CDC

CDC Group plc Annual Accounts 2014

Contents

Registered in England No 3877777

VAT registration number 190 7041 19

Financial Performance

Business objectives

CDC is a UK government-owned investment company that invests in private sector businesses in developing countries, where it has been an innovative investor for over 60 years. CDC invests to support the growth of all sizes of business from the micro-level right up to the largest because it believes that a balanced private sector is necessary for economic development and robust job creation. CDC also aims to demonstrate that it is possible to invest successfully in challenging environments, thereby attracting other sources of capital including fully commercial capital.

No country has succeeded in reducing poverty in a sustainable manner in the absence of economic growth. Commercially sustainable private sector businesses are critical to such growth: they employ and train people; pay taxes; invest in research and development; build; and operate infrastructure and services.

In 2012 CDC decided to change its investment strategy. It reduced its geographical focus to Africa and South Asia and whilst honouring commitments in China, South East Asia and Latin America would no longer do new business in those areas. It also started to concentrate on high impact sectors that were chosen because of their propensity to create jobs. Prior to 2012 CDC did not prioritise high impact sectors. CDC will continue to invest outside these high impact sectors in the most challenging regions as new capital supporting any sector in capital starved regions is highly developmental. CDC now invests in debt and direct equity as well as continuing as a fund of funds in sub-Saharan Africa and South Asia.

CDC invests to achieve returns from capital appreciation, investment income or both and have a path to investment exit and new ownership that will take the investment to the next level. CDC is a long term investor and valuation uplifts tend to materialise towards the end rather than the beginning of the investment period. Therefore portfolio returns in 2014 are driven by investments made prior to the 2012 change of strategy. The new strategy of investing in regions with especially challenging investment environments is currently 12% of the overall portfolio but are expected to grow rapidly.

Godfrey Davies Chief Financial Officer

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

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

Strategies for achieving the objectives of the business

CDC expects its investments to achieve results that are appropriate to the opportunities and risks in the relevant market. Amongst the features that CDC seeks in making a decision to commit to an investment are:

- a credible thesis aimed at CDC's preferred markets but also looking for appropriate development impact;
- prospective investment returns from capital appreciation and investment income which are commensurate with the investment risk;
- a strong management that will apply high standards of business ethics and corporate governance; and
- a path to investment exit and new ownership that will take the investment to its next level.

Taxation

CDC recognises the right of governments to tax and respects the tax policies established by governments. CDC requires its investee companies to pay the taxes required in the countries in which they operate and CDC pays taxes wherever they are liable. However, under the CDC Act 1999, CDC Group plc was granted exemption from UK Corporation Tax from May 2003. This allows CDC to recycle more portfolio receipts into new investments in developing countries. CDC only uses offshore financial centres to meet its priority to mobilise capital into developing countries.

Offshore financial centres can provide straightforward and stable financial, judiciary and legal systems which facilitate investment. CDC will therefore often introduce such jurisdictions into transactions for non-tax related purposes. This may include insulating companies from legal risk, insulating classes of security from cross-default or improving the financial terms or security for different investors. Certain investments may include structures that reduce the tax burden on investors. CDC will only acquiesce to such structures in order to facilitate a developmental impact, increasing investment and consequent job creation and economic growth. CDC prefers to use offshore financial centres that are successfully participating in the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes (the "Global Forum"). CDC will avoid making investments through a jurisdiction that does not adequately exchange tax information internationally. CDC would only invest through a jurisdiction that is not successfully participating in the Global Forum in exceptional cases, and only if it is considered that the developmental benefits of the investment justify the use of an intermediary located in such a jurisdiction.

Financial Performance

Continued

Presentation of results

CDC's financial results are presented in accordance with International Financial Reporting Standards as adopted by the European Union (EU). These accounts can be found in full from page 16 onwards. The Directors' and Strategic Report gives a summary of those results. During the year, CDC as an investment company has implemented the new Investment Entities amendment to IFRS 10 whereby all subsidiaries other than those that provide services that relate to CDC's activities are accounted for as investments at fair value. Further details can be found in note 3 to the accounts.

However, in order to explain more fully CDC's underlying portfolio movements, CDC provides information, in note 2 to the accounts on pages 24 and 25 and on pages 2 to 5, drilling through subsidiaries that are non-consolidated investment holding companies to see underlying portfolio movements.

Market conditions

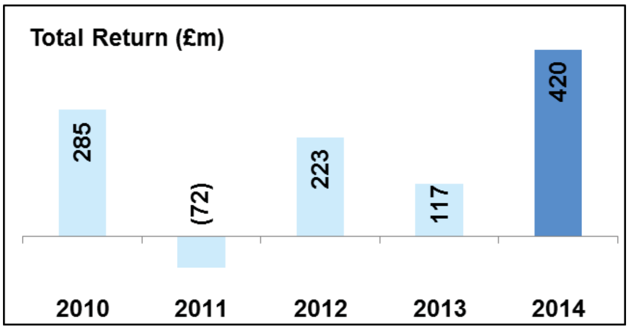
The MSCI Emerging Markets Index is designed to measure quoted equity performance in global emerging markets. In 2014, it fell by 5% (2013: 3% fall). Index movements of individual countries varied widely in 2014 with rises from Egypt 26%, India of 22% and China 5%. However there were falls from Nigeria of 30%, Ghana of 30% and Bangladesh of 47%.

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

Current performance

Total return after tax

The overall result is a total return after tax of £420.2m (2013: £117.3m). As a return on opening total net assets on a valuation basis, this represents a profit for CDC's shareholder of 14.2% (2013: 4.1%) this year and an average annual return of 6.9% over the last five years.



Portfolio Return

The portfolio generated £450.9m of profit (2013: £140.9m). This represents a portfolio return of 18.0% (2013: 6.3%, 2012: 13.1%). Most of the portfolio is denominated in US dollars so the Sterling result this year has benefited from currency translation gains. The portfolio return measured in US dollars was 11.4% (2013: 7.5%). CDC is a long-term investor. The returns this year are mostly driven by investment decisions made prior to the change of investment policy in 2012.

Operating costs

Operating costs for the year of £29.4m (2013: £23.5m) have increased due to employees rising to 134 (2013: 102). Operating costs represent 1.0% of the Company's opening net asset value.

Other net expenses

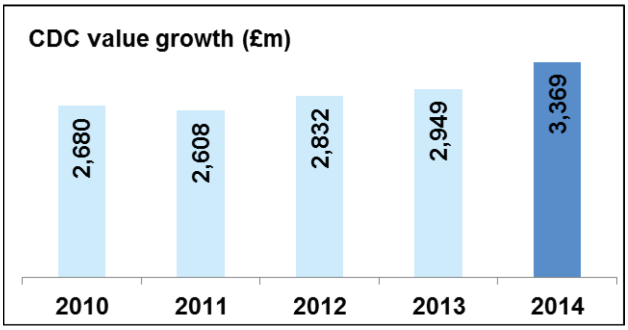
Other net expenses of £1.3m (2013: £0.1m) came mostly from finance costs in investment holding companies.

	2014 £m	2013 £m
Portfolio return	**450.9**	140.9
Operating costs	**(29.4)**	(23.5)
Other net expense	**(1.3)**	(0.1)
Total return after tax	**420.2**	117.3

Portfolio and net assets

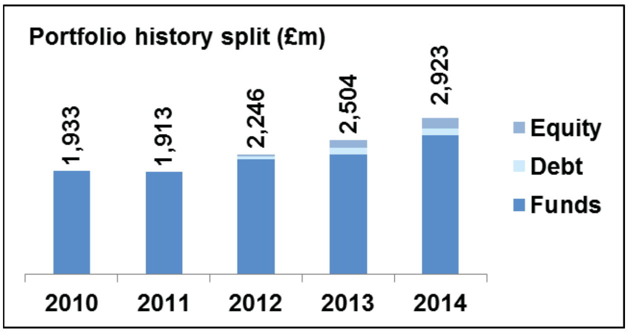
	2014 £m	2013 £m
Portfolio	**2,923.0**	2,504.2
Net cash and short-term deposits	**454.4**	449.8
Other net liabilities	**(8.3)**	(5.1)
Total net assets	**3,369.1**	2,948.9

Total net assets increased in the year from £2,948.9m to £3,369.1m a rise of 14% (2013: 4%).



	2014 £m	2013 £m
Portfolio at start of year	**2,504.2**	2,246.0
New investments	**472.3**	416.0
Realisations	**(491.0)**	(289.3)
Value change	**437.5**	131.5
Portfolio at end of year	**2,923.0**	2,504.2

With the change of investment focus in 2012, the direct equity and debt part of the portfolio is growing in line with expectations. However the portfolio still consists mostly of investments in funds managed by fund managers. Portfolio value increased from £2,504.2m to £2,923.0m in the year as a result of net new investments and valuation gains driven by the growth of underlying companies. CDC has investments in 164 funds, managed by 89 different fund managers, and 29 direct investments.

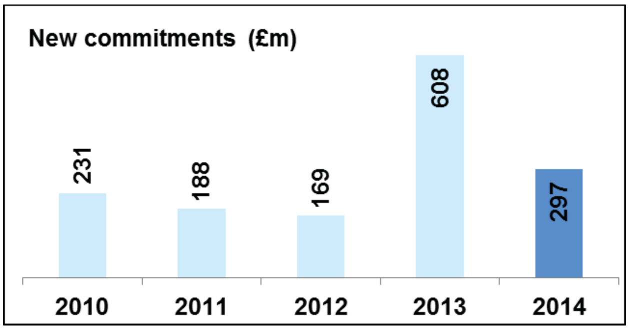


New commitments

In 2014, CDC made new commitments of £296.8m (2013: £608.3m). Total new commitments were:

Fund commitments	£m
Investec Africa Frontier Private Equity II	25.7
AfricInvest III	21.1
Synergy Private Equity Fund	6.4
Africa Renewable Energy Fund	12.8
Advans S.A.	2.8
India Agribusiness Fund II	19.3
	88.1

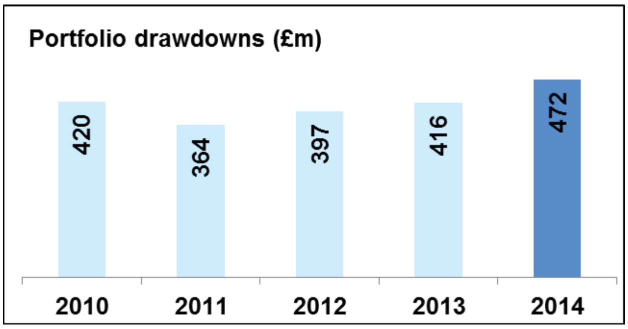
Direct investment commitments	£m
Ratnakar Bank Limited	18.8
Standard Bank Malawi	16.1
Summit Meghnaghat	11.2
Grindrod Limited	10.7
Actis Energy Cameroon Holdings	6.5
Actis Energy Generation Holdings BV	4.1
Equitas Holdings Private Limited	3.8
Narayana Health	31.0
Utkarsh Microfinance Pvt Limited	6.8
Standard Chartered Risk Sharing Facility	48.2
Standard Chartered Sierra Leone Ebola Bank Facility	16.1
Azura Power West Africa Limited	19.3
Ecom Agroindustrial Corp Limited	16.1
	208.7



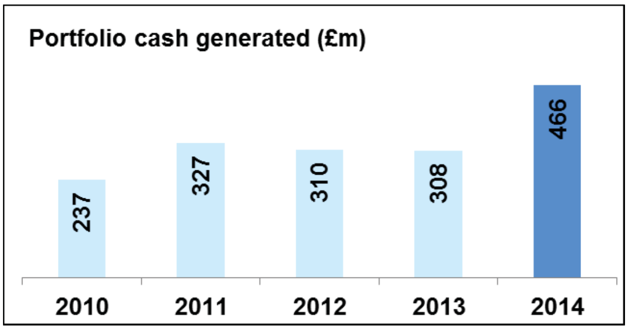
Cash Flow

	2014 £m	2013 £m
Portfolio drawdowns	**(472.3)**	(416.0)
Portfolio cash generated	**466.4**	308.0
Net portfolio flows	**(5.9)**	(108.0)
Other cash flows	**10.5**	(31.9)
Net cash flow	**4.6**	(139.9)

Drawdowns for new investments at £472.3m (2013: £416.0m) were higher than last year. £284.7m was invested in Africa in the year (2013: £160.6m) representing 60% of new investments (2013: 39%).

