CDC
Investment works

Making a difference

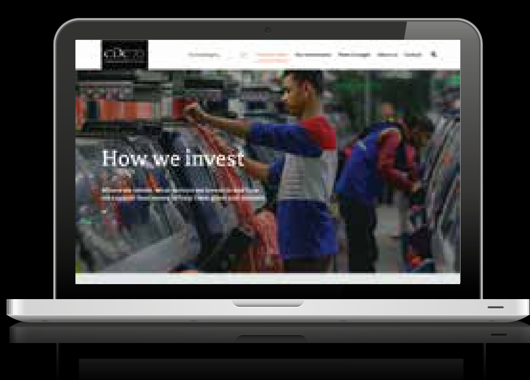
CDC Group plc
Annual Accounts 2018

The UK's development finance institution

Annual Accounts

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

CDC is the UK's development finance institution, wholly owned by the UK government. We have a dual objective: to support growth and jobs that lift people out of poverty, and to make a financial return, which we invest in more businesses. In this way, we use our capital over and over again to help create the jobs and economic stability that will enable countries to leave poverty behind.



THE GLOBAL GOALS
For Sustainable Development

cdcgroup.com

For more information and to read our Annual Accounts 2018.

Front cover image: 14Trees Malawi.

What's inside

Chairman's statement

A message from
Graham Wrigley, Chairman

> The inherent challenge of our mandate has shown that our financial returns have come down, just as we have forecast in recent years. But as a long-term developmental investor, it is our role and mandate to maintain support in challenging economic conditions.

The five-year strategic framework that we launched in July 2017 was necessarily ambitious. If the Global Goals were to be met by 2030, CDC, as well as others, needed to step-up. As you will see from reading this report, now 18 months in, we are making real progress.

Our forthcoming Annual Review 2018 will provide a more in-depth overview of our impact, however, to take one example, our work in the power sector has spanned the spectrum of challenges that leave more than a billion people without access to electricity. In 2018, we backed new solar energy in Kenya; established a green power company in India; increased our support for off-grid solar home systems; and made significant progress in developing a solution to improve the transmission and distribution of power. The impact we're seeking is broad and deep. It requires a pioneering ambition and the formation of strong partnerships and dialogues with many stakeholders.

In executing our mandate, one of our most important stakeholders is, of course, the UK taxpayer. Over the last year we have increased our accountability and transparency by putting more information on our website. We have held regular consultations with civil society on topics such as our approach to women's economic empowerment and waste. We have had numerous discussions with UK Parliamentarians and other interested parties and have worked hard to support the Independent Commission for Aid Impact in their upcoming review. The quality and diversity of these interactions have helped guide us to better solutions. I thank every one of you for your contributions.

Diversity has been on the agenda within our organisation too. The publication of our Gender Pay Gap in March prompted regular discussions about all types of diversity and inclusion at CDC and led us to initiate a number of changes to how we recruit and support people and shape a more inclusive working environment. Around the Board table itself, we were delighted to appoint two new Non-executive Directors, Dolika Banda and Andrew Alli who, being based in Lusaka and Lagos respectively, bring the voice of Africa to our discussions.

While I am positive about the progress we have made over 2018, I am also realistic about the path ahead. Many of the economies we invest in continue to face volatility and uncertainty. The inherent challenge of our mandate has shown that our financial returns have come down, just as we have forecast in recent years. Nevertheless as a long-term developmental investor, it is our role and mandate to maintain support in challenging economic conditions. We remain as committed as ever to that mandate, and the Board will maintain its strong focus on risk management to ensure we meet it responsibly.

Finally, on behalf of all the Board, I would like to thank Nick O'Donohoe, his management team and our wonderful staff for their great commitment to CDC and its mission.

As we look to 2019 and beyond, we will strive to continue to be an organisation Britain can be proud of, by being a pioneering partner to make a lasting difference to people living in Africa and South Asia.

