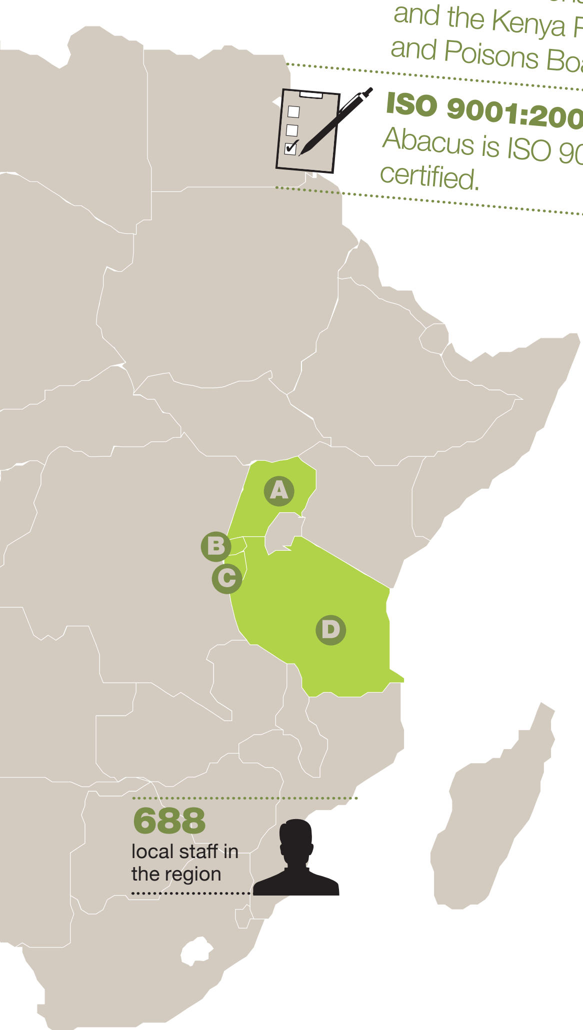
Certified

Current Good Manufacturing Practices (CGMP) compliant since 2010 and Certified by the Uganda National Drug Authority and the Kenya Pharmaceutical and Poisons Board.

ISO 9001:2008*

Abacus is ISO 9001:2008 certified.

A patient receives IV fluids



688
local staff in the region

Abacus has 18 branches

- A _10 IN UGANDA (1,300 CUSTOMERS)
- B _2 IN RWANDA (600 CUSTOMERS)
- C _3 IN BURUNDI (700 CUSTOMERS)
- D _3 IN TANZANIA (450 CUSTOMERS)

€6.8m

AfricInvest investment in Kiboko

*The ISO 9000 family of standards are related to quality management systems and designed to help organisations ensure that they meet the needs of customers and other stakeholders: www.iso.org.

MAKING BUS TRAVEL EASIER AND MORE RELIABLE
REDBUS

CDC-backed redBus has revolutionised how some people travel by bus in India by creating a technology platform that simplifies ticket and timetable information across 19,000 bus services.

In India, bus travel is a major part of the public transport infrastructure. While state governments run many services, thousands of small private operators fill the gaps resulting in a highly fragmented and disorganised industry. The abundance of operators means that buses reach most parts of India, yet until recently neither passengers, travel agents nor operators could access comprehensive information on routes, tickets or availability.

As a regular bus traveller, Phanindra Sama realised the scale of the problem in 2007, when he tried and failed to book a bus ticket home during Diwali. Rather than accept the problem, Phani spotted an opportunity. Together with two friends he decided to create redBus, an online ticketing and route information service that would simplify bus travel.

While the redBus team had no shortage of ideas, technical know-how or advice, as a start-up business in a developing country they lacked access to capital. Fortunately, Seedfund 1 and the CDC-backed Seedfund 2 – a US$54m investor in start-ups and early stage companies – were able to inject US$2.8m of seed and growth capital.

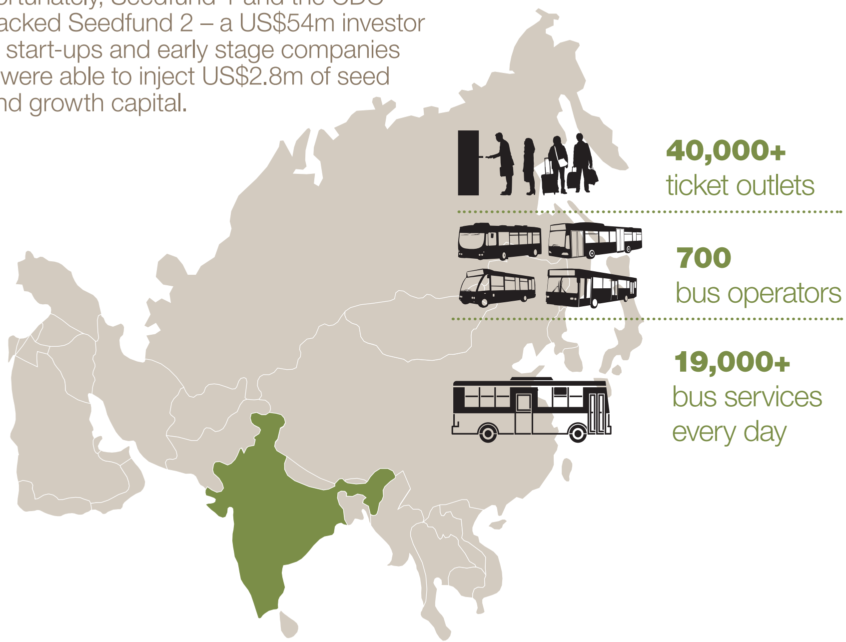
The friends designed three software products, which combined to create a network of bus routes and tickets, with real-time information:

- redBus™, a consumer-facing product to sell tickets online, by phone (call centres and cash on delivery) and on mobile via SMS;
- BOSS™, resource planning software given to bus operators to computerise their inventory; and
- SeatSeller™, software for travel agents to give them access to real time ticket and route inventory information.

The redBus network has had a powerful effect, creating a level playing field for bus operators and enabling them to match demand more efficiently and improve their route planning. Passengers now enjoy more transparent information about prices, service quality, availability and seats. Reliable timetable information makes travel safer, particularly for women. It is also thought that the added formalisation of the sector is enabling better tax collections from travel agents.

Since starting four years ago, redBus has evolved from an online start-up to a sophisticated service with 450 employees. It offers tickets at over 40,000 outlets, covering 700 bus operators and over 19,000 bus services every day. The injections of risk capital, including US$2m from CDC, has fuelled this growth.

The redBus service team



INVESTMENT INFO

Fund name
Seedfund2 International

redBus employees
450

Date of CDC commitment
2010

Commitment size
US$12.6m

Fund geography
India

Fund sectors
Start-ups and early stage

144 SCHOOLS IN PAKISTAN
BEACONHOUSE SCHOOL SYSTEM

In 2007, CDC made a US$50m commitment to NSR, a private equity fund investing in Pakistan, which then put capital into the Beaconhouse School System in 2008.

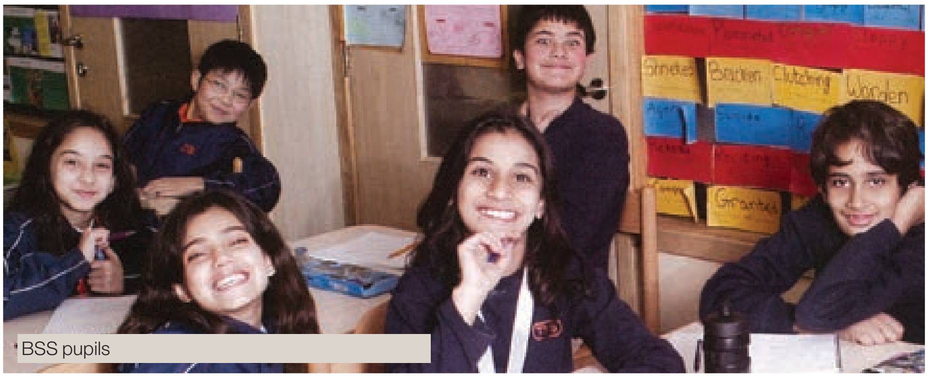
At more than 180m people, Pakistan is the sixth largest country in the world, with 35% of the population currently under the age of 14[1]. There are some 221,000 schools providing education for these children, of which public schools account for about 74%[2].

As in many low-income countries, the standard of education in public schools is low and the private sector is an important provider of education. Even so, most private schools are small and provide an education that is below international standards. The small institutions lack the organisation and scale to keep pace with technology, professional training or changes to standards.

In 2007, CDC made a US$50m commitment to the New Silk Route Fund 1 (NSR), one of only a handful of funds investing in Pakistan. In August 2008, NSR made a significant investment in the Beaconhouse School System (BSS) that runs a network of 144 schools in Pakistan. With over 84,000 students, BSS caters to the education and training needs of a large group of children of varying ages and socio-economic backgrounds.

BSS began life as a nursery with 19 toddlers in Lahore in 1975. Founded by Nasreen Kasuri, it remains dedicated to offering a good education of international standard through the provision of quality management, training and teaching. Features of BSS schools include well-equipped computer/science labs, career advice and a regularly updated curriculum.

CDC's investment, made via NSR, has provided growth capital for BSS to expand, as well as improve internal systems and recruit new managers to improve finance and business development. Furthermore, with NSR's help the company has started to develop a public-private-partnership business that has the potential to improve the quality of state schools in developing economies.



BSS pupils

The scale of the BSS network has also created considerable employment opportunities and women make up 70% of the workforce. Cultural considerations in Pakistan mean that the teaching profession is often the preferred option for women and BSS provides good career opportunities for them in a safe and secure environment.