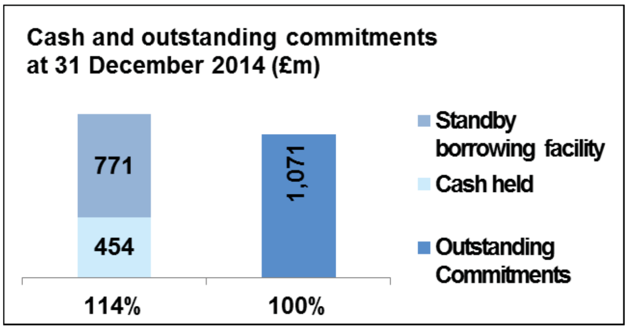


Portfolio cash generated this year at £466.4m (2013: £308.0m) was higher than last year as a result of increased realisation activity in the maturing fund investment portfolio.



Net cash and short-term deposits held

With the level of drawdowns and portfolio realisations, cash and short-term deposits were higher this year at £454.4m (2013: £449.8m). Cash will be recycled into investments and current outstanding commitments for investment stand at £1,071.3m. This representing 114% of outstanding commitments, when taking into account the standby borrowing facility of £770.6m.



Financial Performance

Continued

Capital structure

Since 2004, CDC has mostly invested in illiquid private equity and is currently funded by equity.

Cash flow forecasting

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

Risks and risk management

CDC's operations are managed within limits defined by the Board. The Board regularly reviews the overall risks inherent in CDC's business and the actions taken to mitigate those risks where appropriate. CDC adopted a new risk management policy in 2014 and this policy is in the process of being implemented. CDC has established a Board Risk Committee in 2015 to oversee the implementation of the policy and the risks facing CDC. The principal risks are considered to be as follows:

Reputational risk

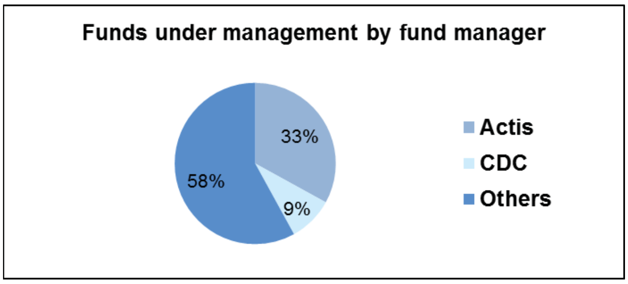
As mentioned earlier, CDC expects its portfolio companies and, when investing through funds, its fund managers and underlying portfolio companies to achieve compliance with the Code of Responsible Investing as a minimum and where possible to achieve higher levels with regard to environmental, social and governance issues. Where shortfalls are identified an action plan is agreed. However, there inevitably remains the possibility with such a diverse investment portfolio that an incident at a fund or underlying portfolio company fails to comply with CDC's Investment Code and CDC's reputation is damaged. Investments are monitored twice a year.

General financial risks associated with investment

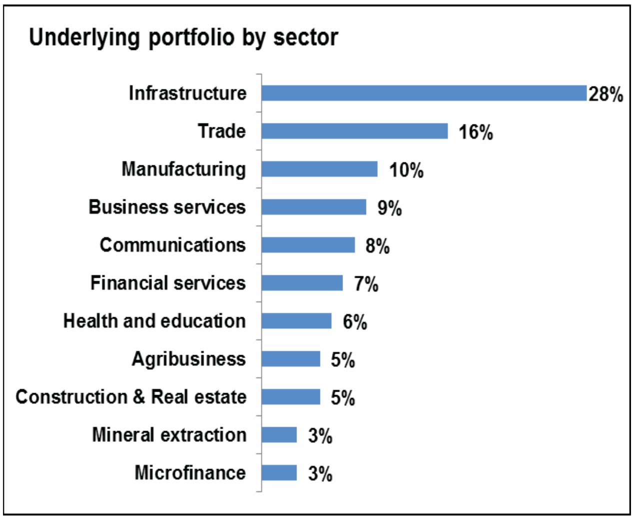
CDC invests in developing countries with a mandate to increase capital into some of the most challenging regions of Africa and South Asia. Such investments are inherently risky with the potential for loss of portfolio value leading to lower cash inflows than expected and negative portfolio returns below targets CDC has agreed with its shareholder. CDC often makes long-term investments with no certainty of return.

A wholly owned subsidiary of CDC has a committed standby borrowing facility of US$1,200m (£770.6m). At 31 December 2014, CDC had significant undrawn commitments of £1,071.3m (2013: £1,288.6m), representing 86% of cash and borrowing facility held. The Board regularly considers cash flow forecasts at Board meetings and expects to meet its undrawn commitments, as well as commitments to future funds, from distributions received from its investments and the current cash balance held of £454.4m. However, market values have decreased as well as increased in the past. The timing of cash distributions from investments is uncertain and unless CDC has a direct majority equity stake, which is rare, usually not within the direct control of CDC. When CDC invests through funds, the sale of interest in these funds may require a lengthy time since there is only a limited market for secondary sales of emerging markets private equity interests and these sales usually require the consent of the general partner of the fund, the granting of which may be at its discretion.

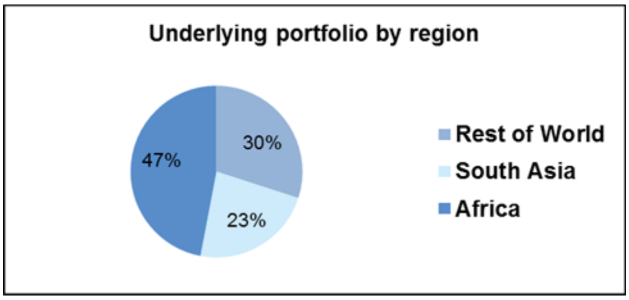
A diversified portfolio of investments mitigate these risks within the policy objectives set by CDC's shareholder. Portfolio exposure targets help to mitigate the portfolio risk. However, given CDC's history the portfolio does remain concentrated with respect to the private equity fund manager Actis. The percentage of funds under management (CDC investment in funds plus outstanding commitments to the funds) by Actis was 33% (2013: 39%) at the end of 2014.



CDC has investments in 164 private equity funds providing it with a portfolio of 1,331 underlying companies that are diversified by vintage year, size, geography and industry sector. CDC's highest sector exposure is 28% in Infrastructure. The top 20 investments represent 42% of the portfolio with the largest individual investment representing 15%.



CDC's highest country exposures are 21% in India, 14% in China, 10% in South Africa and 8% in Nigeria.



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

Currency risk

To mitigate currency risks, CDC enters into forward foreign exchange contracts to hedge currency risk in accordance with a currency hedging policy agreed by the Audit, Compliance and Risk Committee. CDC does not trade in derivatives, nor does it enter into currency transactions of a speculative nature. During the year the Audit, Compliance and Risk Committee revised the currency hedging policy and stopped hedging on long-term equity investments. More details on currency exposures and forward foreign exchange contracts are given in notes 7 and 17 to the accounts.

Valuation risk

CDC valuation guidelines have been developed in accordance with the International Private Equity and Venture Capital Valuation Guidelines which in turn are in accordance with the fair value requirements contained within IAS 19/IFRS 13. Investments are valued at fair value, which is the value at which an orderly transaction would take place between market participants at the reporting date. The detailed valuation methodology sets out best practice with respect to valuing investments. Valuation risks are mitigated by comprehensive reviews of CDC's investments and the underlying investments in the private equity funds carried out by the relevant CDC investment managers at least twice each year. These valuations are reviewed by CDC management and then considered by the Audit, Compliance and Risk Committee. The details of the valuation methodology are given in note 23 to the accounts under the Investments heading on page 41.

Carbon footprint

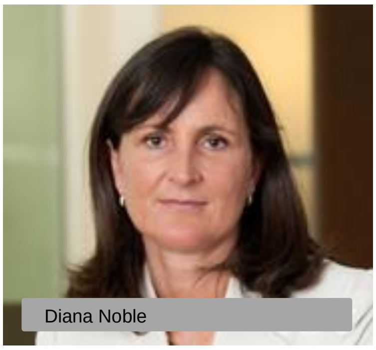
In 2014 CDC measured its corporate carbon footprint based on its emissions from air travel and electricity usage. CDC's total carbon footprint is 1,835 tonnes of CO_2.

Although this is a relatively small footprint, CDC has chosen to offset this via ClimateCare in a project in Kenya. The project uses carbon finance to provide water purification filters to families in the Western Province. This is the first project to leverage the carbon market to provide safe drinking water and it is credited to the Gold Standard certification scheme. The emissions savings derive from avoiding the practice of boiling water using wood and charcoal. Training, maintenance and replacement infrastructure has been developed in the region to ensure the filters are functioning and being used properly and that the local communities are fully benefiting from safe water usage.

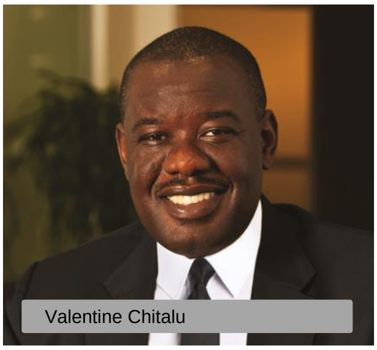
Godfrey Davies
Chief Financial Officer

Board of Directors


Graham Wrigley


Diana Noble


Wim Borgdorff


Valentine Chitalu

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

Graham Wrigley
Chairman
Nominations Chair

Appointed Chairman and Non-executive Director in December 2013.

Graham Wrigley comes to CDC with extensive experience of investing in developing and developed markets. Most recently, Graham's career has focused on private sector development in Africa and South Asia. He completed an MSc in development economics at The School of Oriental and African Studies in London and has worked in development since 2006, focussing on SME investing (including serving as Chairman of Aureos, a major investor in small and medium sized enterprises in Africa, Asia and Latin America) and Microfinance (including serving as a Director of CASHPOR, a leading microfinance institution which serves some of the poorest people of India).

Graham previously worked in private equity where he was a founding partner of Permira and a member of the firm's management board as it grew into one of the leading private equity firms in the world with US$30bn under management. Prior to Permira, Graham worked for Bain & Co and studied Law and Economics at Cambridge University. Graham has an MBA from INSEAD, where he is an adjunct professor. He also works with several charities, including Sir Edmund Hillary's Himalayan Trust UK, where he serves as Chairman.

Diana Noble
Chief Executive

Appointed Chief Executive and Executive Director in November 2011.

Diana's background is in international development, private equity and venture capital. She was a Partner at Schroder Ventures (now Permira) for 12 years, founding CEO of e-Ventures and founding Managing Director of Reed Elsevier Ventures. Diana joined CDC after five years with the Clinton Foundation's Health Access Initiative where she undertook a number of roles, including EVP Operations, responsible for 43 countries and five global teams, overseeing the scale-up of a global programme to give children equal access to HIV/AIDS care and treatment as that available to adults. She has also been an Adviser to the Supervisory Board of Actis.

Diana has a first class Law degree and completed the Advanced Management Program at Harvard Business School.

Wim Borgdorff
Non-executive Director
Risk Chair (from April 2015)[1]

Appointed in September 2014.

Wim is Senior Adviser and Co-Founder of AlpInvest Partners, a private equity investment management firm with over EUR37bn of fund, secondary and co- investments under management. From 2000 to 2013 he was head of fund investments at AlpInvest Partners which became part of The Carlyle Group in 2011. He is currently a senior adviser to the firm and a member of its investment committee. In 2008 he defined the AlpInvest ESG policies and made AlpInvest an early subscriber to the UN Principles for Responsible Investment. Prior to AlpInvest, Wim founded ABP Investments' alternative investments unit. Previously he was a Managing Director at ING Real Estate.

Wim received an MSc cum laude from Delft University of Technology and an MBA from Erasmus University Rotterdam.

Valentine Chitalu
Non-executive Director
Audit and Compliance Chair

Appointed in May 2010.

Valentine is an entrepreneur in Zambia and Southern Africa, specialising in private equity and local private sector development. Before becoming an entrepreneur in 2004, he worked for CDC Capital Partners in London and Lusaka, focusing on identifying investment opportunities in Southern Africa and portfolio management in Zambia and Malawi. Valentine was formerly Chief Executive Officer at the Zambia Privatisation Agency where he was responsible for the divestiture of over 240 enterprises. He worked for KPMG Peat Marwick in the UK and Meridien Financial Services in Zambia in his early career.