Graham Wrigley
Chairman

In 2018, our new Catalyst strategy to support the growth of the off-grid home solar system sector led us to increase our support to individual companies and devise industry guidance on fair payment terms for consumers.

Chief Executive's statement

We have become a leader on the topic of women's economic empowerment. Our contributions to strategic thinking have been widely welcomed and initiatives such as the 2X Challenge, launched with other G7 DFIs, aims to mobilise an additional US$3 billion for investment in the world's women.

A message from
Nick O'Donohoe, Chief Executive

As we review CDC's activities in 2018, we can point to an organisation that is growing substantially and is more focused than ever before on creating a real and measurable difference to people. A difference to their ability to obtain sustainable, high-quality jobs or improve their way of life through better access to affordable goods and services.

We focus our investment in Africa and South Asia and during 2018 those regions presented both great challenges and great opportunities.

Five of the ten fastest-growing economies in the world are in Africa, with countries such as Rwanda, Ethiopia and Ghana becoming role models for private sector-led growth. In South Asia, India and, increasingly, Pakistan and Bangladesh are also providing more opportunities for development-led investing.

Yet, there is still not enough new investment. In many locations, particularly in sub-Saharan Africa, investment is falling. This means we will struggle to achieve the UN Global Goals and that, even within more successful economies, many people are still being left behind.

This means CDC's role, along with other development finance institutions (DFIs), is an important one. Our job is to go to difficult places, take risks others would not take, and focus on achieving real development outcomes.

In 2018 we were determined to play a leadership role in where we invest, how we invest and the difference our investments made to people's lives and well-being.

For example, we were amongst the very first financial institutions to provide desperately needed capital to Zimbabwe through both our loan facility with Standard Chartered Bank and our support for Takura, the country's leading investment fund manager. Our goal was to be an early supporter when change happens, go where the risks are greatest and signal our intention to be a strong and bold partner to the private sector.

In terms of how we invest, I am particularly proud of our willingness to be innovative in how we deploy capital. Through our Catalyst strategies we have identified areas of significant market failure and have thought creatively about how to help solve them. In 2018, we launched MedAccess, the first company dedicated to providing demand volume guarantees to companies manufacturing critical drugs and medical devices to make these products more affordable and more accessible in poorer countries.

Our ultimate focus is on the people and the communities in the countries where we invest. In 2018 we have taken great strides to meet the commitments we made in our 2017-2021 strategic framework to widen our impact focus and improve how we monitor, measure and learn from the impact our investments create. We appointed our first Chief Impact Officer and we now have a team of 48 impact professionals working dynamically with our investment teams to maximise impact in every investment. With a

team that is bigger and more integrated than any investor of our kind, I'm optimistic about the difference this approach will make.

Indeed, we are already seeing the difference. We have become a leader on the topic of women's economic empowerment. Our contributions to strategic thinking have been widely welcomed and initiatives such as the 2X Challenge, launched with other G7 DFIs, aims to mobilise an additional US$3 billion for investment in the world's women.

Rounding off the year, we made a US$180 million commitment to Liquid Telecom to expand broadband connectivity across Africa, connecting Cape Town to Cairo, and expanding into countries such as the Democratic Republic of the Congo and Sudan. By providing vital enabling infrastructure, this investment has the potential to be truly transformational for people right across the continent.

As we marked our 70th anniversary throughout 2018, I was reminded what an enormous privilege it is to lead an organisation with such a rich history and long commitment to supporting development around the world. Nothing we achieve would be possible without the support of our shareholder, the Department for International Development (DFID), or the commitment of our Board and all our employees who come to work every day striving to make a difference to people's lives. I am enormously appreciative and proud of all of them.

Nick O'Donohoe
Chief Executive

In 2018 CDC launched its new gender strategy and joined with other G7 DFIs to launch the 2X Challenge to mobilise an additional US$3 billion for investment in the world's women.