For example, Mrs Nafeesa Javed, a teacher at Beaconhouse for several years says: *"I am grateful for the opportunity extended by Beaconhouse. This is the only kind of job in which I can manage both my work and family and at the same time contribute towards household expenditure. This would not have been possible for me in a regular corporate sector job."*

BSS remains a major contributor to the development of private sector education and teacher training in Pakistan. Many positive initiatives in the private schooling system were, and are, first introduced by BSS and then adopted by other school systems. For example, BSS has pioneered in-house teacher training in Pakistan. Currently, more than 50% of the teachers have internationally recognised teaching certificates while the others are enrolled in on-going teacher training programmes.

[1] CIA World Fact Book.
[2] Ministry of Education, Pakistan, 2008.

In 2011, Beaconhouse was awarded a contract to manage state-funded schools in Pakistan, where it hopes to bring its commitment to standards, training and careers to an even greater number of children.

INVESTMENT INFO

Fund name
New Silk Route Fund 1

Total number of BSS employees (Pakistan)
11,400

Date of CDC commitment
2007

Commitment size
US$50m

Fund geography
Indian subcontinent and other emerging economies

Fund sectors
Consumer Services including Healthcare and Education, Telecom, Media, Technology, Infrastructure, Manufacturing, Financial Services

WIND ENERGY IN CENTRAL AMERICA
CERRO DE HULA

CDC has invested US$42m in the Cerro de Hula (CdH) project to help complete a 102MW wind farm that will provide 6% of Honduras' power.

Honduras is one of the poorest countries in Latin America, with 65% of its population living below the poverty line[1]. As the population and economy grows, the demand for power in Honduras is forecast to increase by 5–6% per annum to 2021. This will require an additional capacity of 1.8GW by 2021.

While today most of Honduras' 1.6GW current capacity is provided by burning heavy fuel oil, the country's topography means wind generation has the potential to be cost competitive without a subsidy. With this in mind in 2010/11 CDC, through fund manager Actis, invested US$42m in the Cerro de Hula (CdH) project to help complete a 102MW wind farm near the capital city, Tegucigalpa.

Careful planning and painstaking work has been undertaken to build the CdH wind farm. During both the planning and construction phase a considerable amount of time and energy has been devoted to community consultation and environmental considerations, in line with the international best practice that CDC recommends. The wind farm is expected to provide 6% of Honduras' power requirement when it becomes fully operational in 2012.

Even before starting commercial operations, CdH has brought significant benefits to the local community:

- it generated more than 450 direct jobs and many more indirectly during the construction phase of the project;
- grants have been made in the areas of health, education, electrification, water and infrastructure for municipalities, schools, churches, foundations and other local organisations; and
- over 220 local residents were given assistance to register their rights to their land, bringing benefits of added legal security and enhanced financial value.

The construction was completed ahead of schedule, on budget and with a good health and safety record. The sector authorities, government and local community are now considering a further extension to the CdH project of 24MW. This indicates not only the success of CdH as an example of best practice in construction, but also the potential for wind energy to meet Honduras' growing requirement for energy sources that can replace the current use of fossil fuels.

Following the successful construction the CDC team will monitor lessons learned as the project moves into the operational phase. Learnings will be shared with related investments.

[1] USAID November 2011.

CDC in Latin America

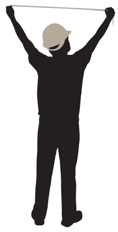
Although from 2011 CDC will no longer make new commitments in Latin America, this region was included in a previous CDC Investment Policy. As a long-term investor, CDC provides capital to help businesses grow and will typically see out the duration of the investment. In due course CDC will exit these investments, but in the interim they frequently provide best practice examples of investing to drive economic growth.

Wind turbines at the CdH installation

220
properties secured private land titles, giving tenants enhanced legal security and adding value to their land.

Securing land rights

In Honduras, smallholders often do not have registered title to their land as it has been handed down to them from previous generations. This presented complications to CdH management as they sought to compensate the community appropriately for the use of their land. To achieve this, and in line with international best practice, CdH introduced a programme to help residents in the community formally register their property. This programme helped secure private land titles to over 220 properties, giving tenants enhanced legal security and adding value to their land. The agreement with CdH also provides lease payments to those whose land is used by the wind farm. This work represented more than 58,000 hours invested in land rights negotiations (employees, lawyers, engineers, registry).



CdH recruited
individuals specifically tasked with community development and relations, environmental management and health and safety oversight.

Environmental and social best practice

Building a wind farm has the potential to affect local communities significantly, and in the case of CdH this included two municipalities and a number of landowners. Furthermore, the construction process, while requiring the use of relatively small quantities of hazardous materials, included work over relatively large geographic areas.

To overcome these potential challenges, the CdH team recruited individuals specifically tasked with community development and relations, environmental management and health and safety oversight. A social and environmental impact assessment was prepared during the development phase of the project, and a comprehensive Environmental and Social Management Plan (ESMP) has been implemented.

40,000
trees will be replanted to replace 4,000 affected by construction.

CdH in numbers

- 6% of Honduras' national power needs
- 51 wind turbines
- 220 residents' properties registered
- 245 hectares of land
- 450 direct jobs during construction
- 40,000 trees will be replanted to replace 4,000 affected by construction
- 58,000 hours invested in land rights (employees, lawyers, engineers, registry)
- 253,875 estimated tonnes of CO_2 reduced/annum

Mitigating risks
such as hazardous materials and solid waste management.

The Environmental and Social Management Plan

The ESMP allocates specific responsibilities to both the owner and the construction contractor to ensure risks to community are properly mitigated. It includes:

- control of erosion, dust, noise and effluents;
- hazardous materials and solid waste management;
- ecological restoration of worksites; and
- complaints mechanism for citizens and landowners.

134 DIRECT JOBS IN RURAL CÔTE D'IVOIRE
SAMA RESOURCES

In 2008, CDC backed fund manager African Lion with a US$15m commitment to a fund focused on early-stage exploration and mining.

Côte d'Ivoire ranks 170 out of 187 countries on the United Nation's Development Programme Human Development Index and its economy depends heavily on the agricultural sector, particularly the production and export of coffee, cocoa beans and palm oil. Consequently, the economy is highly sensitive to unfavourable weather patterns and fluctuations in international commodity prices.

With much of the economic activity, particularly agriculture, based in the south and eastern regions of the country there are limited employment opportunities in the rest of the country.

Mining is one option for diversification, particularly away from cities, as a successful development can provide a strong economic boost to poor rural areas. While the potential for employment, training and knowledge transfer from a successful mine are evident, unsustainable business practices in the extractive industries are well-reported. Investors that prioritise environmental, social and governance standards, such as CDC, must exercise caution and conduct thorough due diligence when deploying capital in this sector.

In 2008, CDC backed fund manager African Lion, with a US$15m commitment to a fund focused on early-stage exploration and mining. Some US$1.5m of this capital has been invested in Sama Resources, an exploration company focused on exploring the nickel and copper seams in both western Côte d'Ivoire and neighbouring Guinea.

The company's flagship project at Samapleu in western Côte d'Ivoire is a joint venture with SODEMI, the Ivorian government's parastatal agency for developing mining ventures. In addition to this, Sama has also signed over 10% free direct carried interest to the Ivorian government, so the state will benefit from successful operations.

Over the next few years Sama aims to establish the presence of an economically mineable ore deposit, and then to take this forward to development. Benefits from the construction and operation of a mining project in the area will be significant:

– development of a base metals mine would be the first of its kind in Côte d'Ivoire and would transfer valuable knowledge and skills;

– it will create direct, well-paid employment, estimated at 250-300 workers during peak operations;

– operations will foster indirect small-scale support for businesses; and

– it will improve health and education in the area by providing better access to clinics and schools.

Since exploration started, Sama has already installed and renovated water pumps in Yorodougou, Samapleu, Gangbapleu and Zacoma. It has also renovated a primary school in Samapleu and nurses' accommodation in Yorodougou, as well as providing furniture for schools in Yorodougou and Gangbapleu.

Sama is committed to employing local people wherever possible. This is not just a commitment to positive social impact in its areas of operation, but also provides positive business benefits. For example, as it employs essentially all Ivorian/West African staff, the company was able to maintain operations in Côte d'Ivoire during the recent period of political instability. This provided much-needed work at a time when most other (larger and much better resourced) companies had shut down operations and evacuated staff.

The fund's scope includes exploration

INVESTMENT INFO

Fund name
African Lion 3 Limited

Sama Resources direct employees
134

Date of CDC commitment
2008

Commitment size
US$15m

Fund geography
Africa

Fund sectors
Exploration and Mining

EXPANDING BROADBAND IN NIGERIA
SWIFT NETWORKS

Backed by US$17m of CDC capital since 2006, African Capital Alliance made a significant investment to help SWIFT Networks expand broadband in the Nigerian domestic market.

Nigeria, with a population of over 155m people, had been starved of extensive telecommunication services until 10 years ago when the industry was liberalised. Since then, mobile phone use has grown impressively – from just 400,000 in 2001 to over 90m GSM subscribers in June 2011 – the highest in Africa.

The country has not, however, experienced a corresponding growth in internet use – with internet subscribers at less than 10%, and broadband penetration even lower at less than 2%. This has been due in part to the high infrastructure cost of delivering broadband services to the domestic market.

SWIFT Networks was founded in 2003 to provide communications services to corporates in Nigeria, with capabilities for voice, data and video. It uses WIMAX (see box) to deliver its services, a technology platform for wirelessly delivering high-speed internet services to large geographical areas. Having established its business and built up a strong client base of corporate customers, in 2010 SWIFT Networks decided to expand its offering to the consumer market.

SWIFT was confident of the consumer appetite for high-speed internet access, and also of the potentially transformative effects on the economy. These include the ability to expand economic opportunities and innovation, increase trade and productivity, reduce business costs, create jobs and encourage foreign investment. In spite of its considerable economic progress, risk capital to help businesses grow is in short supply in Nigeria. One local fund manager addressing this issue is African Capital Alliance (ACA). Backed by US$17m of CDC capital since 2006, ACA made a significant investment to help SWIFT Networks expand into the domestic market.