Valentine continues to be at the forefront of promoting both local and foreign investment into Africa and he holds several board positions in Australia, South Africa, the UK and Zambia. He is Chairman of Zambian Breweries, MTN (Zambia) Limited and Albidon (Zambia) Limited. He is a UK qualified accountant and holds a Masters Degree in Development Economics from Cambridge.

[1] Newly formed Risk Committee

Michele Giddens

Ian Goldin

Keki Mistry

Michele Giddens
Non-executive Director
Remuneration Chair (from December 2014)

Appointed in December 2014.

Michele is a Partner and Co-Founder of Bridges Ventures, a specialist fund manager dedicated to sustainable and impact investment. She has over 20 years of experience in impact investment and international development finance.

Prior to co-founding Bridges in 2002, Michele spent 8 years with Shorebank Advisory Services (now Enclude). She ran small business lending programmes in Russia, Central and Eastern Europe, advised on microfinance in Bangladesh, the Middle East and Mongolia and worked in the US community development finance sector. In the early 1990s, she was with the International Finance Corporation, the private sector financing arm of the World Bank Group. Whilst there she worked on international joint venture investments during the process of private sector development in Eastern Europe.

Michele has a BA Honours in Politics, Philosophy & Economics from Oxford University and an MBA from Georgetown University, Washington, DC. She was an adviser to the Social Investment Task Force and Chair of the Community Development Finance Association between 2003 and 2005.

Ian Goldin
Senior Independent Director and Non-executive Director
Remuneration Chair (to December 2014),
Acting Development Chair (from May 2014)

Appointed in January 2010.

Ian Goldin has an internationally recognised reputation in the field of development finance and economics and is currently director of the Oxford Martin School, at the University of Oxford. His career includes senior roles as Vice President at the World Bank, Chief Executive at the Development Bank of Southern Africa and Principal Economist at the European Bank for Reconstruction and Development. He is also Professor of Globalisation and Development at the University of Oxford.

Ian was also an adviser to South African President Nelson Mandela. He holds a number of other Non-executive directorships and also has wide experience of emerging markets and the political and economic risk associated with investing in these areas. Ian has a BA and BSC from the University of Cape Town (UCT), MSc from London School of Economics, MA and DPhil from UCT and completed the Advanced Management Program at INSEAD.

Keki Mistry
Non-executive Director

Appointed in September 2014.

Keki is the Vice-Chairman and Chief Executive Officer of Housing Development Finance Corporation (HDFC) in India. HDFC has been a pioneer in the housing finance industry over the last 25 years and has helped provide thousands of Indians with financial assistance to own a home.

Earlier in his career Keki was seconded to CDC to help evaluate the operations of mortgage financial institutions in Asia. He holds a number of directorships in India, including Sun Pharmaceutical Industries Limited, HCL Technologies Limited and Torrent Power Limited.

Jeremy Sillem
Non-executive Director

Retired December 2014.

Jeremy is the Managing Partner and Co-Founder of Spencer House Partners, a firm specialising in providing advice and capital to the asset management industry. Prior to that he had a 30-year career in investment banking, first at Lazard where he ran international capital markets and then at Bear Stearns where he was Chairman of the European business. He sits on a number of boards including that of Martin Currie (Holdings) Limited, the Edinburgh based global equities manager.

Fields Wicker-Miurin OBE
Non-executive Director
Development Chair (to May 2014)

Retired May 2014.

Fields is a Partner of Leaders' Quest, which she helped establish in 2002. Leaders' Quest is a social enterprise that works with leaders from all sectors and from around the globe. Fields is also a Non-executive Director of BNP Paribas (Paris), SCOR se, the world's 4th largest reinsurance company, and of Ballarpur Industries, India's largest pulp and writing paper company, where she chairs the Corporate Social Responsibility Committee. She is also an independent member of the board of the UK Ministry of Justice. Previously, she was Chief Financial Officer and Director of Strategy of the London Stock Exchange, where she led significant structural change in the London markets. She has served as a Non-executive Director at the UK's Department for Business and chaired the Investment Committee advising on all government subsidies to business. Fields was awarded an OBE in 2007 in recognition of her services to international business.

Directors' and Strategic Report

The Directors submit their report and the audited financial statements of CDC Group plc (CDC or the Company) and its subsidiaries (the Group) for the year ended 31 December 2014. The Directors' Remuneration Report on pages 12 to 13 details Directors' interests and Director and employee incentive arrangements during the year.

Principal activities and investment policy

CDC is a development finance institution, which invests its capital in private sector businesses in developing countries. Its principal activity is risk capital investment. It invests directly in companies through debt and equity instruments. It also invests in companies indirectly through investment funds and other investment vehicles managed by third party investment fund managers.

Strategic review

The information that fulfils the requirements of the Strategic Review may be found in the Financial Performance review on pages 1 to 5, which is incorporated into this report by reference.

Responsible investment

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

Developing countries remain characterised by poor labour standards, inadequate environmental and social protection and weak corporate governance. Employee representation and legislation may be weak or poorly enforced. In addition, pressure to strengthen regulation and improve performance in these areas may not be as strong as in more developed countries.

CDC seeks to apply principles of responsible investment when it invests directly and requires its fund managers to encourage their portfolio companies to adopt higher standards when it invests indirectly.

Financial statements

Basis of preparation

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

Total comprehensive income for the year

The total comprehensive income for the year of £420.2m compares with comprehensive income of £107.5m for 2013; mainly due to increased fair value and foreign exchange gains.

Cash flows

Cash and cash equivalents decreased from £407.0m at the start of the year to £395.9m at the year end resulting in a net cash outflow of £11.1m (2013: outflow of £180.4).

Statement of financial position

Total equity has increased from £2,948.9m to £3,369.1m.

Pensions

CDC operates a single pension scheme in the United Kingdom. The defined benefits section of this scheme has been closed to new entrants since 1 April 2000. CDC makes contributions to the defined benefits section in accordance with an agreed schedule of contributions. CDC has adopted International Accounting Standard 19 (revised), which shows a net pension deficit of £nil (2013: £3.4m). Further details are shown in note 15 to the audited financial statements.

Dividend recommended

The Directors do not recommend payment of a dividend for the year (2013: nil).

Regulation

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

Directors

Financial statements

The Statement of Directors' Responsibilities is shown separately.

CDC's objectives, business activities, performance, financial position, cash flows and liquidity position are described in the Financial Performance review on pages 1 to 5.

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

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

Disclosure of information to auditor

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

Role of Chairman and Chief Executive

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

Role of the Board and processes

The role of the Board is to:

i. determine the direction and strategy of CDC in accordance with the Company's investment policy;
ii. monitor the achievement of the Company's business objectives;
iii. ensure that the Company's responsibilities to its shareholder are met;
iv. ensure that risks are identified and controls are in place; and
v. ensure that the Company's employees apply appropriate ethical standards in the performance of their duties in accordance with CDC's Code of Responsible Investing.

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

Board membership

The Board structure ensures that no single individual or group dominates. CDC has procedures for planning, investing, reporting and measuring performance.

The Company's articles of association provide that one third of the Directors retire by rotation at each annual general meeting. The Director retiring by rotation at the forthcoming annual general meeting is Valentine Chitalu. Being eligible, Valentine Chitalu offers himself for re-election.

Fields Wicker-Miurin OBE stepped down from the Board after the annual general meeting in May 2014. Jeremy Sillem retired in December 2014.

The Company's articles of association provide that new Directors should offer themselves for re-election at the first annual general meeting after their appointment. During the year, three Non-executive Directors were appointed, Wim Borgdorff, Michele Giddens and Keki Mistry, and offer themselves for re-election at the forthcoming annual general meeting.

The Board met six times during 2014. The Chairman and the Chief Executive agree the agenda for Board meetings, but all Board members are entitled to raise other issues. The Chairman ensures that the Board is properly briefed on all issues arising at its meetings and on shareholder views of the Company. The Chief Executive supplies the Board with information which is timely and of a quality that enables it to carry out its duties. Training, where appropriate, is provided to the Board and employees. All Directors have access to the advice and services of Mark Kenderdine-Davies, the General Counsel, and Nicola Morse, the Company Secretary and they may obtain independent professional advice at CDC's expense, if required. All Board and Committee meetings are appropriately minuted.

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

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

Board directors

The table below indicates attendance of all the Directors, whose biographies are on pages 6 to 7, during the year ended 31 December 2014:

Number of meetings during the year	6
Graham Wrigley (Chair)	6
Diana Noble	6
Wim Borgdorff (from September 2014)	2
Valentine Chitalu	6
Michele Giddens (from December 2014)	1
Ian Goldin	6
Keki Mistry (from September 2014)	2
Jeremy Sillem (to December 2014)	6
Fields Wicker-Miurin OBE (to May 2014)	3

Graham Wrigley held 3 directorships and 2 trusteeships during 2014 excluding his CDC directorship. The Board considers that he had sufficient time to undertake his duties at CDC.

An independent external evaluation of Board and Committee performance is currently being carried out by Boardroom Review Limited. Boardroom Review Limited has no other connection with the CDC.

Board committees

The Board has four principal committees to assist it in fulfilling its responsibilities and seven investment committees to support the CEO's delegated investment decision powers. The terms of reference of the principal committees are available for inspection on CDC's website.

In December 2014, the Board approved the establishment of a separate Risk Committee to monitor the Company's risk management function, which will meet for the first time in April 2015. Wim Borgdorff will be the Chair. This will result in the Board having five principal committees. The Board also made changes to the membership of the various Committees as a result of the compositional changes to the Board during the financial year.

Audit, Compliance and Risk

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

Number of meetings during the year	2
Valentine Chitalu (Chair)	2
Wim Borgdorff (from September 2014)	1
Keki Mistry (from September 2014)	1
Jeremy Sillem (to December 2014)	1
Fields Wicker-Miurin OBE (to May 2014)	1
Graham Wrigley	2

Directors' and Strategic Report

Continued

The Audit, Compliance and Risk Committee's main duties are to oversee the affairs of CDC, in particular to review the financial statements; review the findings of the external auditor; review the independence of the external auditor; direct the internal audit programme; monitor the management accounting and valuations procedures and policies; investigate any irregularities; oversee the Company's regulated activities and compliance function; and monitor the Company's risk management function. The last duty will be undertaken by the newly-formed Risk Committee from April 2015.

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

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

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

Remuneration

The table below indicates the members and their attendance at scheduled meetings during the year. The quorum is two members. The Chief Executive attended all meetings by invitation (recusing herself when her own remuneration was discussed).

Number of meetings during the year	3
Ian Goldin (Chair to December 2014)	3
Michele Giddens (Chair from December 2014)	1
Jeremy Sillem (to December 2014)	3
Fields Wicker-Miurin OBE (to May 2014)	2
Graham Wrigley	3

In December 2014, the Board changed the composition of the Remuneration Committee to Wim Borgdorff, Michele Giddens, Ian Goldin and Graham Wrigley. Jeremy Sillem retired in December 2014. At the Remuneration Committee meeting held in December 2014, Ian Goldin stepped down from the Chair of the Remuneration Committee with Michele Giddens becoming Chair, with effect from that meeting. Jeremy Sillem attended the December meeting.

The Remuneration Committee's remit includes the implementation of clear and transparent compensation policies consistent with CDC's mission, determining remuneration packages for the Chief Executive and senior management and making recommendations to the Board on the Company's policy on executive remuneration. Details are set out in the Directors' Remuneration Report on pages 12 to 13.

Development

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

Number of meetings during the year	6
Fields Wicker-Miurin OBE (Chair to May 2014)	3
Valentine Chitalu (to December 2014)	5
Michele Giddens (from December 2014)	1
Ian Goldin (Acting Chair from May 2014)	4
Jeremy Sillem (to December 2014)	5
Graham Wrigley	6

In December 2014, the Board changed the composition of the Development Committee to Michele Giddens, Ian Goldin and Graham Wrigley, with Valentine Chitalu stepping down and Jeremy Sillem retiring. Ian Goldin continues to act as Chair. Jeremy Sillem attended the Development Committee meeting held in December 2014.

The Development Committee has oversight of the achievement of development impact through CDC's investments. The Committee oversees the work of the Development Impact team in monitoring and evaluating the creation of good quality jobs in some of the world's poorest places, as well as broader development impacts.