Introduction

Business objectives

CDC is the UK's development finance institution, wholly owned by the UK Government. We have a dual objective: to support growth and jobs that lift people out of poverty, and to make a financial return, which we invest in more businesses. In this way, we use our capital over and over again to help create the jobs and economic stability that will enable countries to leave poverty behind.

Private sector-led growth is essential for overcoming poverty and for allowing human potential to flourish. No country can prosper or move beyond reliance on aid without it. For economic growth to have a lasting, resilient impact, it must transform economies, create jobs and private sector investment, and spread benefits across society. Successful businesses are vital to drive a country's growth, which provides a sustainable route to poverty reduction. Businesses provide jobs and tax receipts which enable a country to fund its own public services, thereby reducing dependence upon aid.

In 2017 CDC and its shareholder, DFID, agreed a new strategic framework for the five years to 2021. The new framework is an extension of the 2012 Investment Policy whereby CDC invests only in Africa and South Asia, seeking to focus on the countries and sectors where there is the most potential for development impact. There is now the added ability for CDC to make investments under our new Catalyst strategies to generate significant development impact by accepting greater risks that would not be possible under the existing Growth Portfolio. CDC commits its capital directly or indirectly using a range of financial instruments including equity, debt, guarantees and grants.

CDC invests to achieve returns from capital appreciation, investment income or both. Investments must have a path to exit and new ownership that will take the investment to the next level.

CDC's objectives are to:

+ contribute to sustainable development and economic growth that directly or indirectly benefit poor people, by investing in businesses and activities, especially when private investors are reluctant to do so;
+ create lasting employment opportunities and support economic transformation and market development by investing in sectors with a high propensity to create jobs or have high growth potential, and activities that address economy-wide barriers to growth;
+ demonstrate to private commercial investors that profitable, commercially sustainable and responsible investments can be made and/or developed over time in these environments and, where possible, mobilise both direct and indirect private investment in CDC's target countries, states or territories; and
+ realise, and operate in accordance with, the visions, ambitions and directions for CDC set out in the 2012 Investment Policy and in accordance with the corresponding strategic framework 2017-2021*, as approved by DFID on 21 April 2017.

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;
+ set high environmental, social and business integrity standards and provide practical assistance to business and investment fund managers; and
+ work to apply relevant international best practice standards, with appropriate targets and timetables for achieving them.

* CDC's strategic framework 2017-2021 and its Policy on the Payment of Taxes and the Use of Offshore Financial Centres are available for review on CDC's website.

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;
- financial and value additionality, providing capital that is not offered by the private sector in sufficient quantity and value beyond our capital that the market is not providing;
- 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's Policy on the Payment of Taxes and the Use of Offshore Financial Centres was published in September 2018 and can be found on the Company's website.* CDC 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.

Financial performance

Presentation of results

CDC's audited financial statements are prepared in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union. These accounts can be found in full from page 46 onwards. CDC, as an investment company, has implemented the 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.

However, in order to explain more fully CDC's underlying portfolio movements, the results shown in this Financial Performance Report on pages 8 to 11 are based on management reports. These reports look through subsidiaries that are non-consolidated investment holding companies to see underlying portfolio movements. This methodology gives the same total return and net assets as the financial results but gives rise to differences in classification. A full reconciliation of these classification differences is provided in note 2 to the accounts on pages 59 to 61. This approach is the same as used by CDC in its management reporting.

Consistent with those reports, the following financial metrics are used to track the underlying performance and financial position of CDC:

Investment pace:
+ **New commitments:** The financial value of new commitments made during the year, split between those that are set to be fully funded (via debt or equity, either directly or via intermediaries) and those commitments that represent our maximum liability under unfunded guarantees or trade finance/supply-chain finance programmes; and
+ **Drawdowns and receipts:** The actual flow of investment funds into and out of CDC in the year.