SWIFT has now grown its subscriber base from 8,000 to more than 40,000 direct connections and 160,000 users in its first full year of WIMAX network roll-out to the domestic market. It has expanded its coverage in the Lagos area and is targeting over 100,000 direct connections by the end of 2012. The company is now poised to expand its service offering to the cities of Port Harcourt and the capital, Abuja.

SWIFT has a strong management team and aims to be the dominant provider of broadband services to the retail market on the basis of access speed, reliability and efficient customer service.

In numbers

- 40,000 subscribers
- revenue growth year-on-year – 100%
- EBITDA margins – 20%
- employees – 130, up 30% in the last year

40,000 direct connections

The subscriber base has grown from 8,000 to more than 40,000 direct connections in its first full year of WIMAX network roll-out to the domestic market.

About WIMAX

WiMAX (Worldwide Interoperability for Microwave Access) is a communication technology for wirelessly delivering high-speed internet service to large areas. The 2005 WiMAX revision provided bit rates up to 40 Mbit/s with the 2011 update up to 1 Gbit/s for fixed stations. It is a part of a "fourth generation," or 4G, of wireless-communication technology, WiMax far surpasses the 30-metre (100-foot) wireless range of a conventional Wi-Fi local area network, offering a metropolitan area network with a signal radius of about 50 km (30 miles).

INVESTMENT INFO

Fund name
Capital Alliance Private Equity II

Date of CDC commitment
2006

Commitment size
US$17m

Fund geography
West Africa

Fund sector(s)
Telecommunication, Oil and Gas, Financial Services, Outsourcing & Power

6,000 JOBS FOR WOMEN IN BANGLADESH
ANANTA APPARELS

CDC has committed US$10m to the Frontier Fund, the first private equity fund to focus on Bangladesh, with the aim of helping companies like Ananta succeed by injecting risk capital that enables them to grow and provide more jobs and opportunities.

Ananta Apparels is an innovative manufacturer of ready-made garments (RMG) in Bangladesh. It provides employment to over 12,000 people in three factories in Dhaka. 51% of employees are women and the company adheres to high standards of employee welfare.

Nearly half Bangladesh's population of 135m lives below the poverty line – as measured by income, consumption, and ability to meet basic human needs – making Bangladesh one of the poorest countries in the world.

According to the World Bank, broad-based, accelerated growth could lift millions of people out of poverty in the next 10 years or so. Poor people in Bangladesh tend to have low levels of education and limited access to land. Casual wage labour is common and households headed by women, who are widowed, divorced, or separated, have a considerably higher incidence of poverty relative to others.

While RMG is acknowledged as a strong sector in the Bangladeshi economy, it is a sector where environmental, social and governance (ESG) standards are sometimes lacking. Ananta, however, has a progressive management team and recognises that health, safety and worker morale are vital to producing good quality products.

US$68m

Ananta revenue in financial year 2010/2011

For example, it provides wages and benefit programmes that meet the standards set by international agencies and exceed the national minimums. Ananta was among the first companies in Bangladesh to implement innovative employee ownership, profit sharing and educational programmes. The healthcare provision includes access to staff doctors, medicine and a women's health clinic sponsored by an International NGO, Marie Stopes Clinic.

The manufacturing premises are purpose-built and provide a good work environment that includes sanitation, ventilation and natural lighting. Safety programmes and routine drills have ensured that the company and its employees are capable of dealing with emergencies to a standard above that required by international agencies.

Companies such as Ananta are a vital part of the Bangladeshi pro-poor growth story. Sometimes CDC's capital will help companies with inadequate practices improve their ESG standards. At other times, it will help companies such as Ananta to grow, succeed and spread good practice across a sector or region by demonstrating that higher standards are good for business. In the case of Ananta high standards have enabled the company to supply garments to international retailers such as Gap, H&M, Next and Bestseller Group.

About ready-made garment manufacturing (RMG) in Bangladesh

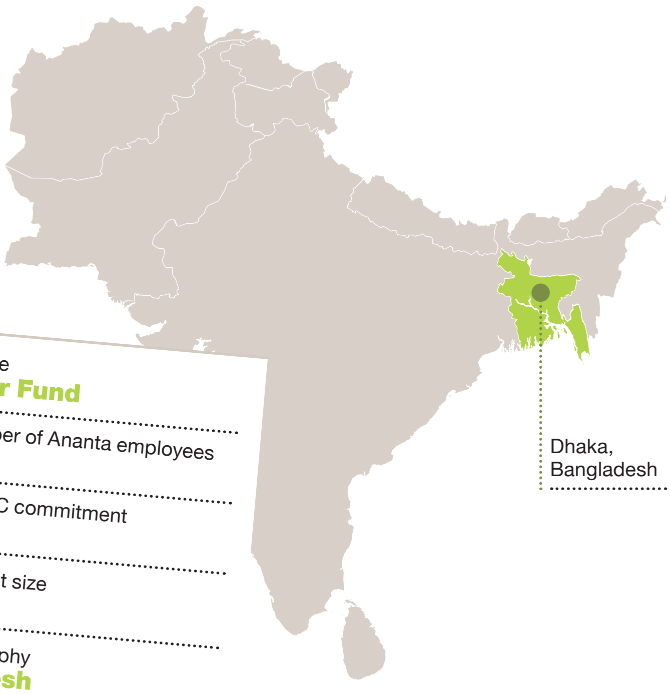
Around 15 years ago, the RMG industry in Bangladesh employed directly some 1.5m people and roughly 80% of these were women. Ten years later, employment numbers in the sector had risen by 66% to 2.5m. The total indirect employment created by the sector is estimated to be around 10m people.

The industry is of great importance to Bangladesh and over the past 30 years has contributed to a dramatic improvement in the lives of millions of Bangladeshis. As well as creating vital employment, the industry has empowered millions of women who are now earning a living to support their families and gaining valuable skills. Many skilled industry workers are now employed overseas and are contributing to the inflow of foreign remittances.

Ananta in numbers

- operating since 1992 with strong industry experience
- a leading apparel exporter based in Bangladesh
- prestigious National Best Exporter Award: 2002
- outstanding contribution to RMG Sector: 2010
- strong performance with 25% growth in 2010
- ISO 9001:2001 certified; Strong Quality Assurance with AQL 1.5
- 2010/2011 revenue: US$68m
- 2011/2012 expected revenue: US$100m

Ananta manufacturing plant in Dhaka



INVESTMENT INFO

Fund name
Frontier Fund

Total number of Ananta employees
12,000

Date of CDC commitment
2010

Commitment size
US$10m

Fund geography
Bangladesh

Fund sectors
Textile, Retail, Manufacturing, Pharmaceutical, IT and Services.

Ananta supplies garments to international retailers such as **Gap, H&M, Next** and **Bestseller Group**

12,000 employees

3 factories in Dhaka

51% of Ananta employees are female

FINANCIAL SERVICES INNOVATION IN RURAL INDIA
VORTEX

Using ATMs to deliver financial services to rural areas is a well established, secure and reliable approach.

The Reserve Bank of India estimates that over 60% of the Indian population is financially excluded. Furthermore, only 30,000 (5%) of India's 600,000 villages have access to a bank branch[1]. One of the reasons for this gap in access is the high cost of providing financial services in remote areas.

Using ATMs to deliver financial services to rural areas is a well established, secure and reliable approach. For example:

- 24/7 availability means customers who are predominantly farmers and daily wage workers don't have to forgo a day's work to access their money in banks; and
- cost per transaction at ATMs is much lower than typical bricks and mortar branch banking.

Unfortunately, conventional ATMs often cannot be deployed in rural areas because of power consumption and air conditioning requirements, major problems in areas prone to power cuts. Vortex Engineering, a company that has received investment from CDC-backed fund Aavishkaar, has designed a low-cost, energy efficient ATM that is ideal for rugged rural conditions. The features of Vortex ATMs include:

- single phase power supply;
- no air-conditioning requirement;
- ability to operate easily on solar power;
- tolerance of temperatures ranging from 0-50°C;
- acceptance of soiled notes; and
- built-in fingerprint authentication, making them accessible for users who are illiterate or unfamiliar with ATM technology.

Furthermore, Vortex ATMs are compact and use electronic journals, saving paper and not generating waste, making them commercially viable even at a lower number of transactions. With lower operating costs, the technology enables the banks to provide financial services to rural and semi-urban areas in a sustainable way.

Vortex has enjoyed considerable success. At the end of March 2011, it had 346 ATMs installed across India, being used by an estimated 230,000 people. The company's biometric Gramateller ATMs also provide a cost effective mechanism to disburse wages in a transparent and efficient manner under schemes like National Rural Employment Guarantee Scheme, potentially increasing their uptake. The investment from CDC via Aavishkaar, will enable Vortex to grow and provide financial services to even greater numbers of people.