Nominations

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

Number of meetings during the year	5
Graham Wrigley (Chair)	5
Wim Borgdorff (from September 2014)	1
Valentine Chitalu	4
Michele Giddens (from December 2014)	–
Ian Goldin	5
Keki Mistry (from September 2014)	–
Jeremy Sillem (to December 2014)	5
Fields Wicker-Miurin OBE (to May 2014)	1

During 2014, the Nominations Committee approved the selection process for three new independent Non-executive Directors, reviewed the shortlisted candidates and recommended three candidates for appointment by the Board, Wim Borgdorff, Michele Giddens and Keki Mistry. The Zygos Partnership, an independent firm specialising in Non-executive Director recruitment, was retained to conduct these searches.

The Board places emphasis on gender diversity, which it considers a desirable component of Board culture. In 2014, the Nominations Committee formally established a target of a minimum 25% female directors, which is currently met.

Investment Committees

The Board has delegated certain of its investment decision making powers to the Chief Executive acting through the Company's investment committees. The Company now has four investment committees, namely Funds, Equity, Credit and Impact.

The membership of the investment committees includes independent members and members of senior executive management. In 2014, certain Non-executive Directors sat on these committees including Valentine Chitalu, Jeremy Sillem and Graham Wrigley. This has been revised for 2015 and no Non-executive Directors will sit on investment committees unless an investment falls outside of the clearly defined Delegated Authorities agreed with the Board. Instead CDC has recruited highly experienced investors to complement the internal members of the investment committees. These are Wanching Ang, Adam Barron, Zarir Cama, Rod Evison, Paul Fitzsimons, Mark Gidney, Stewart Hicks, Donald Peck and Nicholas Rouse.

Directors' conflicts of interest

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

General Counsel and Company Secretary

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

Internal control

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

The Audit, Compliance and Risk Committee reviews the effectiveness of the Group's internal controls system. The key elements of the system include:

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

The most material financial risk to CDC is a significant reduction in the value of its portfolio and any subsequent impact on cash flows. This can be affected considerably by external factors beyond CDC's control. However, the Board is satisfied that the valuation process, described in note 23 to the financial statements, is rigorous and effective. It is also satisfied that CDC has robust cash forecasting and management techniques. CDC has an internal audit function, which operates to a programme approved by the Audit, Compliance and Risk Committee. CDC's executive management team operates a continuous process, agreed with the Audit, Compliance and Risk Committee, of identifying, evaluating and managing any significant risk, financial or non-financial, faced by the Company (to be undertaken by the newly-formed Risk Committee from April 2015). This process also ensures that appropriate internal control mechanisms are in place. The team provides regular reports to the Audit, Compliance and Risk Committee.

Ownership

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

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution proposing the reappointment of KPMG LLP as the Company's auditor will be put to members at the forthcoming annual general meeting. The auditor was commissioned to undertake non-audit work during the year. This was within the Group policy for non-audit work by the auditor and did not affect the objectivity and independence of the auditor.

Employees

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

Website

The maintenance and integrity of CDC's website is the responsibility of the Directors. The work carried out by the auditor does not involve consideration of these matters and accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Nicola Morse

Nicola Morse
Company Secretary
CDC Group plc
On behalf of the Board of Directors
14 April 2015
Registered in England No. 3877777

Directors' Remuneration Report

Remuneration framework

Base salary

Individual base salaries reflect the job responsibilities, as well as experience and skills of each individual and are benchmarked to the comparator group. The comparator group for benchmarking purposes will be based on Development Finance Institutions for the investment teams and General Industry for the operations teams.

Annual increases to base salaries will be considered by the Remuneration Committee having regard to the change in Consumer Price Index (CPI) and other economic factors. In this respect, the annual increase in January 2015 was 1.3% which was the CPI for the year to October 2014.

Annual personal performance plan (APPP)

Employees in CDC, with the exception of the CEO, will qualify for an APPP award, subject to the achievement of annual individual and team objectives. Such APPP awards may be up to 20% of salary.

Long-term development performance plan (LTDPP)

Senior CDC staff will qualify for an LTDPP award, capped relative to an individual's salary and determined on tenure, development outcome and performance of CDC's portfolio. The CEO's LTDPP award will be capped at £40,000 p.a. but this is subject to an overall salary and LTDPP cap of £300,000 p.a. (non-pension benefits do not count towards this overall cap). Payment of the LTDPP pool will be closely linked to the development impact potential and, increasingly over time, actual performance of CDC's portfolio.

Benefits

Benefits offered to all staff including Executive Directors:

- life assurance cover, which will pay a lump sum equivalent to either four times base salary in the event of death, plus a dependent pension of 30% of salary, or eight times base salary with no dependent pension;
- permanent health insurance, which provides cover in the event that they are unable, through ill health, to continue to work for the Company;
- private medical insurance, which can include cover for family members;
- medical check-ups for all staff that frequently travel overseas on business; and
- non-contributory pension.

Pension arrangements

Diana Noble is eligible for contributions at the rate of 22.5% of base salary into a pension plan of her choice. Details of her pension contributions are disclosed on page 13.

Remuneration committee

CDC's Remuneration Committee during 2014 comprised Ian Goldin (Chair to December 2014), Michele Giddens (Chair from December 2014), Wim Borgdorff (from December 2014), Jeremy Sillem (to December 2014), Fields Wicker-Miurin (to May 2014) and Graham Wrigley.

Service agreements

Diana Noble has a service agreement which is terminable on either side by 12 months' notice. Diana Noble will receive a salary of £265,815 for 2015 (2014: £262,400). She will not participate in the APPP but will be entitled to participate in CDC's LTDPP subject to the cap mentioned above.

The Non-executive Directors have letters of appointment including the terms disclosed on page 13. Non-executive Director will be subject to re-election at an annual general meeting in accordance with the provisions for retirement of Directors by rotation contained in CDC's Articles of Association. During the year, three Non-executive Directors were appointed, Wim Borgdorff, Michele Giddens and Keki Mistry.

The remuneration of the Non-executive Directors takes the form of fees which have been agreed with DFID. The basic fee for all current Non-executive Directors (except for the Chairman) is £22,000 per annum (2013: £22,000).

The Chairman, Graham Wrigley, receives a basic fee of £35,000 per annum. Non-executive Directors appointed prior to 2014, except the Chairman, received an additional £2,000 per annum (2013: £2,000) for each committee membership or £4,000 per annum (2013: £4,000) for each committee they chair. Non-executive Directors appointed from 2014 will receive a fee of £22,000 to sit on the Board plus two committees and an additional £6,000 if they are appointed as Chair to any of the committees.

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

The Board are currently reviewing the interaction between investment committees and the Board to improve processes.

The fees paid to Non-executive Directors in 2014 are set out in the table below. The Non-executive Directors do not participate in any of the incentive or benefit schemes of the Company.

The service agreements and letters of appointment of the Directors include the following terms:

	Date of contract	Notice period (months)
Executive Director		
Diana Noble	7 November 2011	12
Non-executive Director		
Wim Borgdorff	1 September 2014	3
Valentine Chitalu	26 May 2010	3
Michele Giddens	1 December 2014	3
Ian Goldin	10 February 2010	3
Keki Mistry	1 September 2014	3
Jeremy Sillem (retired 10 December 2014)	29 March 2011	3
Fields Wicker-Miurin OBE (retired 31 May 2014)	7 October 2004	3
Graham Wrigley	4 December 2013	3

Outside directorships

The Company believes that it can benefit from Executive Directors holding non-executive appointments. It also believes that such appointments provide a valuable opportunity for personal and professional development. Such appointments are subject to the approval of the Board. The Chief Executive currently holds no such non-executive appointment.

Directors' remuneration

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

	Base salary/fee £	Investment committee fee £	LTDPP £	Non-pension benefits £	Total 2014 £	Total 2013 £
Executive Director						
Diana Noble	262,400	–	37,599	2,577	302,576	291,829
Non-executive Directors						
Wim Borgdorff (from 1 September 2014)	7,333	–	–	–	7,333	–
Valentine Chitalu	30,000	15,000	–	–	45,000	45,000
Michele Giddens (from 1 December 2014)	1,833	–	–	–	1,833	–
Ian Goldin	30,000	–	–	–	30,000	30,000
Keki Mistry (from 1 September 2014)	7,333	–	–	–	7,333	–
Jeremy Sillem (to 10 December 2014)	28,000	15,000	–	–	43,000	43,000
Fields Wicker-Miurin OBE (to 31 May 2014)	13,333	–	–	–	13,333	32,000
Graham Wrigley	35,000	–	–	–	35,000	16,538
Past Directors						
Richard Gillingwater CBE (Chairman to December 2013)	–	–	–	–	–	40,000

Pension entitlements (audited by KPMG LLP)

Diana Noble is entitled to a pension contribution in respect of 2014 of up to £59,040 (2013: £57,770).

No other Directors are entitled to a pension contribution.

Statement of Directors' Responsibilities

in respect of the Annual Accounts, Directors' and Strategic Report and the Financial Statements

The Directors are responsible for preparing the Annual Accounts, Directors' and Strategic Report and the Financial Statements in accordance with applicable law and regulations.

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

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

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

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

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

Independent Auditors Report to the members of CDC Group plc

We have audited the financial statements of CDC Group plc for the year ended 31 December 2014 set out on pages 16 to 43. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Lord Rockley
(Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
14 April 2015

Consolidated Statement of Financial Position

At 31 December

	Notes	2014 £m	2013 restated £m
Assets			
Non-current assets			
Equity investments	3	**2,843.6**	2,407.6
Loan investments	4	**109.3**	77.5
Plant and equipment	12	**2.4**	2.7
Forward foreign exchange contracts	7	**19.2**	41.1
		2,974.5	2,528.9
Current assets			
Trade and other receivables including prepayments	13	**12.3**	9.0
Forward foreign exchange contracts	7	**33.7**	34.0
Cash and cash equivalents	5	**395.9**	407.0
		441.9	450.0
Total assets		**3,416.4**	2,978.9
Equity and liabilities			
Attributable to the equity holders of the Company			
Issued capital	6	**765.0**	765.0
Retained earnings		**2,604.1**	2,183.9
Total equity		**3,369.1**	2,948.9
Non-current liabilities			
Net pension liability	15	**–**	3.4
Forward foreign exchange contracts	7	**0.8**	–
Other payables		**5.7**	3.4
		6.5	6.8
Current liabilities			
Trade and other payables	14	**23.8**	21.8
Forward foreign exchange contracts	7	**17.0**	1.4
		40.8	23.2
Total liabilities		**47.3**	30.0
Total equity and liabilities		**3,416.4**	2,978.9

Notes 1 to 23 form part of the financial statements.

The accounts were approved by the members of the Board on 14 April 2015 and were signed on their behalf by:

Graham Wrigley
Chairman

Diana Noble
Chief Executive

Consolidated Statement of Comprehensive Income

For the 12 months to 31 December

	Notes	2014 Total £m	2013 restated Total £m
Investment income	8	**14.7**	13.6
Fair value gains	3	**418.2**	94.8
Other income	8	**8.7**	9.7
Administrative and other expenses	9	**(30.7)**	(35.1)
		396.2	69.4
Profit from operations before tax and finance costs		**410.9**	83.0
Finance costs		**(0.1)**	(0.1)
Finance income		**1.1**	1.6
Net foreign exchange differences	10	**5.9**	25.1
Profit from operations before tax		**417.8**	109.6
Tax charge	11	**–**	–
Profit for the year		**417.8**	109.6
Other comprehensive income			
Items that will never be reclassified to profit and loss:			
Recognised actuarial gain/(loss) on pensions	15	**2.4**	(2.1)
		2.4	(2.1)
Total comprehensive income for the year		**420.2**	107.5

Notes 1 to 23 form part of the financial statements.

