CDC Emerging Markets Limited Annual Accounts
Year ended 31 December 2015

Company Number: 03830059

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Directors' report

The directors are pleased to present their report together with the financial statements of the Company for the period ended 31 December 2015.

Directors

John Diess	Appointed 17 October 2013
Nicola Morse	Appointed 26 January 2015, resigned 27 April 2016
Clive MacTavish	Appointed 28 April 2016
Godfrey Davies	Resigned 14 July 2015

Principal activity
The principal activity of the Company is that of an investment company.

Business and performance review
The Company recorded a net loss of US$2,783,502 for the year ended 31 December 2015 (2014: US$67,723). The net asset value of the Company was US$25,498,434 at 31 December 2015 (2014: US$7,281,936).

Principle risks
The Company invests in developing countries. The Company values its portfolio according to the valuation methodology described in note 16 to the accounts. 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 at the measurement date.

Valuation risks are mitigated by comprehensive reviews of the application of the valuation methodology.

Appointment of auditor
In accordance with Section 485 of the Companies Act 2006 KPMG LLP have been appointed to audit the financial statements of the Company in 2016.

On behalf of the Board

John Diess
Director
On 13 July 2016

Statement of Directors' Responsibilities

in respect of the Directors' Report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 company and of the profit or loss of the company for that period. In preparing these 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 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 the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditors Report to the members of CDC Emerging Markets Limited

We have audited the financial statements of CDC Emerging Markets Limited for the year ended 31 December 2015 set out on pages 4 to 17. 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.

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 2 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 company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Other matter - Prior period financial statements

In forming our opinion on the financial statements, which is not modified, we note that the prior period financial statements were not audited. Consequently, International Standards on Auditing (UK and Ireland) require the auditor to state that the corresponding figures contained within these financial statements are unaudited.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or;
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Martin
(Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
13 July 2016

Statement of Financial Position

At 31 December

	Notes	2015 US$	Unaudited 2014 restated US$
Assets			
Non-current assets			
Equity investments	2	**24,382,227**	-
Loan investments	3	**67,977,614**	-
		92,359,841	-
Current assets			
Cash and cash equivalents	4	**1,349,199**	24,509,919
Forward foreign exchange contracts	6	**97,876**	-
Other receivables	7	**825,540**	-
		2,272,615	24,509,919
Total assets		**94,632,456**	24,509,919
Equity and liabilities			
Shareholders' equity			
Issued capital	5	**28,350,003**	7,350,003
Accumulated deficit		**(2,851,569)**	(68,067)
		25,498,434	7,281,936
Non-current liabilities			
Amounts due to parent company	10	**66,150,000**	17,150,000
		66,150,000	17,150,000
Current liabilities			
Amounts due to parent company	10	**1,901,690**	77,983
Forward foreign exchange contracts	6	**1,029,265**	-
Other payables and provisions	11	**53,067**	-
		2,984,022	77,983
Total liabilities		**69,134,022**	17,227,983
Total equity and liabilities		**94,632,456**	24,509,919

Notes 1 to 16 form part of the financial statements.

The accounts were approved by the members of the Board on 13 July 2016 and were signed on their behalf by:

John Diess
Director

Statement of Comprehensive Income

For the 12 months to 31 December

	Notes	2015 Total US$	Unaudited 2014 Total US$
Fair value losses	2	**(59,682)**	-
Administrative and other expenses		**(11,885)**	(5,081)
Loss from operations before tax and finance costs		**(71,567)**	(5,081)
Finance income		**825,540**	-
Finance costs		**(2,831,191)**	(62,642)
Net foreign exchange differences		**(665,007)**	-
Loss from operations before tax		**(2,742,225)**	(67,723)
Withholding tax charge	8	**(41,277)**	-
Corporation tax charge	9	**-**	-
Total comprehensive loss for the year		**(2,783,502)**	(67,723)

Notes 1 to 16 form part of the financial statements.