In numbers

- Vortex employs a team of 126 full-time qualified and experienced staff
- 346 ATMs installed across India
- 230,000 users
- Vortex ATM energy consumption = 72 kWh per month
- Conventional ATM energy consumption = 1800 kWh per month
- 50% market share in rural ATM segment
- Rural/semi-urban deployments will account for 70% of new ATMs

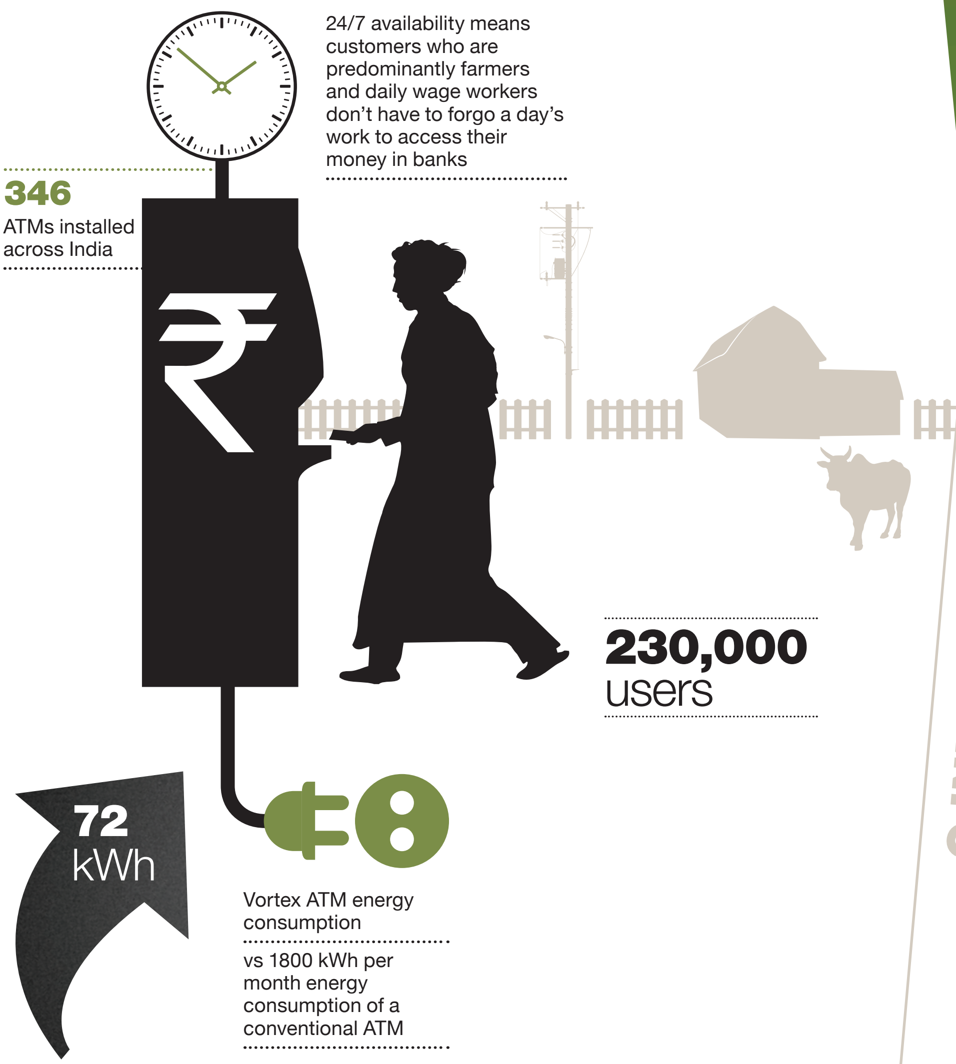
Awards

- Srijan Award for Technology Innovation in Financial Inclusion, 2009
- Finalist – Wall Street Journal Asian Innovation Awards 2010
- World Economic Forum Technology Pioneer 2011
- Business Call to Action (UNDP backed) 2012

[1] ASSOCHAM and Ernst & Young, May 2010.

A Vortex-designed ATM

Vortex ATMs give more people access to financial services



24/7

24/7 availability means customers who are predominantly farmers and daily wage workers don't have to forgo a day's work to access their money in banks

346

ATMs installed across India

230,000
users

72
kWh

Vortex ATM energy consumption

vs 1800 kWh per month energy consumption of a conventional ATM

> **"I thank Vortex for bringing into market a cost effective and very economical Biometrc ATM. It is very much useful to cater to the needs of rural customers."**
>
> **Sureshrao Korase, Founder & Chairman, Janata Urban Co-operative Bank Ltd, Wai, Maharashtra**

INVESTMENT INFO

Fund name
Aavishkaar India II Company Limited

Full time Vortex staff
126

Date of CDC commitment
2011

Commitment size
US$25m

Fund geography
India

Fund sectors
Education, Healthcare, Water and Sanitation, Renewable Energy, Agriculture

03_OPERATIONAL NEWS
BUSINESS PLANNING

In May 2011 CDC announced a new plan to increase its range of financial instruments and focus its geographic remit.

CDC'S OLD UNIVERSE

The new plan will see CDC evolve into a more flexible, transparent and distinctive development finance institution (DFI) focused on the poorest parts of the world. The organisation will deliver the greatest possible development impact by deepening the reach of its capital to back promising businesses which drive a thriving private sector.

The main changes introduced by the new business plan are:

1_New ways of investing

CDC can now use more investment tools to get capital to where it is most needed. In addition to providing capital to private equity funds:

- Equity investments will allow CDC to target businesses with high potential development impact; and
- Debt investments will allow CDC to target frontier markets where investment infrastructure is under-developed. A strategy to provide capital to financial institutions will be particularly helpful to small and medium size enterprises (SMEs).

2_A more focused investment universe

- CDC will now focus on Africa and South Asia where over 70% of the world's poor live.
- Within these regions CDC intends to direct capital to funds and investments that are consistent with our mission to build businesses and create jobs.

3_Updated Investment Code

- The Investment Code, which drives improvements in ESG standards in businesses where CDC's capital is invested, will be updated to incorporate the latest international standards. The implementation of the Investment Code is independently audited by KPMG. See page 44 for more information.
- Increased attention is paid to businesses rated as high risk from an environmental, social and governance (ESG) perspective.

4_Remuneration

- CDC has introduced a new remuneration framework. Please see www.cdcgroup.com for more information.

CDC'S NEW UNIVERSE

Investments made in 2011 demonstrate the company's future concentration on more frontier markets and sectors and strategies that are highly developmental.

New innovative investments in the poorest areas of India

Please see pages 6 & 7

African agribusiness

Please see pages 8 & 9

Microfinance in East Africa

Please see pages 10 & 11

> 70%

of the world's poor live in Africa and South Asia, the regions that CDC will now focus on.

Direct equity and debt investments will be targeted at building businesses and creating jobs in Africa and South Asia, especially those that will benefit from longer-term investment.

> **"This is a bold and exciting new departure for CDC. The reforms will help them direct their capital better, fostering economic growth in countries which need it most.**
>
> **CDC will be better able to drive investment into areas currently starved of capital. It will become more nimble, flexible and transparent, able to influence and control the impact of their capital and measure its success in reducing poverty, not simply in turning a corporate profit.**
>
> **I will continue to work with CDC's Board as they embrace the Coalition Government's agenda in this important endeavour of the private sector in international development."**

The Rt. Hon. Andrew Mitchell MP, Secretary of State for International Development

CDC BACKS OVER 1,000 BUSINESSES

Portfolio growth

Since 2004, CDC has grown its net worth from around £1bn to over £2.6bn, in the process growing the number of fund managers we work with from just three to 80. Similarly, the number of businesses in which CDC's capital is at work has grown over time.

With each business employing around 1,200 people on average, there are now over 900,000[1] people working for companies that are supported and improved by CDC's capital and good business practices.

CDC milestone

The 1,000th company to join CDC's portfolio was RMG Concept Ltd., an agribusiness company that operates in West Africa. The investment was made in 2011 by one of CDC's Africa focused fund managers, Advanced Finance and Investment Group.

RMG Concept's main operating units are located in Ghana and Côte d'Ivoire but it also operates across the region and covers Burkina Faso, Benin, Liberia and Mali. The company helps farmers and small-holders improve crop yields by making and distributing crop protection products such as pesticides and fungicides.

The company also empowers farmers through financial assistance and technical training to improve yields. In Ghana for example, the company runs a scheme for local cocoa farmers which has helped increase yields by up to 500%.

Agribusiness heritage

Agriculture is the main source of jobs and income for many people in the poorest countries of the world. In sub-Saharan Africa, the sector provides 70% of employment and generates as much as 30% of the region's GDP. Some studies even indicate that GDP growth driven by agribusiness is at least twice as effective in tackling poverty as growth driven by other sectors[2].

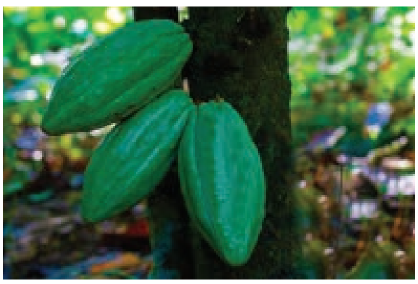
CDC has a long history of pioneering agribusiness investments in Africa, dating back over 60 years and it's fitting that the 1,000th investee business represents this important sector. While new industries, such as ICT and mobile telecoms have emerged as important sectors that drive development, CDC continues to invest in agribusiness and it represents 5% of its total portfolio.

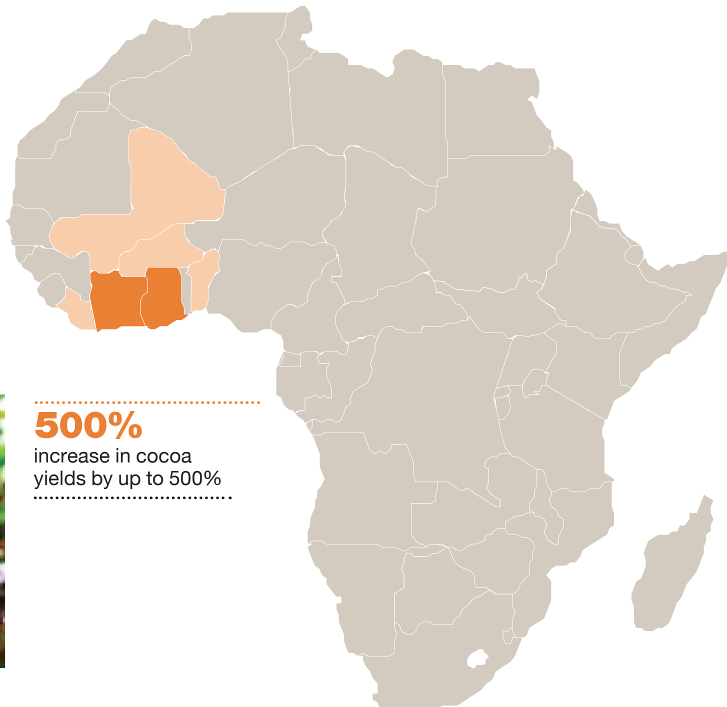
[1] This figure is generated from those investee businesses reporting 2011 employment data to CDC prior to publication. Not all companies reported employment data.