Consolidated Statement of Cash Flows

For the 12 months to 31 December

	Notes	2014 £m	2013 restated £m
Cash flows from operating activities			
Profit from operations before tax		**417.8**	109.6
Depreciation of plant and equipment	12	**0.3**	0.2
Finance income		**(1.1)**	(1.6)
Finance costs		**0.1**	0.1
Impairment of loan investments	4	**0.7**	0.2
Defined benefit pension costs		**–**	0.1
Change in value of equity investments	3	**(418.2)**	(94.8)
Exchange and other movements		**(1.9)**	3.1
Profit from operations before changes in working capital and provisions		**(2.3)**	16.9
Decrease in trade and other receivables		**1.4**	12.5
Decrease/(increase) in derivative financial instruments		**38.6**	(39.2)
Increase/(decrease) in trade and other payables		**4.3**	(10.3)
Utilisation of provisions		**–**	(0.5)
Cash flows from operations		**42.0**	(20.6)
Defined benefit pension contributions paid	15	**(1.0)**	(1.0)
Bank interest received		**1.1**	1.6
Interest paid		**–**	(0.1)
Cash flows from operating activities		**42.1**	(20.1)
Cash flows from investing activities			
Proceeds from sale of equity investments	3	**539.9**	256.8
Acquisition of equity investments	3	**(557.7)**	(376.9)
Acquisition of plant and equipment	12	**–**	(2.9)
Loan advances	4	**(73.1)**	(39.3)
Loan repayments	4	**37.7**	2.0
Cash flows from investing activities		**(53.2)**	(160.3)
Net decrease in cash and cash equivalents		**(11.1)**	(180.4)
Cash and cash equivalents at 1 January		**407.0**	587.4
Cash and cash equivalents at 31 December	5	**395.9**	407.0

Consolidated Statement of Changes in Equity

	Notes	Share capital £m	Currency translation reserve £m	Retained earnings £m	Non-controlling interest £m	Total £m
At 1 January 2013		765.0	(41.1)	2,097.1	7.0	2,828.0
Change in accounting policy	1	–	41.1	(20.7)	(7.0)	13.4
At 1 January 2013 (restated)		765.0	–	2,076.4	–	2,841.4
Changes in equity for 2013						
Recognised actuarial loss on pensions		–	–	(2.1)	–	(2.1)
Net charge recognised directly in equity		–	–	(2.1)	–	(2.1)
Profit for the year (restated)		–	–	109.6	–	109.6
Total comprehensive income for the year (restated)		–	–	107.5	–	107.5
At 31 December 2013 (restated)		765.0	–	2,183.9	–	2,948.9
Changes in equity for 2014						
Recognised actuarial gain on pensions		**–**	**–**	**2.4**	**–**	**2.4**
Net income recognised directly in equity		**–**	**–**	**2.4**	**–**	**2.4**
Profit for the year		**–**	**–**	**417.8**	**–**	**417.8**
Total comprehensive income for the year		**–**	**–**	**420.2**	**–**	**420.2**
At 31 December 2014		**765.0**	**–**	**2,604.1**	**–**	**3,369.1**

Company Statement of Changes in Equity

	Share capital £m	Retained earnings £m	Total £m
At 1 January 2013	765.0	2,076.4	2,841.4
Profit for the year (restated)	–	109.6	109.6
Recognised actuarial loss on pensions	–	(2.1)	(2.1)
Total comprehensive income for the year (restated)	–	107.5	107.5
At 31 December 2013 (restated)	765.0	2,183.9	2,948.9
Profit for the year	**–**	**417.8**	**417.8**
Recognised actuarial gain on pensions	**–**	**2.4**	**2.4**
Total comprehensive income for the year	**–**	**420.2**	**420.2**
At 31 December 2014	**765.0**	**2,604.1**	**3,369.1**

Company Statement of Financial Position

At 31 December

	Notes	2014 £m	2013 restated £m
Assets			
Non-current assets			
Equity investments	3	**2,844.0**	2,407.9
Loan investments	4	**109.3**	77.5
Plant and equipment	12	**2.4**	2.7
Forward foreign exchange contracts	7	**19.2**	41.1
		2,974.9	2,529.2
Current assets			
Trade and other receivables including prepayments	13	**12.3**	9.0
Forward foreign exchange contracts	7	**33.7**	34.0
Cash and cash equivalents	5	**395.6**	406.7
		441.6	449.7
Total assets		**3,416.5**	2,978.9
Equity and liabilities			
Issued capital	6	**765.0**	765.0
Retained earnings		**2,604.1**	2,183.9
Total equity		**3,369.1**	2,948.9
Non-current liabilities			
Net pension liability	15	**–**	3.4
Forward foreign exchange contracts	7	**0.8**	–
Other payables including provisions		**5.7**	3.4
		6.5	6.8
Current liabilities			
Trade and other payables	14	**23.9**	21.8
Forward foreign exchange contracts	7	**17.0**	1.4
		40.9	23.2
Total liabilities		**47.4**	30.0
Total equity and liabilities		**3,416.5**	2,978.9

Notes 1 to 23 form part of the financial statements.

The accounts were approved by the members of the Board on 14 April 2015 and were signed on their behalf by:

Graham Wrigley
Chairman

Diana Noble
Chief Executive

Company Statement of Cash Flows

For the 12 months to 31 December

	Notes	2014 £m	2013 restated £m
Cash flows from operating activities			
Profit from operations before tax		**417.8**	109.6
Depreciation of plant and equipment	12	**0.3**	0.2
Finance income		**(1.1)**	(1.6)
Finance costs		**0.1**	0.1
Impairment of loan investments	4	**0.7**	0.2
Defined benefit pension costs		**–**	0.1
Change in value of equity investments	3	**(418.3)**	(94.8)
Exchange and other movements		**(1.9)**	3.1
Profit from operations before changes in working capital and provisions		**(2.4)**	16.9
Decrease in trade and other receivables		**1.4**	12.5
Decrease/(increase) in derivative financial instruments		**38.6**	(39.2)
Increase/(decrease) in trade and other payables		**4.4**	(10.3)
Utilisation of provisions		**–**	(0.5)
Cash flows from operations		**42.0**	(20.6)
Defined benefit pension contributions paid	15	**(1.0)**	(1.0)
Bank interest received		**1.1**	1.6
Interest paid		**–**	(0.1)
Cash flows from operating activities		**42.1**	(20.1)
Cash flows from investing activities			
Proceeds from sale of equity investments	3	**539.9**	256.8
Acquisition of equity investments	3	**(557.7)**	(377.2)
Acquisition of plant and equipment	12	**–**	(2.9)
Loan advances	4	**(73.1)**	(39.3)
Loan repayments	4	**37.7**	2.0
Cash flows from investing activities		**(53.2)**	(160.6)
Net decrease in cash and cash equivalents		**(11.1)**	(180.7)
Cash and cash equivalents at 1 January		**406.7**	587.4
Cash and cash equivalents at 31 December	5	**395.6**	406.7

Notes to the Accounts

1. Corporate information and accounts preparation

Corporate information

The financial statements of CDC Group plc (CDC or the Company) for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on 14 April 2015. CDC is a limited company incorporated in England and Wales whose shares are not publicly traded. The Group's primary activity is investing in emerging markets. Both the Company and some of the Group's subsidiaries make investments.

Statement of compliance

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

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

The Group applied, for the first time, IFRS 10 Consolidated Financial Statements that requires restatement of previous financial statements. Clarifying amendments to IFRS 10 issued in December 2014 were early adopted. Further the application of IFRS 12 Disclosure of Interests in Other Entitles resulted in additional disclosures in the consolidated financial statements. The nature and impact of each new standard and amendment are described below.

IFRS 10 Consolidated Financial Statements

In May 2011 the IASB issued IFRS 10 "Consolidated Financial Statements" to replace the former consolidation requirements with IAS 27 and SIC 12. In October 2012, the IASB issued the Investment Entities amendments which defined an investment entity and introduced an exception to consolidating particular subsidiaries for investment entities. The standard was endorsed by EFRAG on 20 November 2013.

Under IFRS 10 the Group is an investment entity. As a result most subsidiaries are no longer consolidated but are instead held at fair value. The change in accounting policy resulted in no adjustment to the net assets attributable to the equity holders of the Company.

Under the transitional provisions of IFRS 10 the Group has applied the new accounting policy retrospectively and restated the comparative information. The difference on restatement has been recognised in equity at the beginning of the year ended 31 December 2013.

The impact of these changes on the statement of financial position as at 31 December 2013 and the statement of comprehensive income for the year then ended are shown below:

Impact on statement of financial position	2013 £m
Increase in equity investments	49.3
Increase in loan investments	1.6
Increase in forward foreign exchange contracts	4.8
Increase in trade and other receivables including prepayments	4.4
Decrease in cash and cash equivalents	(42.8)
Increase in trade and other payables	(17.3)
Net effect on net assets	**–**
Removal of foreign currency translation reserve	(21.5)
Decrease in retained earnings as at 31 December 2013	21.5
Net effect on equity	**–**

Impact on statement of comprehensive income and retained earnings	2013 £m
Decrease in retained earnings at 1 January 2013	(20.7)
Impact on statement of comprehensive income	
Decrease in income	(4.1)
Decrease in fair value gains	(57.7)
Increase in other income	2.1
Decrease in administrative expenses	1.9
Increase in other expenses	(6.6)
Decrease in finance costs	0.2
Decrease in finance income	(0.3)
Increase in net foreign exchange differences	44.4
Decrease in profit from discontinued operations, net of tax	(9.4)
Adjustment for non-controlling interest share of profits	7.4
Net effect on comprehensive income	(22.1)
Decrease in retained earnings as at 31 December 2013 before transfers	(42.8)
Foreign currency translation reserve transfers	21.3
Decrease in retained earnings as at 31 December 2013	**(21.5)**

Basis of preparation

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

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised. The area on which the most significant estimates and judgements are made is on the fair value of equity investments. The Group's fair value methodology for equity investments is disclosed in note 23.

In the process of applying the accounting policies, CDC has made the following judgement which has a significant effect on the amounts recognised in the financial statements:

Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis

1. Corporate information and accounts preparation (continued)

CDC's purpose is to invest for capital appreciation and investment income so as to contribute to sustainable development and economic growth in Africa and South Asia by creating lasting employment.

CDC has one investor, the Department for International Development ("DFID"). Its funds were previously provided by DFID in the form of share capital with the intention that CDC provides investment management services by using those funds to invest in developing countries through a mixture of direct investment and fund of funds private equity structures. Whilst CDC has not received further funds from DFID for a number of years, it continues to provide investment management services and continues to manage capital provided by DFID.

CDC's mission is to invest to support the growth of all sizes of private sector business from the micro-level right up to the largest because it believes that a balanced private sector is necessary for economic development and robust job creation. In addition to creating jobs, CDC intends to demonstrate that it is possible to invest successfully in challenging environments, thereby attracting other sources of capital including fully commercial capital in time. Whilst CDC's mission statement does not explicitly state that CDC commits to investing for capital return and/or investment income, the nature of the investments made by CDC and its track record in recent years indicates that investments are being made on this basis. The core remit of all investments is that capital appreciation and investment income will be earned, alongside a sustainable return in the countries within which they are investing. Moreover CDC currently invest in a range of large and mid-market Private Equity houses who are clearly focussed on such capital appreciation. These houses have a diverse range of investors including high net wealth individuals, financial institutions and other fund of fund investors, each of whom is investing for capital appreciation and investment income.

CDC also seeks to demonstrate that it is possible to have invested successfully in challenging environments, thereby attracting other sources of capital. CDC therefore plans a path to investment exit and a new ownership that will take the investment to its next level, as successful exits from investments have this demonstration effect.

CDC manages, measures and reports its investment portfolio of over 180 investments at fair value in accordance with International Private Equity and Venture Capital Valuation Guideline. Whilst CDC has one investor, the nature of the investor, being the UK government, is such that it is in effect investing on behalf of the UK tax payer and therefore a link to multiple unrelated investors can be made.

On the basis of the above, CDC has concluded that it meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries who provide services and are not themselves investment entities (non-investment subsidiaries), for the year ended 31 December 2014. The financial statements of subsidiaries are prepared for the same reporting year as the Company. Consistent accounting policies are applied, with adjustments being made to bring into line any dissimilar accounting policies.

Subsidiaries are all entities over which the Company has control. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. This generally results from a shareholding of more than one half of voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are also considered when assessing whether the Company controls another entity.

Non-investment subsidiaries are fully consolidated from the date on which control passes to the Company and consolidation ceases from the date that control ends. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated in full on consolidation.

All investment entity subsidiaries are accounted for at fair value through profit and loss.

Associates

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

Foreign currency translation

Items included in the financial statements of each of the Group's non-investment subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Pounds Sterling.

Foreign currency transactions are translated into the functional currency of the underlying reporting entity using the exchange rate prevailing at the date of the transaction. Assets and liabilities are retranslated at spot rates at the statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of assets and liabilities denominated in foreign currencies at the year end exchange rate are recognised in the statement of comprehensive income.

The results and financial position of all non-investment subsidiaries that have a functional currency different from the reporting currency of the Group are translated into the presentation currency as follows:

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

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

A summary of other significant accounting policies can be found in note 23.