Statement of Cash Flows

For the 12 months to 31 December

	Notes	2015 US$	Unaudited 2014 US$
Cash flows from operating activities			
Loss from operations before tax		**(2,742,225)**	(67,723)
Finance costs		**2,831,191**	62,642
Finance income		**(825,540)**	-
Change in value of equity investments	2	**59,682**	-
Foreign exchange movements		**(289,605)**	-
Profit from operations before changes in working capital and		**(966,497)**	(5,081)
Increase in amounts due to parent company		**-**	15,000
Increase in other payables		**11,790**	-
Increase in derivative financial instruments		**931,389**	-
Cash flows from operations		**(23,318)**	9,919
Loan interest and commitment fees paid		**(1,007,484)**	-
Cash flows from operating activities		**(1,030,802)**	9,919
Cash flows from investing activities			
Acquisition of equity investments	2	**(24,441,909)**	-
Acquisition of loan investments	3	**(67,688,009)**	-
Cash flows from investing activities		**(92,129,918)**	-
Cash flows from financing activities			
Loan advances from the parent company		**53,500,000**	17,150,000
Loan repayments to the parent company		**(4,500,000)**	-
Issue of share capital	5	**21,000,000**	7,350,000
Cash flows from financing activities		**70,000,000**	24,500,000
Net decrease in cash and cash equivalents		**(23,160,720)**	24,509,919
Cash and cash equivalents at 1 January		**24,509,919**	-
Effect of exchange rate fluctuations on cash held		**-**	-
Cash and cash equivalents at 31 December		**1,349,199**	24,509,919

Statement of Changes in Equity

	Share capital US$	Accumulated deficit US$	Total US$
At 1 January 2014	3	(344)	(341)
Changes in equity for 2014			
Total loss and comprehensive loss for the year	–	(67,723)	(67,723)
Issue of share capital	7,350,000	–	7,350,000
At 31 December 2014 (unaudited)	7,350,003	(68,067)	7,281,936
Changes in equity for 2015			
Total loss and comprehensive loss for the year	-	**(2,783,502)**	**(2,783,502)**
Issue of ordinary shares	**21,000,000**	-	**21,000,000**
At 31 December 2015	**28,350,003**	**(2,851,569)**	**25,498,434**

Notes to the Accounts

1. Corporate information and accounts preparation

Corporate information

The financial statements of CDC Emerging Markets Limited (the Company) for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on 7th July 2016. CDC Emerging Markets Limited is a limited company incorporated in England and Wales. It is a wholly owned subsidiary of CDC Group plc, a public limited company incorporated in England and Wales. The Company's registered office is located at Level 1, 123 Victoria Street, London SW1E 6DE, England.

The principal activity of the Company is that of an investment company.

Statement of compliance

The financial statements of the 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.

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.

The financial statements are presented US dollars, which is also the Company's functional currency. 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 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 Company's fair value methodology for equity investments is disclosed in note 16.

A summary of other significant accounting policies can be found in note 16.

Notes to the Accounts

Continued

2. Equity investments

	2015 Unlisted Shares US$	Unaudited 2014 Unlisted Shares US$
At 1 January, at fair value	-	-
Additions	24,441,909	-
Disposals	-	-
Decrease in fair value for the year	(59,682)	-
At 31 December, at fair value	24,382,227	-

Unlisted shares are included within Level 3 of the fair value hierarchy. The Company holds no Level 1 or Level 2 investments. There have been no transfers between levels 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 Company's fair value methodology for equity investments is disclosed note in 16.

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 US$2,438,223 (2014: nil).

The fair value hierarchy also applies to forward foreign exchange contracts, see note 6 for further details.

3. Loan investments

	2015 US$	Unaudited 2014 US$
At 1 January, at fair value	-	-
Loan advances	67,688,009	-
Loan repayments	-	-
Exchange adjustment	289,605	-
At 31 December, at fair value	67,977,614	-

4. Cash and cash equivalents

	2015 US$	Unaudited 2014 US$
Cash at bank and in hand	1,349,199	24,509,919
Total cash and cash equivalents	1,349,199	24,509,919

Cash at bank and in hand earns no interest. The fair value of cash and cash equivalents is US$1,349,199 (2014: US$24,509,919).

Notes to the Accounts

Continued

5. Issued capital

	2015 No. of shares	Unaudited 2014 No. of shares
Authorised		
Ordinary shares of US$1.60 each	2	2
Class A ordinary shares of US$10,000 each	3,000	3,000

	2015 No. of shares	2015 US$	Unaudited 2014 No. of shares	Unaudited 2014 US$
Allotted, called up and fully paid Ordinary shares				
At 1 January, Ordinary shares of US$1.60 each	2	3	2	3
Issued Ordinary shares of US$1.60 each	-	-	-	-
At 31 December, Ordinary shares of US$1.60 each	2	3	2	3

	2015 No. of shares	2015 US$	Unaudited 2014 No. of shares	Unaudited 2014 US$
Allotted, called up and fully paid Class A ordinary shares				
At 1 January, Class A ordinary shares of US$10,000 each	735	7,350,000	-	-
Issued Class A ordinary shares of US$10,000 each	2,100	21,000,000	735	7,350,000
At 31 December, Class A ordinary shares of US$10,000 each	2,835	28,350,000	735	7,350,000