[2] Bill and Melinda Gates Foundation.

"My crop yields were very low and even though people knew me as a successful farmer, there was nothing in my account. Now I harvest about nine sacks per acre compared to the two and a half before."

Kojo Nkrumah, a farmer in the Assin District of Central Region, has participated in a RMG Scheme approved by the Cocoa Research Institute of Ghana.





500%

increase in cocoa yields by up to 500%

CDC BECOMES THE FIRST BILATERAL DFI TO JOIN IATI

As a publicly-owned body, CDC aims to adhere to high standards of transparency and openness, subject to the constraints of commercial confidentiality and the Data Protection Act. In 2011, CDC undertook a review of its approach, resulting in a programme of changes to the quantity, depth and format of information that the organisation routinely publishes.

In September 2011, CDC updated and consolidated its practices into a single Disclosure Policy. In this document CDC commits to publish and regularly update information in two categories:

A Corporate and institutional information about CDC; and

B Information about its partners, investments and development impact.

Depending on its nature, information is updated annually or quarterly. The frequency of updating is stated clearly in the relevant section.

More information is also available at www.cdcgroup.com/disclosure-transparency.aspx

Later in the year, CDC also became the first bilateral development finance institution to sign up to the International Aid Transparency Initiative (IATI) which aims to make information about development spending easier to find, compare and use. CDC is the 26th signatory to the standard, a move that signals a formal strengthening of the company's commitment to transparency and accountability.

In becoming a signatory to IATI, data about CDC's spending which is held on its own website will be brought into line with an internationally agreed set of standards and will be comparable to information provided by other donors and development investors.

About IATI

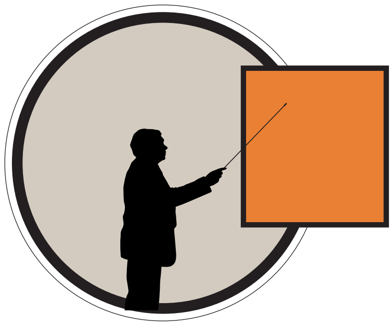
Although an investor and not a provider of aid, CDC recognises the importance of transparency. CDC is the 26th signatory to IATI and joins, among others, the World Bank, the United Nations Development Programme, The Global Fund to Fight Aids, Tuberculosis and Malaria as well as the UK's Department for International Development.

IATI was created to help identify information that donors should make transparent and to develop common aid terminology. It is also a way for donors to provide more regular and timely information on aid, in the framework of the Paris Declaration on Aid Effectiveness. CDC's decision will mean making raw data about its investments available in an open-source, machine-readable file. This will allow users to take the information and analyse it as they wish, combining and comparing it with data from other organisations which have implemented IATI. More on IATI: www.aidtransparency.net

"Our decision to sign up to IATI comes as part of our increasing commitment to transparency and to demonstrating value for money and impact in poor countries. On our own website www.cdcgroup.com, we already publish details of the investments we have made that support over 1,000 businesses. We are determined to go further and help those interested in development better understand the way we invest."

CDC's new Chief Executive, Diana Noble

ESG NEWS
IMPROVING BUSINESS STANDARDS



By operating in some of the toughest investment environments in the world, it is inevitable that CDC will encounter businesses that need to improve ESG standards. CDC believes that operating to high ESG standards is a fundamental part of business success. After all, companies that degrade their environment or engage in corrupt practices are not sustainable in the long-term.

CDC's Investment Code, to which CDC's fund managers must adhere, requires investee businesses to assess, monitor and improve ESG standards. When CDC's fund managers first invest, companies frequently do not have such systems in place and consequently have potential ESG issues that need attention.

CDC has developed a series of guidelines, policies and toolkits to help fund managers and investee businesses improve ESG standards over time. Please see www.cdcgroup.com for more information.

In 2011, CDC also undertook a number of specific initiatives in this area.

The UK Bribery Act 2010

The UK Bribery Act 2010 came into force in July 2011.

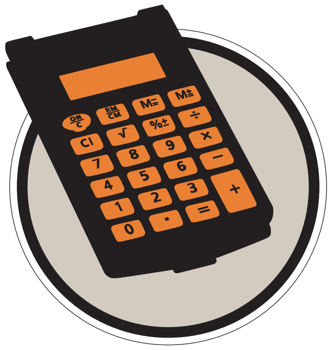
The Act has a wide jurisdictional reach, allowing for the prosecution of an individual or company with links to the United Kingdom, regardless of where the crime occurred.

As CDC has investments in over 70 countries, including many states that are rated poorly by Transparency International and other corruption commentators, a specific programme was introduced to help ensure compliance with the Act. The following initiatives have been introduced:

- staff training sessions;
- enhanced policies and procedures;
- communication programme to reach all 80 of CDC's fund managers to reinforce the implications of the Act;
- enhanced prominence given to anti-bribery and corruption risk in all stages of the investment process;
- public written commitment from the CDC Board confirming its zero tolerance stance on bribery and corruption; and
- updated guidance in CDC's Toolkit for Fund Managers.

Training

ESG workshops took place in the latter half of 2011 in Nairobi, in Freetown and in London. They involved a total of 50 participants from 11 of CDC's fund managers as well as those of Norfund, the Norwegian DFI, with whom CDC jointly ran its workshop in Nairobi. The workshops provided support for new fund managers and allowed CDC to follow up with existing fund managers on improvements made over the past year. These included which tools they have found most useful and approaches to identifying and quantifying the business case for ESG in their portfolio companies. It also enabled fund managers to learn from each other's experiences and expertise.



Corporate Governance Framework

In September 2011, CDC and 28 other DFIs signed the Framework on Corporate Governance. CDC was a member of the working group that developed the Framework, which provides a common set of guidelines to promote best practices in corporate governance and contribute to the goal of sustainable economic development in emerging markets.

Each DFI that adopts the Framework will endeavour to:

- develop or adopt guidelines, policies or procedures on the role of corporate governance considerations in its due diligence and investment supervision operations;
- provide or procure training on corporate governance issues to its investment and supervision staff;
- encourage companies in which it invests (whether directly or indirectly) to observe local codes of corporate governance in the spirit of best international practice. Engage company management and board members in a dialogue to foster improvement in those cases where corporate governance practices are weak;
- promote the use of internationally-recognised financial reporting standards and encourage investee companies to adopt or align their accounting principles and practices to such standards; and
- collaborate with other DFIs on an ongoing basis, and when appropriate with its partners, to further advance the cause of good corporate governance.

Focus on palm oil

In early 2011, CDC analysed its portfolio to identify companies involved in the production of palm oil, and to explore how they were managing the associated ESG risks. In each case, following contact from the CDC team the company has agreed to work towards compliance with the Principles and Criteria of the Roundtable on Sustainable Palm Oil (RSPO).

During this process, CDC realised there was little information available to companies explaining the business case for working towards RSPO certification. CDC therefore took the opportunity to co-author a report with FMO (the Dutch DFI) and WWF exploring the costs and benefits experienced by oil palm growers of achieving certification from the RSPO.

The report is the first study of its kind and involved collecting quantitative and qualitative KPI data from eight palm oil production companies, representing 54% of all RSPO certified palm oil. The research found that the benefits of certification did outweigh the costs, but through unexpected channels. The preliminary findings were presented at the annual meeting of the RSPO and were very well received. The final report was launched in April 2012, and is published on CDC's website.

Microfinance Smart Principles

As an active investor in the microfinance sector in South Asia and sub-Saharan Africa since 2003, CDC recognises the importance of client protection and the prevention of over-indebtedness from those served by microfinance institutions (MFIs).

There has been growing international awareness of the importance of client protection in the sector following media coverage of the Andhra Pradesh crisis in 2010. The crisis stemmed from MFI over-lending and collection practices and has resulted in tighter regulation of the sector, especially in India.

In 2011, in order to keep in line with emerging best practice, CDC signed the Smart Campaign's Client Protection Principles (CPPs). This is a voluntary set of core principles for the treatment of microfinance clients that clarifies the minimum standards that clients should expect to receive when doing business with an MFI. At the heart of the principles are seven standards: appropriate product design and delivery, the prevention of client over-indebtedness, transparency, responsible pricing, fair and respectful treatment of clients, privacy of client data and appropriate mechanisms for complaint resolution.

As a consequence of signing, CDC has enhanced its due diligence processes and the legal obligations it places upon microfinance funds to ensure that its fund managers operate in line with the standards set by the CPPs.

CDC OUTPERFORMS PEER GROUP IN INDUSTRY SURVEY

In 2011, CDC took part in the United Nations' Principles for Responsible Investment (UNPRI) Reporting and Assessment Survey for the first time, having become a UNPRI signatory in 2010.

The UNPRI principles provide a framework by which all investors can incorporate ESG issues into their decision-making and ownership practices and so better align their objectives with those of society at large. The annual Reporting and Assessment survey assesses each signatory's activities and progress towards implementing the principles.

CDC Score	Median score of all participating Asset Owners, CDC's peer group within UNPRI
99%	76%
n/a*	39%
100%	67%
90%	75%
71%	59%
95%	75%
71%	52%

90%+

CDC SCORED OVER 90% FOR FOUR OF THE SIX AREAS ASSESSED.

*In 2011, CDC invested mainly through intermediaries so Principle 1 was not applicable to CDC.

The principles against which CDC scored particularly highly – principles 2, 3, 5 and Governance, Policy and Strategy (GPS) – are concerned with areas on which the organisation has been focused for some time. For example, CDC's Investment Code is an integral part of its investment process from the initial assessment and due diligence through to legal agreements, monitoring and final evaluation.

The Code, first established in 2004, is a good example of CDC's pioneering work on ESG standards and contributed to the 100% score on Principle 2.

The survey also identified areas where CDC could make improvements, notably in relation to Principle 4 and Principle 6, which are concerned with promoting the UNPRI within the investment industry and reporting on progress.