Notes to the Accounts

Continued

2. Operating segments analysis

CDC has one business segment, which is its investment business. Management reports containing key performance indicators for the business are prepared on a quarterly basis for review by the Board. Detailed commentary on CDC's key performance indicators can be found in the Financial Performance review on pages 1 to 5. Key performance indicators for the business include: total return after tax; portfolio value; investment drawdowns; and portfolio cash generated. Total return after tax reflects the performance of the business and includes unrealised value movements that are contained within the portfolio at valuation in the statement of financial position. Investment drawdowns and portfolio cash generated reflect the cash outflows and inflows of the investment business.

Within the management reports, CDC also consolidates investment entity subsidiaries. In the primary statements, these investment entity subsidiaries are not consolidated but are held as investments at fair value. The classification differences relate mainly to portfolio, cash and cash flows.

Statement of comprehensive income

			Reconciling items		
	Notes	Primary statements 2014 £m	Reclassify portfolio Items 2014 £m	Other items and reclassifications 2014 £m	Management reports 2014 £m
Portfolio return	3 & 8*	**432.0**	**18.9**	**–**	**450.9**
Administrative expenses/operating costs	9	**(29.7)**	**–**	**0.3**	**(29.4)**
Other net income/(expense)		**16.9**	**(18.9)**	**0.7**	**(1.3)**
Finance costs		**(0.1)**	**–**	**0.1**	**–**
Finance income		**1.1**	**–**	**(1.1)**	**–**
Total comprehensive income/total return after tax		**420.2**	**–**	**–**	**420.2**

		2013 restated £m	2013 £m	2013 £m	2013 £m
Portfolio return	3 & 8*	101.4	29.7	9.8	140.9
Administrative expenses/operating costs	9	(28.1)	4.7	(0.1)	(23.5)
Other net income/(expense)		32.7	(34.4)	1.6	(0.1)
Finance costs		(0.1)	–	0.1	–
Finance income		1.6	–	(1.6)	–
Total comprehensive income/total return after tax		107.5	–	9.8	117.3

* Portfolio return per the primary statements is the aggregate of the increase/(decrease) in fair value of equity investments in note 3, provision charges in note 4 and total income in note 8.

2. Operating segments analysis (continued)

Statement of financial position

	Notes	Primary statements 2014 £m	Reconciling items: Reclassify portfolio items 2014 £m	Reconciling items: Other items and reclassifications 2014 £m	Management reports 2014 £m
Portfolio value	3 & 4*	**2,958.7**	**40.5**	**(76.2)**	**2,923.0**
Net cash and short term deposits	5	**395.9**	**–**	**58.5**	**454.4**
Other net assets/(liabilities)		**14.5**	**(40.5)**	**17.7**	**(8.3)**
Total net assets attributable to equity holders of the Company		**3,369.1**	**–**	**–**	**3,369.1**
		2013 restated £m	2013 £m	2013 £m	2013 £m
Portfolio value	3 & 4*	2,486.2	73.4	(55.4)	2,504.2
Net cash and short term deposits	5	407.0	–	42.8	449.8
Other net assets/(liabilities)		55.7	(73.4)	12.6	(5.1)
Total net assets attributable to equity holders of the Company		2,948.9	–	–	2,948.9

* Portfolio per the primary statements is the aggregate of equity investments in note 3 and the total of current and non-current loan investments in note 4.

Statement of cash flows

	Primary statements 2014 £m	Reconciling items: Reclassify portfolio items 2014 £m	Reconciling items: Other items and reclassifications 2014 £m	Management reports 2014 £m
Portfolio drawdowns	**(630.8)**	**–**	**158.5**	**(472.3)**
Portfolio receipts	**577.6**	**13.4**	**(124.6)**	**466.4**
Net investment flows	**(53.2)**	**13.4**	**33.9**	**(5.9)**
Other cash flows	**42.1**	**(13.4)**	**(18.2)**	**10.5**
Net (decrease)/increase in cash & cash equivalents	**(11.1)**	**–**	**15.7**	**4.6**
	2013 restated £m	2013 £m	2013 £m	2013 £m
Portfolio drawdowns	(416.2)	–	0.2	(416.0)
Portfolio receipts	258.8	9.2	40.0	308.0
Net investment flows	(157.4)	9.2	40.2	(108.0)
Other cash flows	(23.0)	(9.2)	0.3	(31.9)
Net decrease in cash & cash equivalents	(180.4)	–	40.5	(139.9)

Notes to the Accounts

Continued

3. Equity investments

	Group					
	2014 Listed Shares £m	2014 Unlisted Shares £m	2014 Total £m	2013 restated Listed Shares £m	2013 restated Unlisted Shares £m	2013 restated Total £m
At 1 January, at fair value	**19.4**	**2,388.2**	**2,407.6**	34.1	2,158.6	2,192.7
Additions	**–**	**557.7**	**557.7**	9.0	367.9	376.9
Disposals	**–**	**(539.9)**	**(539.9)**	(29.9)	(226.9)	(256.8)
(Decrease)/increase in fair value for the year	**(1.9)**	**420.1**	**418.2**	6.2	88.6	94.8
At 31 December, at fair value	**17.5**	**2,826.1**	**2,843.6**	19.4	2,388.2	2,407.6

	Company							
	2014 Listed Shares £m	2014 Unlisted Shares £m	2014 Shares held in Group Companies £m	2014 Total £m	2013 restated Listed Shares £m	2013 restated Unlisted Shares £m	2013 restated Shares held in Group Companies £m	2013 restated Total £m
At 1 January, at fair value	**19.4**	**2,388.2**	**0.3**	**2,407.9**	34.1	2,158.6	–	2,192.7
Additions	**–**	**557.7**	**–**	**557.7**	9.0	367.9	0.3	377.2
Disposals	**–**	**(539.9)**	**–**	**(539.9)**	(29.9)	(226.9)	–	(256.8)
(Decrease)/increase in fair value for the year	**(1.9)**	**420.1**	**0.1**	**418.3**	6.2	88.6	–	94.8
At 31 December, at fair value	**17.5**	**2,826.1**	**0.4**	**2,844.0**	19.4	2,388.2	0.3	2,407.9

Listed shares represent Level 1 of the fair value hierarchy, unless they are valued on a basis other than the quoted price as explained in note 23. The current value of such investments is £9.3m (2013: £8.8m) and they are included within Level 3. Unlisted shares are included within Level 3. CDC holds no Level 2 investments. There have been no transfers between Level 1 (listed shares) and Level 3 (unlisted shares) and vice versa during the year.

The different levels have been defined as follows:

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

The Group's fair value methodology for equity investments is disclosed note in 23.

Under level 3, if the net asset values of the funds change by 10% (the net asset value being the key unobservable input) then the market value would change by £282.6m (2013: £238.8).

The fair value hierarchy also applies to forward foreign exchange contracts, see note 7 for further details.

The Group has exposure to a number of unconsolidated structured entities as a result of its investment activities in equity. They are limited life private equity funds or co-investments managed by general partners under a limited partnership agreement. The risk and maximum exposure to loss arising from the Group's involvement with these entities is their fair value of £1,385.3m. The Group earned investment income of £1.5m and generated fair value gains of £253.4m from these entities during the year.

4. Loan investments

	Group and Company	
	2014 **£m**	2013 restated £m
At 1 January	**78.6**	44.7
Loan advances	**73.1**	39.3
Loan repayments	**(37.7)**	(2.0)
Provision charge for the year	**(0.7)**	(0.2)
Exchange adjustment	**1.8**	(3.2)
At 31 December	**115.1**	78.6
Less: Loan investments due within one year (note 13)	**(5.8)**	(1.1)
At 31 December	**109.3**	77.5

5. Cash and cash equivalents

	Group		Company	
	2014 **£m**	2013 restated £m	**2014** **£m**	2013 £m
Cash at bank and in hand	**62.1**	35.9	**61.8**	35.8
Short-term deposits receivable within 90 days	**333.8**	371.1	**333.8**	370.9
Total cash and cash equivalents	**395.9**	407.0	**395.6**	406.7

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and 90 days depending on the immediate requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £395.9m (2013: £407.0m).

6. Issued capital

	2014 **£m**	2013 £m
Allotted, called up and fully paid		
765,036,043 Ordinary shares of £1 each	**765.0**	765.0

Special rights redeemable preference share

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

Parent company

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

Notes to the Accounts

Continued

7. Forward foreign exchange contracts ('FFECs')

Forward foreign exchange contracts (current and non-current) comprise:

	Group 2014 £m	Group 2013 restated £m	Company 2014 £m	Company 2013 £m
Gross foreign exchange contracts in profit	**52.9**	75.1	**52.9**	75.1
Gross foreign exchange contracts in loss	**(17.8)**	(1.4)	**(17.8)**	(1.4)
Net total	**35.1**	73.7	**35.1**	73.7

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

	Group 2014 £m	Group 2013 restated £m	Company 2014 £m	Company 2013 £m
Non-current assets	**19.2**	41.1	**19.2**	41.1
Current assets	**33.7**	34.0	**33.7**	34.0
Non-current liabilities	**(0.8)**	–	**(0.8)**	–
Current liabilities	**(17.0)**	(1.4)	**(17.0)**	(1.4)
Total	**35.1**	73.7	**35.1**	73.7

Under the Group's contractual netting arrangements with counterparties, each counterparty is in a net asset position.

In accordance with the fair value hierarchy described in note 3, forward foreign exchange contracts are measured using Level 2 inputs.

Contracts not designated for hedge accounting

At 31 December 2014, the Group held 106 FFECs (2013: 101 FFECs) which were not designated for the purposes of hedge accounting, but were used to mitigate the currency effects on the Group's US$, South African rand (ZAR), Euro and Indian rupee (INR) denominated debt investments and cash balances.

The Group's Sterling denominated contracts comprise:

Foreign currency	2014 Foreign currency in millions	2014 Average spot price	2014 £m	2013 Foreign currency in millions	2013 Average spot price	2013 £m
US dollar	**944.1**	**1.5867**	**595.0**	2,363.3	1.5729	1,502.5
South African rand	**43.0**	**18.0393**	**2.4**	118.5	15.1761	7.8
Euro	**59.3**	**1.2716**	**46.6**	76.8	1.1955	64.2
Indian rupee	**1,151.0**	**93.0929**	**12.4**	8,352.3	86.7357	96.3

The Group's Non-Sterling denominated contracts with investment entities comprise:

Foreign currency	2014 Foreign currency in millions	2014 Average spot price	2014 US$m	2013 Foreign currency in millions	2013 Average spot price	2013 US$m
Indian rupee	**2,004.0**	**61.7375**	**32.5**	518.3	61.7000	8.4

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

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in managing the risks of the Group can be found in the Financial Performance review on page 1 to 5.

8. Income

	2014 Total £m	2013 restated Total £m
Investment income		
Interest income	**12.2**	9.9
Loan and guarantee fee income	**0.8**	0.3
Dividend income	**1.7**	3.4
Total investment income	**14.7**	13.6
Other income		
Management fee income	**7.3**	6.4
Other operating income	**1.4**	3.3
Total other income	**8.7**	9.7

9. Administrative and other expenses

	2014 Total £m	2013 restated Total £m
Wages and salaries	**(10.6)**	(7.5)
Social security costs	**(1.7)**	(0.9)
Pension costs – defined benefit	**–**	(0.1)
Pension costs – defined contribution	**(0.9)**	(0.6)
Long-term Development Performance Plan accrual	**(2.5)**	(3.4)
Total employee benefits expense	**(15.7)**	(12.5)
Professional services	**(2.4)**	(2.2)
Auditors' remuneration (see below)	**(0.7)**	(0.6)
Operating leases expense	**(1.7)**	(1.2)
Other administrative expenses	**(9.2)**	(11.6)
Total administrative expenses	**(29.7)**	(28.1)
Depreciation of plant and equipment	**(0.3)**	(0.2)
Other expenses	**(0.7)**	(6.8)
Total administrative and other expenses	**(30.7)**	(35.1)

The average monthly number of Group employees during the year was 120 (2013: 83).

Refer to pages 12 to 13 for the Directors' Remuneration Report which gives more details on remuneration and Long-term Development Performance Plan.

	2014 Total £m	2013 restated Total £m
Audit of the financial statements*	**(0.2)**	(0.2)
Other services	**(0.5)**	(0.4)
Total auditor remuneration	**(0.7)**	(0.6)

*Audit fees for the Company amounted to £0.2m (2013: £0.2m).