6. Forward foreign exchange contract ('FFEC')
Forward foreign exchange contract (non-current) with parent company comprises:

	2015 US$	Unaudited 2014 US$
Gross foreign exchange contracts in profit	97,876	-
Gross foreign exchange contracts in loss	(1,029,265)	-
Total forward foreign exchange contracts	(931,389)	-

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

	2015 US$	Unaudited 2014 US$
Non-current assets	-	-
Current assets	97,876	-
Non-current liabilities	-	-
Current liabilities	(1,029,265)	-
Total forward foreign exchange contracts	(931,389)	-

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

The Company's US Dollar denominated contract with parent company comprise:

Foreign currency	2015 Foreign currency in millions	2015 Average spot price	2015 US$	Unaudited 2014 Foreign currency in millions	Unaudited 2014 Average spot price	Unaudited 2014 US$
Indian rupee	10,354.0	66.1802	156,451,557	-	-	-

Gains or losses arising from the movement in fair value of this FFEC are taken to the statement of comprehensive income.

Notes to the Accounts

Continued

7. Other receivables

	2015 US$	Unaudited 2014 US$
Loan investment interest receivables	825,540	-
Other receivables	825,540	-

8. Withholding tax

The withholding tax charge per the statement of comprehensive income is calculated as follows:

	2015 US$	Unaudited 2014 US$
Finance income	825,540	-
Withholding tax at 5%	41,277	-
Withholding tax charge per the statement of comprehensive income	41,277	-

9. Corporation tax

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

	2015 %	Unaudited 2014 %
UK Corporation tax small profits rate	20.0	20.0
Effect of:		
Current year losses for which no deferred tax assets has been recognised	(20.0)	(20.0)
Non-deductible expenses	-	-
Effective tax rate for the year	-	-

10. Amounts due to parent company

	2015 US$	Unaudited 2014 US$
Loan due to CDC Group plc	66,150,000	17,150,000
Current account payable to CDC Group plc	15,344	15,341
Loan interest and commitment fees due to CDC Group plc	1,886,346	62,642
Total amounts due to parent company	68,051,690	17,227,983

11. Other payables and provisions

	2015 US$	Unaudited 2014 US$
Other payables	11,790	-
Withholding tax provision	41,277	-
Total other payables and provisions	53,067	-

Notes to the Accounts

Continued

12. Related party transactions

During the year, the Company entered into transactions with its parent company, all of which were carried out on an arm's length basis.

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

	2015 US$	Unaudited 2014 US$
Statement of comprehensive income		
Finance cost	**(2,831,191)**	(62,642)
Statement of financial position		
Forward foreign exchange contracts	**(931,389)**	-
Amounts due to parent company	**(68,051,690)**	(17,227,983)

Included in the amounts due to the parent company was an inter-group loan of $66,150,000 (2014: $17,150,000) which attracts a 10% interest rate charge due semi-annually to the parent company. The total size of the inter-group loan facility is $100,000,000 (2014:$50,000,000).

13. Financial instruments

The Company's principal financial assets (as defined in IFRS 7) comprise cash, equity investments, loan investments and foreign exchange contracts. 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 amounts due to parent company and foreign exchange contracts.

Interest rate exposures

	Fixed rate US$	Floating rate US$	No interest US$	Total US$	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							
2015	**-**	**-**	**1,349,199**	**1,349,199**	**-**	**-**	*****
2014 (unaudited)	-	-	24,509,919	24,509,919	-	-	*
Financial assets: Loan investments							
2015	**67,977,614**	**-**	**-**	**67,977,614**	**13.9%**	**7**	**-**
2014 (unaudited)	-	-	-	-	-	-	-

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

Currency exposures

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 US dollar statement of financial position and reduce cash flow risk, the Company uses forward foreign exchange contracts to hedge foreign exposures.