CDC has published its responses to the survey in full on the UNPRI website which can be accessed at: www.unpri.org/report11/. The document is also available on CDC's website at www.cdcgroup.com.

Principle	Description
–	GOVERNANCE, POLICY AND STRATEGY
1	WE WILL INCORPORATE ESG ISSUES INTO INVESTMENT ANALYSIS AND DECISION-MAKING PROCESSES
2	WE WILL BE ACTIVE OWNERS AND INCORPORATE ESG ISSUES INTO OUR OWNERSHIP POLICIES AND PRACTICES
3	WE WILL SEEK APPROPRIATE DISCLOSURE ON ESG ISSUES BY THE ENTITIES IN WHICH WE INVEST
4	WE WILL PROMOTE ACCEPTANCE AND IMPLEMENTATION OF THE PRINCIPLES WITHIN THE INVESTMENT INDUSTRY
5	WE WILL WORK TOGETHER TO ENHANCE OUR EFFECTIVENESS IN IMPLEMENTING THE PRINCIPLES
6	WE WILL EACH REPORT ON OUR ACTIVITIES AND PROGRESS TOWARDS IMPLEMENTING THE PRINCIPLES

About the survey

Principle 6 of PRI asks each signatory to report on its activities and progress towards implementing the Principles. One of the main tools used to support signatories in their implementation of Principle 6 is PRI's annual Reporting & Assessment survey. This is an annual online questionnaire for PRI asset owner and investment manager signatories.

Scores have been calculated based on signatories' self-assessment and using the scoring methodology approved by the PRI Assessment Group. Although a limited verification exercise was undertaken with a proportion of signatories, responses have not been independently audited by the PRI Secretariat, PRI Assessment Group, or any other third party. Individual results including comparisons to the overall results (quartiles) are indicative and do not imply an endorsement of signatory activity. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of information presented, and no responsibility or liability can be accepted for any error, omission or inaccuracy in this information.

Industrials

800,000 UNITS PA
of solar-powered water heater production capacity at a Chinese portfolio company.

ICT

700 REMOTE VILLAGES
in DRC, Guinea, Mali and Togo provided with wireless networks by a CDC portfolio company.

Healthcare

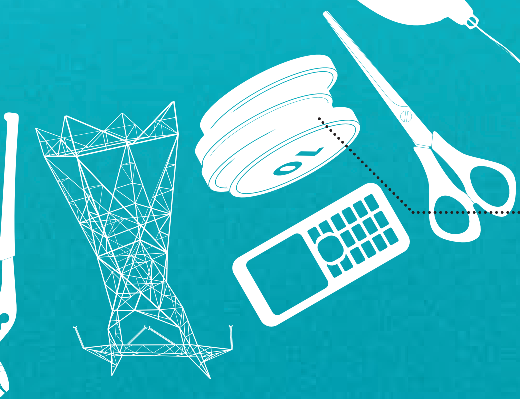
1,100 BEDS
1,100 tertiary and specialty care beds, mostly in underserviced geographical regions through three hospital investments in a South Asia fund.

Real Estate

150
local construction workers employed during the construction of One Airport Square, a mixed use development in Accra.

Infrastructure

0 HOURS
of outage: during the 2011 civil war in Côte d'Ivoire, the Azito power station provided an uninterrupted supply of electricity to the residents of the Abidjan area in spite of operational and security difficulties.



Financials

10.4m
borrowers are reached by CDC's combined investments in microfinance institutions.

DEVELOPMENT AND FINANCIAL PERFORMANCE

During 2011, CDC measured its performance against a range of metrics, including financial and development indicators.

- Mobilisation of third party capital equivalent to 200% of CDC's own committed capital. See page 39.
- Deployment of capital within parameters set out in the Investment Policy. See page 40.
- Fund Performance Evaluations at the mid and end point of each fund's life. See pages 42-43.
- Financial performance against a specially weighted comparison index. See page 40.
- The extent to which CDC is 'additional' and goes beyond what would be expected of a commercial investor. See page 39.

Summary

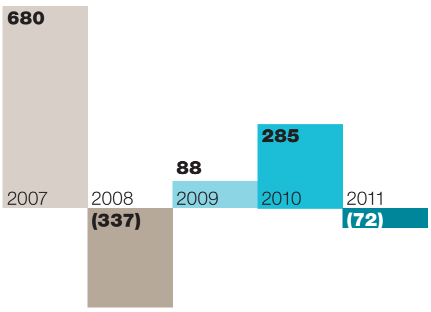
In 2011, the valuation of CDC's portfolio showed a £72m loss (see page 40), driven mainly by a fall in global markets. The challenging market conditions are demonstrated by the 22% fall in a specially weighted MSCI index that CDC uses to benchmark its performance. In comparison, CDC's portfolio valuation fell by 3%, showing better performance than its comparative set.

Outperforming the index by 19% suggests that the underlying CDC portfolio consists largely of well-managed companies that are in growth and performing well. This is borne out by data relating to employment and taxes provided and paid by CDC's underlying investee businesses. The number of jobs provided by companies in which CDC's capital is invested rose from 796,000 in 2010 to 976,000 in 2011, an increase of 23%.

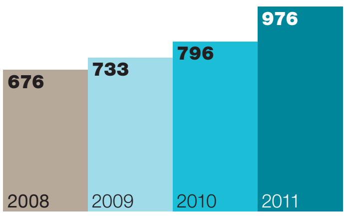
Similarly, the amount of local taxes paid by companies in which CDC's capital is invested rose from US$3.1bn in 2010 to US$3.5bn in 2011, an increase of 13%.

While CDC's investee businesses may be in growth, recruiting more staff and generating more revenues, the downturn in global markets means that many businesses are valued lower than in previous years. Assuming market conditions improve, so the valuations may improve.

Total return (£m)

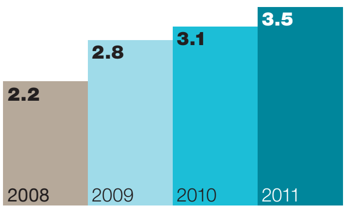


Number of people employed at underlying investee companies ('000)



CDC reporting year

Taxes paid by underlying investee companies (US$bn)



CDC reporting year

19%

CDC financial performance in 2011 was 19% better than its MSCI benchmark

23%

The number of jobs provided by CDC investee businesses increased by 23% to 976,000 in 2011

13%

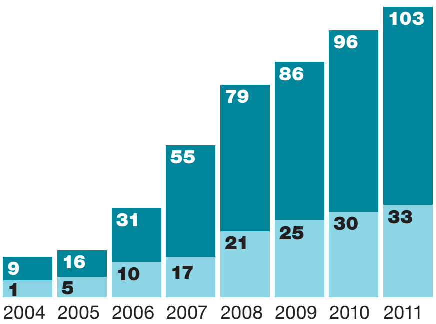
The amount of local taxes paid by CDC investee businesses increased by 13% to US$3.5bn in 2011

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 103 out of the 136 funds in which it has invested since 2004.

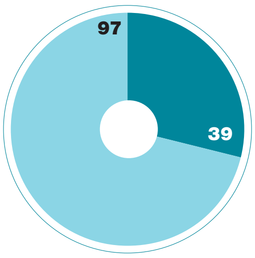
Commitments at first close since 2004



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

In some cases, CDC has gone further and provided over 50% of the committed capital at first close in order to help a fund get started. Of the 136 fund investments since 2004, CDC was responsible for over 50% of the committed capital at the first close in 39 cases. In such cases CDC played a significant role in helping the fund become established.

CDC-anchored funds 2004-2011

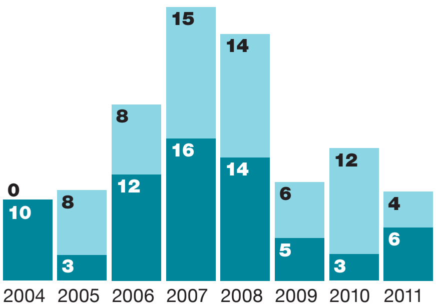


Total funds: 136

■ CDC > 50% at first close
■ Other funds

As private equity in developing countries has become established as an asset class, there have been fewer opportunities to back first-time teams, notably in 2009 and 2010, following the financial crisis. Nevertheless, CDC's appetite for backing these teams remains undiminished and in 2011 such commitments represented 60% of the total, the highest it has been since 2004, when CDC's fund-of-funds model was established.

First-time managers by year



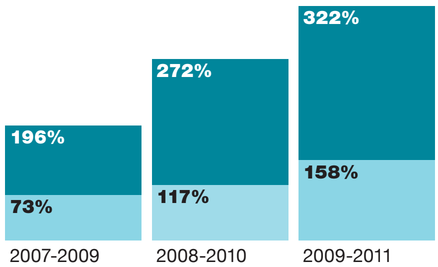
■ Funds managed by other fund managers
■ Funds managed by first-time fund managers

Third party funds mobilised

One of CDC's prime objectives has been to mobilise third party capital investment in emerging markets by demonstrating successful investment to other capital providers. During 2011, third party funds mobilised alongside CDC's capital invested have been measured as follows:

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

CDC rolling three-year mobilisation



■ Non-DFI mobilised capital
■ DFI mobilised capital

The mobilisation target set is on a three year rolling basis at 200%. Actual mobilisations at 480% exceeded the target. In 2011, mobilisation amounted to US$795m (2010: US$1,378m). The ratio of capital mobilised in the year increased from 430% in 2010 to 553% in 2011, with CDC committing less capital in 2011.

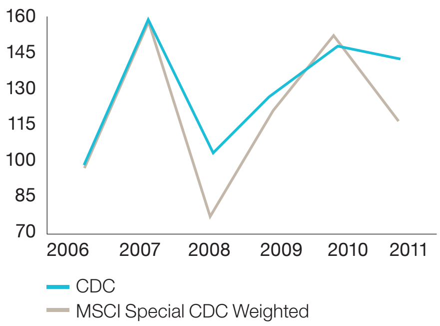
*See page 7 CDC 2011 Annual Report and Accounts, www.cdcgroup.com.