Notes to the Accounts

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10. Net foreign exchange differences

	2014 Total £m	2013 restated Total £m
Exchange gains/(losses) arising on loan investments	**1.8**	(3.2)
Exchange (losses)/gains arising on forward foreign exchange contracts	**(20.4)**	29.6
Exchange gains/(losses) arising on cash and cash equivalents	**24.5**	(1.3)
Total net foreign exchange differences	**5.9**	25.1

11. Tax

The UK Corporation tax rate is reconciled to the effective tax rate for the year as follows:

	2014 %	2013 %
UK Corporation tax rate	**21.5**	23.3
Effect of UK tax exemption	**(21.5)**	(23.3)
Effective tax rate for the year	**–**	–

UK tax exemption

By virtue of the CDC Act 1999, CDC Group plc was granted exemption from UK Corporation tax with effect from 1 May 2003. This exemption amounted to £89.8m in 2014 (2013: £25.5m). The exemption does not apply to both the Company in jurisdictions outside the UK and the Company's subsidiaries which pay tax in the jurisdictions where they operate.

12. Plant and equipment

	Group		Company	
	2014 Plant and equipment £m	2013 restated Plant and equipment £m	2014 Plant and equipment £m	2013 Plant and equipment £m
At 1 January	**2.7**	–	**2.7**	–
Additions	**–**	2.9	**–**	2.9
Depreciation charge for the year	**(0.3)**	(0.2)	**(0.3)**	(0.2)
At 31 December	**2.4**	2.7	**2.4**	2.7

13. Trade and other receivables

	Group and Company	
	2014 £m	2013 restated £m
Loan investments due from third parties (note 4)	**5.8**	1.1
Amounts owed by investment entities	**4.4**	5.3
Prepayments	**0.5**	0.1
VAT recoverable	**0.4**	1.0
Other receivables	**1.2**	1.5
Total trade and other receivables	**12.3**	9.0

14. Trade and other payables (current)

	Group		Company	
	2014 £m	2013 restated £m	2014 £m	2013 restated £m
Trade payables	**0.2**	0.5	**0.2**	0.5
Amounts owed to investment entities	**18.2**	17.3	**18.2**	17.3
Amounts owed to non-investment subsidiaries	**–**	–	**0.1**	–
Other taxes and social security	**0.4**	0.3	**0.4**	0.3
Other payables	**0.8**	0.1	**0.8**	0.1
Accruals and deferred income	**4.2**	3.6	**4.2**	3.6
Total trade and other payables (current)	**23.8**	21.8	**23.9**	21.8

15. Pension commitments

The Company and Group operate one funded pension scheme in the UK called the CDC Pensions Scheme. This provides benefits on a defined benefit basis for staff who entered service prior to 1 April 2000. Subsequent entrants are eligible for membership of a separate defined contribution scheme. The pension scheme is funded by the payment of contributions to a separately administered trust fund.

The majority of the scheme's liabilities are covered by an insurance policy bought by the Pension Scheme Trustee in 2009. The buy-in substantially reduces the chance that scheme assets will diverge in value from the scheme liabilities. For example, if the discount rate was to decrease by 0.25%, scheme liabilities would increase by 5.1% but this would be largely offset by an increase in scheme assets of 5.0%. Similarly, if life expectancy at age 60 was to increase by one year, scheme liabilities would increase by 3.7% but assets would increase by 3.6%. The 31 March 2012 actuarial valuation showed that after the buy-in, Technical Provisions were £12.6m and the scheme assets were £12.7m, giving a funding surplus of £0.1m. Having taken advice from a firm of independent qualified actuaries, the agreed contributions payable by the Company from 2014 are £1.0m per year. Annual valuations are prepared using the projected unit credit method. Scheme assets are stated at their market values at the respective statement of financial position dates. The weighted average duration of the defined benefit obligations is 19 years.

Main assumptions:	2014 %	2013 %
Discount rate	**3.5**	4.3
Inflation assumption	**3.3**	3.6
Pre 1 May 1996 joiners (for pensions accrued before 1 April 2000) increases	**5.0**	5.0
Pre 1 May 1996 joiners (for pensions accrued after 31 March 2000) increases and post 30 April 1996 joiners	**3.3**	3.6
Rate of increase for deferred pensions	**3.3**	3.6

Life expectancy of a pensioner reaching age 60	Male	Female
In 2014	29.5	32.9
In 2013	29.4	32.8
In 2024	30.8	33.1
In 2023	30.8	33.1

Assets and liabilities of the scheme at 31 December	2014 £m	2013 £m
Buy-in contract with Rothesay Life	**387.6**	339.6
Net current assets	**11.1**	10.1
Fair value of assets	**398.7**	349.7
Defined benefit obligation	**(391.3)**	(353.1)
Surplus/(deficit)	**7.4**	(3.4)
Restriction due to asset ceiling	**(7.4)**	–
Net pension liability	**–**	(3.4)

Reconciliation of the asset/(liability):	Defined benefit obligation £m	Fair value of assets £m	Asset Ceiling £m	Asset/ (liability) £m
At 31 December 2013	(353.1)	349.7	–	(3.4)
Administration costs incurred during the year	**–**	**(0.3)**	**–**	**(0.3)**
Interest cost	**(14.4)**	**14.7**	**–**	**0.3**
Cost recognised in administrative expenses	**(14.4)**	**14.4**	**–**	**–**
Actuarial gain due to liability experience	**1.9**	**–**	**–**	**1.9**
Actuarial loss due to liability assumptions	**(42.5)**	**–**	**–**	**(42.5)**
Actuarial gain on assets	**–**	**50.4**	**–**	**50.4**
Restriction due to asset ceiling	**–**	**–**	**(7.4)**	**(7.4)**
Remeasurement effects recognised in the Group's statement of comprehensive income	**(40.6)**	**50.4**	**(7.4)**	**2.4**
Employer contributions to the CDC Pensions Scheme	**–**	**1.0**	**–**	**1.0**
Benefits paid (including administration costs)	**16.8**	**(16.8)**	**–**	**–**
Cashflows	**16.8**	**(15.8)**	**–**	**1.0**
At 31 December 2014	**(391.3)**	**398.7**	**(7.4)**	**–**

Notes to the Accounts

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16. Financial instruments

The Group's principal financial assets (as defined in IFRS 7) comprise cash, short-term deposits, amounts receivable under finance leases, foreign exchange contracts, trade receivables, loan investments and equity investments. For the purposes of this note, the disclosure on financial assets has been split between these asset classes in order to give more meaningful information. Financial liabilities comprise trade and other payables and foreign exchange contracts. The benchmark rate for floating rate assets and liabilities is based on one-week to six-month LIBOR rates.

None of the Group's trade receivables or payables bear interest.

Interest rate exposures – Group

	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
Financial assets: Cash							
2014	**–**	**59.8**	**2.3**	**62.1**	**–**	**–**	*****
2013 restated	–	33.1	2.8	35.9	–	–	*
Financial assets: Short-term deposits receivable within 90 days							
2014	**333.8**	**–**	**–**	**333.8**	**0.2%**	**1.0**	**–**
2013 restated	370.9	0.2	–	371.1	0.8%	1.0	–
Financial assets: Loan investments							
2014	**–**	**115.1**	**–**	**115.1**	**–**	**–**	**–**
2013 restated	–	78.6	–	78.6	–	–	–

* The Group's no interest cash is repayable on demand.

Interest rate exposures – Company

	Fixed rate £m	Floating rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
Financial assets: Cash							
2014	**–**	**59.8**	**2.0**	**61.8**	**–**	**–**	*****
2013	–	33.1	2.7	35.8	–	–	*
Financial assets: Short term deposits receivable within 90 days							
2014	**333.8**	**–**	**–**	**333.8**	**0.2%**	**1.0**	**–**
2013	370.9	–	–	370.9	0.8%	1.0	–
Financial assets: Loan investments							
2014	**–**	**115.1**	**–**	**115.1**	**–**	**–**	**–**
2013 restated	–	78.6	–	78.6	–	–	–

* The Company's no interest cash is repayable on demand.

16. Financial instruments (continued)

Currency exposures – Group

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

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

Functional currency	2014 US dollars £m	2014 Other £m	2014 Total £m	2013 restated US dollars £m	2013 restated Other £m	2013 restated Total £m
Sterling	**266.5**	**8.9**	**275.4**	176.7	14.3	191.0
Total	**266.5**	**8.9**	**275.4**	176.7	14.3	191.0

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

Functional currency	2014 Listed equity at valuation £m	2014 Unlisted equity at valuation £m	2014 Total £m	2013 restated Listed equity at valuation £m	2013 restated Unlisted equity at valuation £m	2013 restated Total £m
Sterling	**–**	**22.9**	**22.9**	–	23.3	23.3
US dollar	**5.3**	**2,601.3**	**2,606.6**	8.8	2,199.3	2,208.1
South African rand	**–**	**12.1**	**12.1**	–	6.3	6.3
Indian rupee	**–**	**94.7**	**94.7**	–	34.2	34.2
Chinese yuan	**–**	**27.2**	**27.2**	–	24.8	24.8
Euro	**–**	**67.8**	**67.8**	–	100.2	100.2
Ugandan shilling	**12.2**	**–**	**12.2**	10.6	–	10.6
Other	**–**	**0.1**	**0.1**	–	0.1	0.1
Total	**17.5**	**2,826.1**	**2,843.6**	19.4	2,388.2	2,407.6

Notes to the Accounts

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16. Financial instruments (continued)

Currency exposures – Company

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

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

Functional currency	2014 US Dollars £m	2014 Other £m	2014 Total £m	2013 US Dollars £m	2013 Other £m	2013 Total £m
Sterling	**266.5**	**8.6**	**275.1**	176.7	14.0	190.7
Total	**266.5**	**8.6**	**275.1**	176.7	14.0	190.7

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

Functional currency	2014 Listed equity at valuation £m	2014 Unlisted equity at valuation £m	2014 Total £m	2013 restated Listed equity at valuation £m	2013 restated Unlisted equity at valuation £m	2013 restated Total £m
Sterling	**–**	**22.9**	**22.9**	–	23.3	23.3
US dollar	**5.3**	**2,601.3**	**2,606.6**	8.8	2,199.3	2,208.1
South African rand	**–**	**12.1**	**12.1**	–	6.3	6.3
Indian rupee	**–**	**95.1**	**95.1**	–	34.5	34.5
Chinese yuan	**–**	**27.2**	**27.2**	–	24.8	24.8
Euro	**–**	**67.8**	**67.8**	–	100.2	100.2
Ugandan shilling	**12.2**	**–**	**12.2**	10.6	–	10.6
Other	**–**	**0.1**	**0.1**	–	0.1	0.1
Total	**17.5**	**2,826.5**	**2,844.0**	19.4	2,388.5	2,407.9

16. Financial instruments (continued)

Liquidity risk – Group

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

2014 Financial assets: Maturity profile	Short-term deposits £m	Loan investments £m	Forward foreign exchange contracts £m
Due within one year, but not on demand	333.8	5.8	33.7
Due within one to two years	–	9.9	17.8
Due within two to three years	–	12.7	0.5
Due within three to four years	–	10.5	0.9
Due within four to five years	–	35.7	–
Due after five years	–	40.5	–
Total	333.8	115.1	52.9

2013 Financial assets: Maturity profile (restated)	Short-term deposits £m	Loan investments £m	Forward foreign exchange contracts £m
Due within one year, but not on demand	371.1	1.1	34.0
Due within one to two years	–	39.3	41.1
Due within two to three years	–	5.8	–
Due within three to four years	–	7.1	–
Due within four to five years	–	4.0	–
Due after five years	–	21.3	–
Total	371.1	78.6	75.1

2014 Financial liabilities: Maturity profile	Forward foreign exchange contracts £m
Due within one year, but not on demand	17.0
Due within one to two years	0.8
Total	17.8

2013 Financial liabilities: Maturity profile (restated)	Forward foreign exchange contracts £m
Due within one year, but not on demand	1.4
Due within one to two years	–
Total	1.4

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

Notes to the Accounts

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16. Financial instruments (continued)

Liquidity risk – Company

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

2014 Financial assets: Maturity profile	**Short-term deposits £m**	**Loan investments £m**	**Forward foreign exchange contracts £m**
Due within one year, but not on demand	**333.8**	**5.8**	**33.7**
Due within one to two years	**–**	**9.9**	**17.8**
Due within two to three years	**–**	**12.7**	**0.5**
Due within three to four years	**–**	**10.5**	**0.9**
Due within four to five years	**–**	**35.7**	**–**
Due after five years	**–**	**40.5**	**–**
Total	**333.8**	**115.1**	**52.9**

2013 Financial assets: Maturity profile (restated)	Short-term deposits £m	Loan investments £m	Forward foreign exchange contracts £m
Due within one year, but not on demand	370.9	1.1	34.0
Due within one to two years	–	39.3	41.1
Due within two to three years	–	5.8	–
Due within three to four years	–	7.1	–
Due within four to five years	–	4.0	–
Due after five years	–	21.3	–
Total	370.9	78.6	75.1

2014 Financial liabilities: Maturity profile	**Forward foreign exchange contracts £m**
Due within one year, but not on demand	**17.0**
Due within one to two years	**0.8**
Total	**17.8**

2013 Financial liabilities: Maturity profile	Forward foreign exchange contracts £m
Due within one year, but not on demand	1.4
Due within one to two years	–
Total	1.4

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

Fair value of financial assets and liabilities – Group and Company

Financial assets

Quoted and unquoted equity investments are included in the statement of financial position at fair value. There is no material difference between the fair value and the book value of the Group's cash, short-term deposits, loan investments or trade and other receivables. The Group's foreign exchange contracts in profit are held in the statement of financial position at fair value.