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

Functional currency	2015 US$	Unaudited 2014 US$
Indian rupee	**-**	-
Total	**-**	-

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

Functional currency	2015 Unlisted Shares .US$	Unaudited 2014 Unlisted Shares US$
Indian rupee	**24,382,227**	-
Total	**24,382,227**	-

Notes to the Accounts

Continued

13. Financial instruments (continued)

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

Functional currency	2015 US$	Unaudited 2014 US$
Indian rupee	67,977,614	-
Total	67,977,614	-

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

Financial assets: Maturity profile	2015 Forward foreign exchange contract US$	2015 Loan investments US$
Due within one year, but not on demand	97,876	-
Due after five years	-	67,977,614
Total	97,876	67,977,614

Financial liabilities: Maturity profile	2015 Forward foreign exchange contract US$	2015 Amounts owed to parent company US$
Due within one year, but not on demand	1,029,265	1,901,690
Due after five years	-	66,150,000
Total	1,029,265	68,051,690

Financial liabilities: Maturity profile	Unaudited 2014 Forward foreign exchange contract US$	Unaudited 2014 Amounts owed to parent company US$
Due within one year, but not on demand	-	77,983
Due after five years	-	17,150,000
Total	-	17,227,983

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

Fair value of financial assets and liabilities
Financial assets
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 Company's cash.

Financial liabilities
There is no material difference between the fair value and the book value of the Company's amounts payable to parent company. The Company's foreign exchange contract in loss is held in the statement of financial position at fair value.

14. Financial risk management
The 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 Company are foreign currency risk, interest rate risk, liquidity risk and credit risk. The Company use forward foreign exchange contracts, to manage their financial risks associated with their underlying business activities and the financing of those activities. The Company do not undertake any trading activity in financial instruments.

Notes to the Accounts

Continued

14. Financial risk management (continued)

Liquidity risk
The 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 Company's cash balance at 31 December 2015 was US$1,349,199 (2014: US$ 24,509,919) and its capital commitments including long-term commitments were nil (2014: nil).

The Company's contractual maturity of the forward foreign exchange contract is disclosed in note 13 Financial instruments.

Credit risk
Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 December was:

	Notes	2015 US$	Unaudited 2014 US$
Equity investments	2	**24,382,227**	-
Loan investments	3	**67,977,614**	-
Cash and cash equivalents	4	**1,349,199**	24,509,919
Total		**93,709,040**	24,509,919

The 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 Company believes no impairment allowance is necessary in respect of financial assets not past due.

Credit risk on the Company's cash balances and FFECs is mitigated as the 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.

Market risk
Foreign currency risk
Exposure to currency risk arises in the normal course of the Company's investment business. The Company has exposure to the Indian rupee. As at 31 December 2015 and 2014, all equity and loan investments held by the Company, were denominated in Indian rupee. In order to protect the Company's US dollar statement of financial position and reduce cash flow risk, the Company uses forward foreign exchange contracts to hedge foreign exposures.

A 10% movement in the average exchange rate for the Indian rupee against US dollar with all other variables held constant would impact profit by US$7,116,566 (2014: 10% movement, impact: nil).

Equity price risk
Equity investment are valued in accordance with CDC valuation methodology and included in the financial statements at fair value, with gains and losses being taken to the statement of comprehensive income.

A 10% change in the fair value of the Company's equity investment would impact the Company's profit by US$2,438,223 (2014: nil).

Valuation risk
The Company 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 16 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 safeguard the Company'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 Company's businesses.

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

Notes to the Accounts

Continued

15. Capital commitments and contingencies
Amounts contracted for but not provided for in the accounts amounted to nil (2014: nil) for investment commitments (note 14).

There are no contingencies as at the reporting date (2014: nil).

16. Summary of significant accounting policies
The accounting policy for plant and equipment is no longer specified as it is no longer material to the Company.

Non-current assets
Investments
The Company classify their equity investments as financial assets at fair value through profit and loss. 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 Company.

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 Company'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.

Notes to the Accounts

Continued

16. Summary of significant accounting policies (continued)

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 Company uses settlement date accounting when accounting for regular purchases or sales. When the Company 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 Company provides money to a counterparty in the form of loans with no intention of trading it, or, in the case of trade receivables and note 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.

Forward foreign exchange contracts ('FFECs')
The 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 comprise cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Impairment of assets
The carrying amounts of assets and financial instruments 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 Company'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.

Notes to the Accounts

Continued

16. Summary of significant accounting policies (continued)

Income
Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured. Interest is recognised as earned on an accruals basis, but is excluded if it becomes more than ninety days overdue. Investment income is accounted for on an accruals basis unless collectability is in doubt.

Income tax
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 Company and relate to the same tax authority and when the legal right to offset exists.

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

Deferred tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Company 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.

Non-UK withholding tax is calculated on investment income (currently classified as finance income) which is due on investments held outside the UK.

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 IAS 1: Disclosure Initiative.

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

- 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 Company:

- 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;
- IFRS 15 Revenue from Contracts with Customers;
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception; and
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation.

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