DEVELOPMENT AND FINANCIAL PERFORMANCE
CONTINUED

Financial performance

CDC and Morgan Stanley developed an Index weighted by CDC's geographical spread of countries to form a new MSCI benchmark for performance. CDC's performance in 2011 was 19% better than its MSCI benchmark, and on a five-year rolling basis, CDC's performance was 25% ahead of the benchmark.

MSCI benchmark



In spite of outperforming its benchmark set in 2011, CDC made a total loss of £72.0m. This is primarily due to a downturn in global financial markets which affected the valuation of CDC's investment portfolio and represents a fund total loss after tax of 3%, compared to a profit of 12% in 2010. Over the last three years, however, a net return for CDC's shareholder of 6% has been achieved.

Total net assets decreased in the year from £2,680.2m to £2,608.2m, a fall of 3% (2010: 12%). The portfolio, which consists of investments in funds managed by fund managers and the small remaining legacy portfolio, decreased from £1,933.2m to £1,913.3m, a 1% decrease.

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

Drawdowns by funds for new investments at £363.7m (2010: £419.7m) were lower than last year. However, £149.9m was invested in Africa in the year (2010: £122.2m) representing 41% of new investments (2010: 29%). There was a higher level of portfolio cash generated this year at £326.9m (2010: £237.4m).

£91.0m was received from the sale of Paras Pharmaceuticals in India from several Actis funds. Other significant receipts in the year were from Global Trade Liquidity Programme (£31.1m) and Navis Asia Fund V (£20.2m).

Investment targets

In 2011, CDC made commitments of £188.2m (compared to £231.0m in 2010) and the new investment targets set out in the Investment Policy were all exceeded:

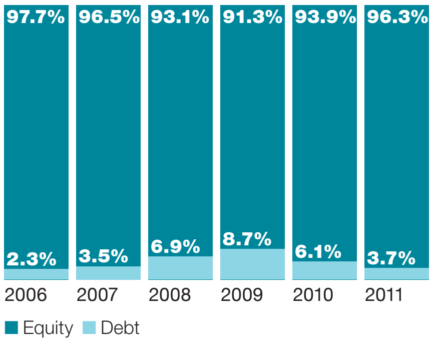
- new investments from commitments made after 1 January 2009 were 77% in sub-Saharan Africa and 91% in low-income countries, exceeding the targets of 50% and 75% respectively; and
- with new investments at 77% in poorer countries and 62% in sub-Saharan Africa and South Asia, the rolling five-year targets of 70% and 50% respectively for the old book were exceeded.

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

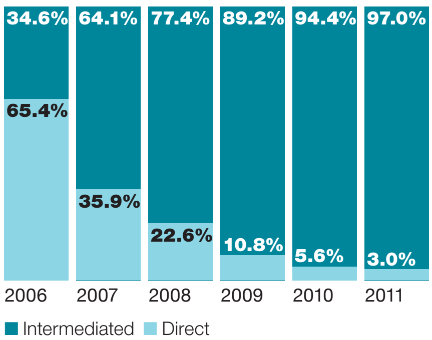
Asset class and method of investment

As CDC has invested primarily in equity funds since 2004, the balance of direct and intermediated investments has tipped towards the latter. Similarly, equity investments represent a far larger proportion of the portfolio then debt. As CDC implements its new plan, both of these balances will change.

Asset class



Method of investment



Net cash and short-term deposits held

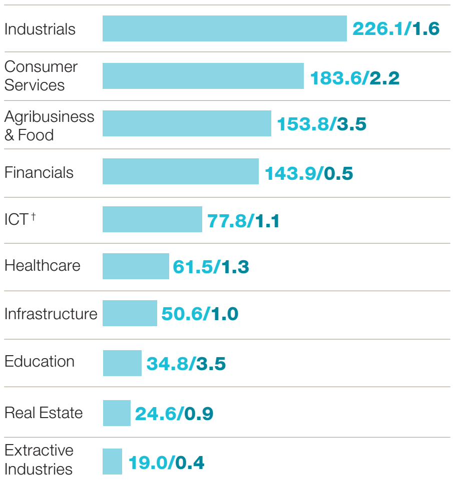
With the level of fund drawdowns and portfolio realisations, cash and short-term deposits were lower at £697.2m (2010: £737.9m). A substantial portion of this balance is placed on deposit with the UK Government's Debt Management Office. However, cash will be recycled into fund investments and current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

Employment – sector analysis

CDC invests across all sectors, especially those that create significant employment directly or, through the creation of essential infrastructure, create the environment where other businesses can flourish.

The World Bank's Voices of Poverty report shows that poor people believe that a job – either salaried or self-employment – is their best chance of escaping poverty. Creating and supporting jobs is an indicator of the impact of CDC's investments.

People employed by industry sector



People employed by industry sector ('000)
Average employment per investment ('000)

Total **976,000** employees at investee businesses

Both 'consumer services' and 'agribusiness and food' are among the smaller sectors in CDC's portfolio, but they are among the more labour-intensive industries and so together they represent 35% of the total employment with an average of 2,200 and 3,500 employees, respectively.

Conversely, 'infrastructure' investments are the largest single sector in the CDC portfolio, representing 19% of the total but providing just 5% of jobs. While each requires large new amounts of CDC capital, once the construction phase has been completed an infrastructure investment will provide relatively few jobs, hence just 900 jobs per investment on average. Nevertheless these physical assets, including roads, railways, ports and power stations, are an essential ingredient for development and can have a catalytic effect on other sectors of the economy.

Note that with relatively few data points supporting 'Education' sector, the average employment figures for this sector may be distorted 'outliers'.

† ICT: Information and communications technology.

Year-on-year employment

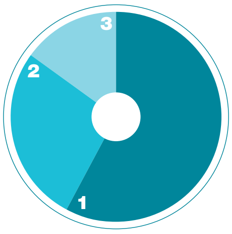
This is the first year that CDC has been able to analyse year-on-year employment and taxes data.

Analysis shows that in the majority of investee businesses that reported 2010 and 2011 data, there was a year-on-year increase in employment and direct taxes paid. This is to be expected as CDC's fund managers typically aim to create value and growth through their investments. Inevitably, as an investor in challenging environments some of CDC's investee businesses showed a decrease in employment and taxes. This may be due to periods of change, management retrenchment and other factors experienced in normal business cycles.

Further analysis also shows that growth in jobs and direct taxes paid was slightly more prevalent in larger businesses:

- 60% of large businesses (turnover >US$100m) – reported an increase in employment; and
- 55% of small businesses (turnover <US$15m) – reported an increase in employment.

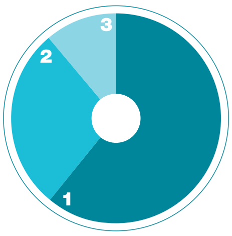
Comparison of 2011 and 2010 direct employment*



1	Increase in 2011	**58%**
2	Decrease in 2011	**27%**
3	No change	**15%**

* CDC reporting year

Comparison of 2011 and 2010 direct taxes paid*



1	Increase in 2011	**61%**
2	Decrease in 2011	**28%**
3	No change**	**11%**

**Typically observed for companies that are pre profit and pre tax

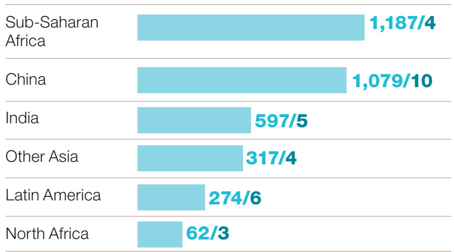
* CDC reporting year

Taxation – regional analysis

Sub-Saharan Africa accounts for the largest proportion of the total tax revenues generated by CDC's investee businesses. With 447 businesses in 27 countries it has contains more CDC investments than any other region and, together with South Asia, will be the focus of CDC's activity from 2011 onwards.

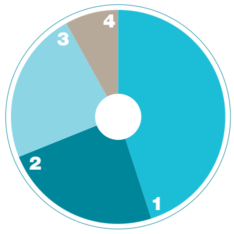
Companies in China account for 31% of the total taxes reported, which is higher than China's proportion of the portfolio by value. As the Chinese economy has enjoyed strong growth in recent years, CDC's investments have grown accordingly. CDC has made no new commitments to China since 2008, so this region of the portfolio will decrease over the coming years as investments reach maturity.

Taxes paid by investee businesses by region



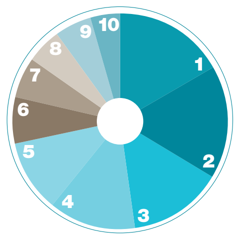
Taxes paid by investee businesses by region (US$m)
Average taxes per investment (US$m)

Underlying portfolio by region



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

Underlying portfolio by sector



1	Infrastructure	**19%**
2	Industrials	**19%**
3	Financials	**15%**
4	Consumer Services	**12%**
5	Real Estate	**8%**
6	ICT†	**7%**
7	Healthcare	**6%**
8	Extractive Industries	**6%**
9	Agribusiness and Food	**5%**
10	Education	**3%**

SUMMARY OF EVALUATIONS
APPROACH

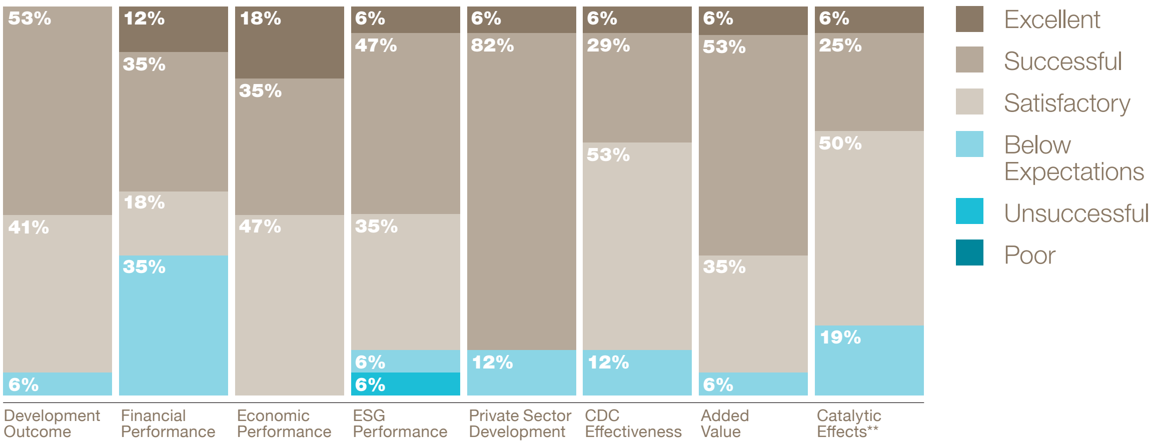
Understanding the impact of each of its investments is of great importance to CDC. An evaluation of CDC's funds is therefore carried out at the midpoint and end of each fund's life, with half of the evaluations carried out by an independent third party.