Financial return:
+ **Portfolio return:** The total income and valuation gains or losses, both realised and unrealised, from investments in the reporting period. This will include the impact of forward foreign exchange contracts (FFECs) used to hedge debt investments.
+ **Operating costs:** The total operating expenses incurred by CDC and its investment holding companies, including depreciation.
+ **Average net profit**: The aggregate net profit for each financial year from 1 January 2012 to date divided by the number of financial years in such period.

Portfolio value and net assets:
+ **Portfolio value:** The total value of all equity, debt and fund investments made by CDC and its investment holding companies, including FFECs undertaken to hedge debt investments.
+ **Cash and short-term deposits:** The total cash and short-term deposits held by CDC and its investment holding companies.

Performance in 2018 against these metrics is explained in the relevant paragraphs below.

Investment pace

A core goal for CDC in the current strategy period (2017-2021) is to increase the pace of new commitments, and to increase the net distribution of cash, to allow the organisation to invest the additional funding (of up to £3.5 billion) awarded by DFID as part of the 2017 business case.

CDC reports both metrics separately. Commitments broadly reflect the completion of new investments in the year, whereas there is nearly always a delay between the reporting of a commitment and the distribution of money related to it. This delay can either be linked to the necessary final steps in closing a deal (after legal commitment but before distribution) or to the nature of the product (for example, most fund commitments will be drawn over a five-year period whilst project finance debt is often drawn over a number of years).

In addition, some commitments do not result in a flow of cash. Most notably, the unfunded trade and supply-chain finance programmes have a different dynamic and cash impact to the fully funded investments. We report the full amount of the potential exposure under these programmes. From a cash perspective, however, we only recognise up front the cash reserves that are set up to reflect the financial exposure created – amounts that are lower than the full exposure. For this reason, we are enhancing the presentation of our commitment numbers this year to show these separately. Alongside these amounts, this year we are also reporting a small amount linked to a commitment led by CDC which ultimately will be shared with other DFIs.

New commitments

In 2018, CDC made new commitments of £1,060.2 million (2017: £1,047.1 million) of which £904.3 million (2017: £973.1 million) is set to be fully funded by CDC (the distinctions are explained in more detail above).

The pace of new commitments was slightly behind the expectation for the year primarily as a result of delays in closing a number of deals towards the end of the year. Consequently, the opening pipeline for 2019 was significantly stronger than that in 2018 and, as such, CDC expects the commitment pace to increase substantially in 2019 consistent with the growth of its operations and the desire of the organisation and its shareholder to support long-term investments with a strong developmental impact.

	2018 £m	2017 £m
Funded commitments	**904.3**	973.1
Unfunded commitments	**135.9**	74.0
Expected DFI mobilisation	**20.0**	–
Total commitments	**1,060.2**	1,047.1

A full list of new commitments can be found on CDC's website.

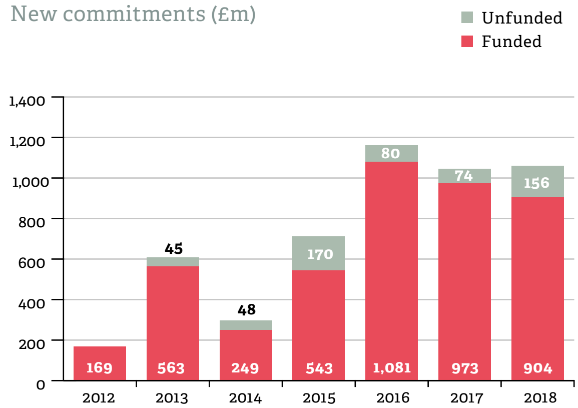
Drawdowns and receipts

	2018 £m	2017 £m
Portfolio drawdowns	**(828.4)**	(687.3)
Portfolio cash generated	**535.2**	583.5
Net portfolio flows	**(293.2)**	(103.8)