Financial liabilities

There is no material difference between the fair value and the book value of the Group's trade and other payables. The Group's foreign exchange contracts in loss are held in the statement of financial position at fair value.

17. Financial risk management

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

Liquidity risk

The Group's and Company's policy on liquidity risk is to ensure that they always have sufficient funding to meet all short to medium-term funding requirements. The Group's cash balance at 31 December 2014 was £395.9m (2013: £407.0m) and its capital commitments including long-term commitments were £1,071.3m (2013: £1,288.6m).

Analysis of total cash balance	Group 2014 £m	Group 2013 restated £m	Company 2014 £m	Company 2013 £m
Cash at bank and in hand	**62.1**	35.9	**61.8**	35.8
Short-term deposits receivable within 90 days	**333.8**	371.1	**333.8**	370.9
Total	**395.9**	407.0	**395.6**	406.7

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

Investment commitments: maturity profile

Fund commitments are generally drawn down over a five-year term although in some cases this may be shorter. Typically, there are restrictions to ensure that there is a ceiling on the proportion of commitment that can be drawn down in one year. Direct investment commitments are typically drawn down over a shorter term.

In forecasting cash flows, CDC uses industry standard models for drawdown profiles. The Board considers this regularly when reviewing CDC's ability to meet these commitments.

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

	2014 £m	2013 £m
2006 and prior	**56.9**	65.1
2007	**160.2**	244.1
2008	**84.8**	108.5
2009	**25.1**	44.6
2010	**98.4**	143.9
2011	**102.7**	139.2
2012	**105.3**	173.1
2013	**299.5**	370.1
2014	**138.4**	–
Total	**1,071.3**	1,288.6

Notes to the Accounts

Continued

17. Financial risk management (continued)

Credit risk

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

		Group		Company	
	Notes	2014 £m	2013 restated £m	2014 £m	2013 restated £m
Equity investments	3	**2,843.6**	2,407.6	**2,844.0**	2,407.9
Loan investments	4	**115.1**	78.6	**115.1**	78.6
Forward foreign exchange contracts	7	**35.1**	73.7	**35.1**	73.7
Trade and other receivables (excluding loans)	13	**6.5**	7.9	**6.5**	7.9
Short-term deposits	5	**333.8**	371.1	**333.8**	370.9
Cash and cash equivalents	5	**62.1**	35.9	**61.8**	35.8
Total		**3,396.2**	2,974.8	**3,396.3**	2,974.8

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

	Group and Company	
	2014 £m	2013 restated £m
Not past due	**115.1**	78.6
Past due	**–**	–
Total	**115.1**	78.6

The movement in the allowance for impairment of loan investments during the year was:

	Group		Company	
	2014 £m	2013 restated £m	2014 £m	2013 £m
Balance at 1 January	**37.9**	37.7	**37.9**	37.7
Impairment loss released	**(37.9)**	–	**(37.9)**	–
Impairment loss recognised	**0.7**	0.2	**0.7**	0.2
Balance at 31 December	**0.7**	37.9	**0.7**	37.9

The ageing of loan investments impaired during the year was:

	Group and Company	
	2014 £m	2013 restated £m
Not past due	**0.7**	0.2
Total	**0.7**	0.2

Credit risk

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

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

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

17. Financial risk management (continued)

Market risk

Interest rate risk

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

As at 31 December 2014, the average interest rate earned on the Group's and Company's bank deposit was 0.2% (2013: 0.8%). A 1.0% (2013: 0.75%) change in all interest rates, with all other variables held constant, would have a 0.1%, £0.3m impact on the Group's profit before tax (2013: 0.1%, £0.1m). Although this is within the range the Company regards as acceptable, it is envisaged that the Company will use the majority of its cash balance in meeting its capital commitments.

Foreign currency risk

The Group's largest exposure is to the US dollar. As at 31 December 2014, £2,606.6m, 91.7% of the investments of the Group and Company, are denominated in US dollars (2013: £2,208.1m, 91.7%). In order to protect the Group's Sterling statement of financial position and reduce cash flow risk, the Group uses forward foreign exchange contracts to hedge foreign exposures arising on forecast receipts, cash balances and payments in foreign currencies.

A 16 cent, 10% movement in the average exchange rate for the US dollar against Sterling with all other variables held constant would impact profit by £222.3m (2013: 17 cent (10%) movement, impact: £86.7m).

Equity price risk

The Group and Company invest in a wide range of funds managed by a variety of fund managers, along with a range of direct equity investments.

As at the 31 December 2014, the Group and Company had an investment in an investment entity with a value of £1,170.4m which represented 41.2% of the Group's equity investments (2013: £983.7m, 40.9%).

A 10% change in the fair value of the Group's equity investment would impact the Group's profit by £284.3m (2013: 10% change, impact £240.8m).

Valuation risk

The Group values its portfolio according to CDC valuation methodology. CDC valuation guidelines have been developed in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Investments are valued at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants given current market conditions at the measurement date. The detailed valuation methodology sets out best practice with respect to valuing investments. Valuation risks are mitigated by comprehensive reviews of underlying investments in the private equity funds and direct investments carried out by the managers of the private equity funds at least twice a year. These valuations are reviewed by CDC management and then considered by the Audit, Compliance and Risk Committee. The details of the valuation methodology are given in note 23 to the accounts under the Investments heading.

Capital management

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

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

18. Capital commitments

Amounts contracted for but not provided for in the accounts amounted to £1,071.3m (2013: £1,288.6m) for investment commitments (note 17).

19. Operating leases

Group and Company as lessee

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

	Group and Company	
	2014 **£m**	2013 restated £m
Within one year	**1.7**	1.7
After one year but not more than five years	**6.6**	6.6
More than five years	**12.7**	14.3
Total	**21.0**	22.6

Notes to the Accounts

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20. Contingent Liabilities

The Group and the Company had the following contingent liabilities as at the 31 December 2014:

- in respect of risk participation agreements with a value of £49.0m (2013: £42.8m); and
- in respect of undertakings to power distributors and governments in connection with the operation of power generating subsidiaries with a maximum legal liability of £9.9m (2013: £9.3m).

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

21. Related party transactions

During the year, the Company entered into transactions with its consolidated and non-consolidated subsidiary companies.

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

	2014 £m	2013 £m
Statement of comprehensive income		
Interest income	**0.7**	0.1
Management fee income	**7.3**	6.4
Management fee expense	**(0.4)**	–
Interest payable	**(0.1)**	(0.1)
Statement of financial position		
Equity investments	**1,306.1**	1,061.4
Trade and other receivables	**4.4**	5.3
Trade and other payables	**(18.4)**	(17.3)

22. Principal subsidiaries

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

Subsidiaries not consolidated

Country of incorporation	Company	Class of share	Percentage held by CDC	Principal activities
Mauritius	CDC South Asia Limited	Ordinary	100	Investment holding
Guernsey	CDC Holdings Guernsey Limited	Ordinary	100	Investment holding

These subsidiaries are not consolidated due to the application of IFRS 10 and are carried at fair value through profit and loss. There are no restrictions on the ability of the unconsolidated subsidiaries to transfer cash to CDC. There are no contractual arrangements that require CDC to provide financial support to the unconsolidated subsidiaries. CDC has not provided any non-contractual assistance to any of the unconsolidated subsidiaries during the reporting year.

Subsidiaries consolidated

Country of incorporation	Company	Class of share	Percentage held by CDC	Principal activities
India	CDC India Advisers Private Limited	Ordinary	100	Investment advisory

23. Summary of significant accounting policies

The accounting policy for plant and equipment is no longer specified as it is no longer material to the Group or Company.

Non-current assets

Investments

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

Financial assets at fair value through profit and loss

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

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

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

Valuation methodologies used are as follows:

- investments where fair value derives mainly from the underlying assets, such as funds managed by fund managers, are valued at net asset value using appropriate valuation measures for the underlying assets and liabilities;
- quoted equity is normally valued at the quoted share price. However, in certain circumstances the quoted price may be considered to not represent fair value for example: shares are closely held by related parties; the shares are very thinly traded and small trades lead to excessive volatility in quoted price; or substantial transactions occur at a price that is not the quoted price. Where this is considered the situation an appropriate alternative methodology is used;
- realisations in process are valued at the expected realisation proceeds, although discounts are applied to reflect the level of certainty of the transaction completion;
- if there has been a recent investment in the company, the price of the recent investment, less any impairment charge, is used to determine fair value;
- early stage companies without positive cash flow or profit are valued using an appropriate industry benchmark if that gives a reliable estimate of fair value;
- companies with maintainable profits or cash flows are valued on an earnings basis using an appropriate earnings multiple from companies in similar sectors and markets;
- companies in industries with specific valuation metrics are valued using those specific valuation metrics where they provide the most reliable estimate of fair value;
- companies with no maintainable profits or cash flows at present, but whose cash flows can be forecast with confidence, are valued using future cash flows discounted at the appropriate risk-adjusted discount rate; and
- in exceptional cases, where fair value cannot be reliably measured, the investment is valued at the previous carrying value unless there is evidence of value impairment, in which case value is reduced to reflect the extent of estimated impairment.

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

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

Loans and receivables

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

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

Notes to the Accounts

Continued

23. Summary of significant accounting policies (continued)

Forward foreign exchange contracts ('FFECs')

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

Gains and losses on FFECs transacted as economic hedges but not qualifying for hedge accounting are taken to the statement of comprehensive income

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments, such as short-term deposits, with maturities of three months or less on initial recognition.

Impairment of assets

The carrying amounts of assets, other than deferred tax assets, financial instruments and retirement benefit assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment.

If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

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

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

Financial liabilities

Financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, contractual obligations, excluding FFECs, to deliver cash or another financial asset to another entity are measured at amortised cost using the effective interest method.

Provisions, contingent liabilities and contingent assets

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

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

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

Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

Dividends

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

Interest

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

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

Employee benefits

The Company operates a funded defined benefit pension scheme in the UK, called the CDC Pensions Scheme, for staff who entered service prior to 1 April 2000. There is a defined contribution section for subsequent entrants.

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

The costs of providing defined contribution pensions are charged to the statement of comprehensive income as they become payable.

The cost of the performance related compensation programme is accrued across the lifetime of the scheme.

Income tax

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

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

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

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

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

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

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

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

Operating segments
IFRS 8 Operating Segments requires an entity to present segment information on the same basis as the financial information which is reviewed regularly by management to assess performance. The information set out in note 2 presents the summarised financial information in order to explain more fully CDC's investment activities, together with the financial results that are presented under IFRS in which CDC consolidates all non-investment subsidiaries.

IFRSs issued but not yet effective
The accounting policies set out in these financial statements have been applied consistently to all periods presented.

The following standards are issued but not yet effective, and have been early adopted in these financial statements:

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception; and
- Amendments to IAS 1: Disclosure Initiative.

The following standards are issued but not yet effective, and have not been applied to these financial statements. The Group intends to adopt these standards when they become effective. These are not expected to have a material impact on the Group's financial statements:

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation;
- Annual Improvements to IFRSs 2012-2014 Cycle; and
- IFRS 9 Financial Instruments.

The standards listed below are issued but not yet effective and are not expected to have an impact on the Group:

- IFRS 14: Regulatory Deferral Accounts;
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of interest;
- Amendments to IAS 27: Equity Method in Separate Financial Statements;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 16 and IAS 41: Agriculture – Bearer Plants; and
- IFRS 15 Revenue from Contracts with Customers.

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