Evaluations examine the development impact of each fund in detail, considering what lessons can be learned from the fund's performance to date and how the fund has performed relative to CDC's expectations at investment. Where applicable, these lessons are used to inform CDC's future investment decisions as well as to determine what actions are needed to improve current performance.

The evaluation process used by CDC is comparable to that of other DFIs, especially that of the IFC. It considers development outcome through four lenses: financial performance, economic performance, environmental, social and governance (ESG) performance and private sector development. The CDC Board's Development Committee oversees this monitoring and evaluation process, in effect holding a magnifying glass to CDC's work and asking the tough questions about how the organisation makes a lasting difference to the lives of people in poor countries.

CDC does not publish each evaluation in full due to restrictions of commercial confidentiality. Also, by ensuring confidentiality, the evaluations are conducted in the spirit of openness and collaboration, making the process more effective. From 2012, however, CDC will publish a summary of the evaluations including key themes, small case studies and aggregated results. This will be available at www.cdcgroup.com.

Aggregate evaluation ratings in 2011 18 evaluations* (9 external)



* A fund evaluation of a single legacy asset did not receive ratings as this was felt unrepresentative.

**Catalytic effect was not considered an appropriate measure for one fund where CDC entered at final close, hence the number of funds rated on catalytic effect is fewer than for the other performance measures.

2011 evaluations in numbers

18 evaluations

9 Asia-based funds

4 Africa-based funds

3 global funds

2 Latin America-based funds

17 midpoint evaluations

12 fund managers

9 external evaluations (conducted by Steward Redqueen)

1 final evaluation of a legacy asset

Africa

SME fund focused on sub-Saharan Africa

6 COMPANIES

North African fund focused on small and medium sized enterprises (SMEs)

17 COMPANIES

First-time fund to develop the African private equity arm of a financial institution

4 COMPANIES

Evaluation of a longstanding CDC investment in Mozambique

Asia

Multi-sector Asian growth fund

12 COMPANIES

SME fund focused on Shangdong province (China)

6 COMPANIES

First-time SME fund across South Asia

13 COMPANIES

Chinese fund (and additional fund) focused on growth companies and privatisations

18 COMPANIES

Thailand-based private equity fund aimed at mid-market opportunities

8 COMPANIES

India-focused SME fund backed by institutional investors for the first time

11 COMPANIES

DFI-backed SME fund focused on the Pacific islands

8 COMPANIES

Operations-focused Indian growth fund

8 COMPANIES

Latin America

Latin American fund-focused primarily on consumer industries

4 COMPANIES EVALUATED

Latin American fund set up by a global private equity player

7 COMPANIES

Global

Global infrastructure fund focused on power

5 COMPANIES

Global fund focused on companies that have pre-assessed environmental benefits

5 COMPANIES

GLOBAL FUND

To stimulate further capital into other CDC-backed funds

Key results

FINANCIAL PERFORMANCE

Several of the best performing funds evaluated are showing net IRRs of around 20% at midpoint.

Several funds are currently showing a potential decrease in value and are rated below expectations return at this stage in the fund's life.

ECONOMIC PERFORMANCE

68% of investee businesses showed employment growth since CDC invested. 62,000 more people were employed.

19% of investee businesses decreased their number of workers, with 7,000 jobs lost.

At investee businesses in evaluated funds, the average percentage increase in jobs since investment was 18%.

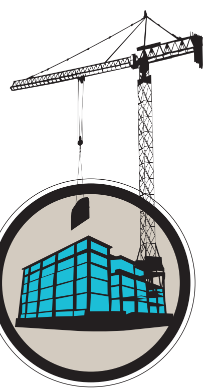
In total, US$1.2bn in local taxes was paid by companies in the 18 funds evaluated in 2011.

ESG PERFORMANCE

Nine fund managers were rated highly for the quality of their ESG management systems. Two fund managers were rated as moderate and one as poor.

Of the companies assessed by the 2011 evaluations, 13% were classified as high risk from the ESG perspective, 52% as medium risk and 35% as low risk.

56% of portfolio companies had ESG issues at investment and 76% of portfolio companies made improvements on ESG practices during the investment period to date.



PRIVATE SECTOR DEVELOPMENT

US$4.8bn in third party capital was raised by the 18 funds evaluated.

CDC contributed a total of US$1.1bn to these funds, 19% of the total capital.

90% of the third party capital invested in evaluated funds was from commercial investors as opposed to DFIs.

05_ADDITIONAL INFORMATION

Transparency

As a government-owned company CDC is committed to providing good transparency to our activities and investments. CDC therefore publishes information about its performance, portfolio policies, funds and fund managers and investee businesses. We seek to respond to Freedom of Information Act requests in a timely fashion.

Please see www.cdcgroup.com/corporate-information.aspx for further information.

There is some information that CDC cannot publish due to commercial sensitivity. By working with private equity fund managers CDC harnesses local skills and mobilises commercial capital, but the fund managers and commercial investors request that some information is treated in confidence. As CDC seeks wherever possible to be transparent, in some instances more sensitive information is published on a non-attributed basis, removing names and/or geographical information. In other cases CDC is bound by legal commitments that prevent the publication entirely.

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 2011, 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.

Furthermore, this year nine out of 18 periodic fund evaluations were undertaken by another external third party.

CDC's financial audit is also undertaken by KPMG, and the results are available at www.cdcgroup.com.

CDC is pleased to have received a clean opinion in 2011.

Serious incidents

CDC requires its fund managers to report without delay any incident involving investee businesses that results in loss of life, material effect on the environment or material breach of the law. The fund manager must report how the incident was dealt with and CDC follows up each incident to ensure it has been properly recorded and reported (where applicable) to the appropriate authorities.

CDC's capital is invested in 74 countries in 1,126 companies who employ nearly 1 million people. In 2011, CDC's portfolio was associated with a total of 100 fatalities. 36 fatalities involved employees or contractors of the businesses, the remaining 64 fatalities were members of the public.

37 were accidental: 20 occurred on-site or in the management of company assets, 14 were road accidents and three stemmed from individuals touching fallen power distribution lines.

61 were caused by unlawful activity: 51 related to unlawful interference with assets such as attempts to steal electricity from power distribution lines and 10 as a result of robberies or other unlawful violence.

CDC checks that fund managers investigate and remedy any underlying systemic cause of incidents to reduce the risk of reoccurrence. In addition, the portfolio company management is encouraged to implement where possible, measures that reduce the likelihood of unlawful activity associated with their operations.

Offshore Financial Centres (OFCs)

The reasons why CDC's investee funds sometimes use OFCs are varied:

- OFCs provide a stable legal and regulatory infrastructure, which accommodates the requirements of investors seeking to invest in private sector businesses in developing countries. The use of OFCs allows investors to pool and then put capital to work in businesses in developing countries without having to wait for appropriate legal and regulatory systems to be established in those countries first.
- OFCs allow the tax-neutral pooling of capital in funds, which then invest in businesses in developing countries. Investors in funds should be placed in no worse a position than if they had invested in the funds' underlying portfolio companies directly.
- OFCs allow investors to avoid being taxed twice as permitted by bilateral tax treaties and national tax laws. Taxes are paid in developing countries by our funds' underlying portfolio companies.

CDC's approach to the use of OFCs is in line with the practices of many international and development finance institutions.

CDC's investee funds are domiciled in jurisdictions that have substantially implemented the internationally agreed tax standard as determined by the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes ('Global Forum').

CDC reviews its approach to the use of OFCs constantly in light of the work of the Global Forum and seeks to follow evolving international practice.

* "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.

Data disclaimer

Whilst we have used our reasonable efforts to ensure the accuracy of data used in this report, certain data has not been audited or independently verified. Most of the data has been provided to us by our fund managers. Fund managers have reviewed the case studies specifically about the businesses in which they have invested. 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 2011. Employment data may sometimes include contract workers and other non-permanent workers. Tax data mostly refers to corporate taxes paid in the 2010 financial year by CDC's investee businesses.

Data on employment and taxes paid, as with all other data in this report save for audited financial data, should be read as indicative of magnitude rather than exact figures. We have therefore rounded all data in a conservative manner. 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.

Unless otherwise stated the financial data and valuations contained in this report relate to the year ended 31 December 2011. Any errors or omissions are regrettable but, as with any report based on extensive data received from third parties in developing countries, difficult to avoid entirely. CDC will continue to seek to improve its efforts to ensure data quality and enrich its knowledge management systems in future.

Photographs

All photographs originate from CDC's image library of investee businesses and have been either supplied by fund managers or taken by CDC staff on site visits. The one exception is the photograph on page 30.

Design

Rare Corporate Design
www.rarecorporate.co.uk

Feedback

CDC welcomes all feedback on this report and seeks to improve the standard of its publications.

Please see www.cdcgroup.com

Alternatively, please contact CDC by email via the address: enquiries@cdcgroup.com.

Contact information for CDC's ESG and communications teams is also available from the website.

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