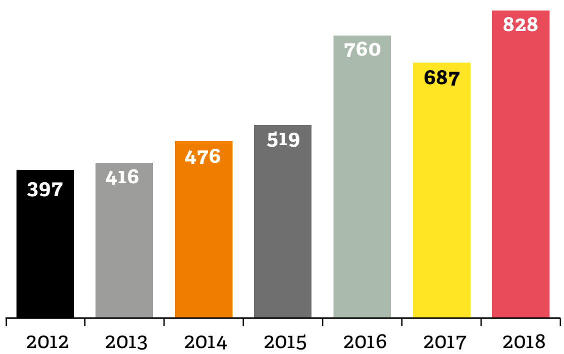
Drawdowns for new investments at £828.4 million (2017: £687.3 million) were higher than last year reflecting the increased commitment pace since 2016. 62 per cent of new investments were in Africa and 37 per cent were in South Asia. As described above, there is often a lag between commitment and disbursement which is why the drawdown pace lags the growth in commitments. However, the drawdown pace is expected to increase significantly in future years consistent with the growth in pace of commitments and the maturing of fund and project finance investments.

The portfolio generated cash of £535.2 million (2017: £583.5 million). Generation has been relatively stable in recent years led by returns from the Company's legacy fund investments (concentrated in the years 2006-2008) and these receipts made up nearly two-thirds of the receipts in 2018. Management expects this pattern to be maintained in the short term; as a long-term investor realisations from CDC's new direct investing strategy are expected to grow slowly, hence the need for the additional capital awarded by DFID as part of the 2017 business case.

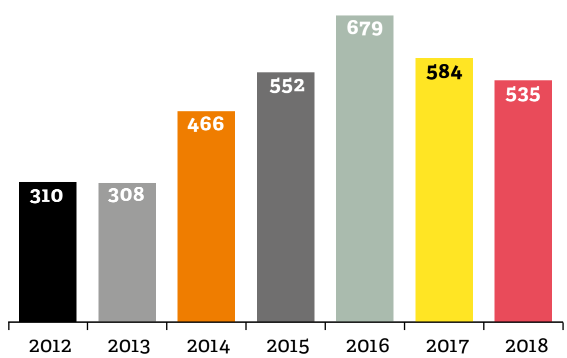
New commitments (£m)



Portfolio drawdowns (£m)



Portfolio cash generated (£m)



STRATEGIC AND DIRECTORS' REPORT

Financial return

Total return after tax

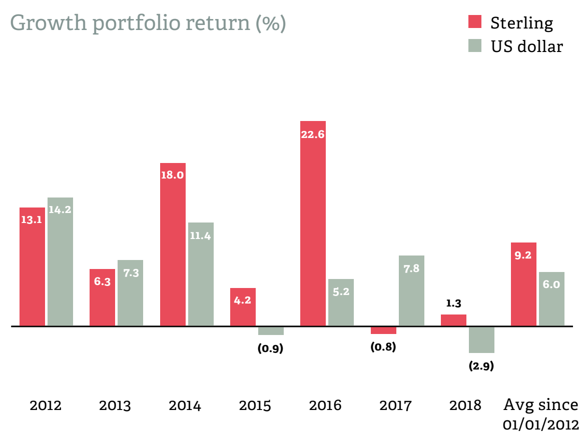
	2018 £m	2017 £m
Growth portfolio return	**49.7**	(30.9)
Catalyst portfolio return	**20.6**	2.5
Total portfolio return	**70.3**	(28.4)
Operating costs	**(79.1)**	(59.1)
Other net income	**14.8**	14.7
Total return after tax	**6.0**	(72.8)
Average net profit since 01/01/2012	**192.5**	223.6

The overall result is a total profit after tax of £6.0 million (2017: £72.8 million loss). As a return on opening total net assets on a valuation basis, this represents a profit for CDC's shareholder of 0.1 per cent this year (2017: 1.5 per cent loss). CDC aims to exceed the profitability hurdle set in its Investment Policy that average net profit, calculated as the aggregate net profit for each financial year from 1 January 2012 to date divided by the number of financial years in such period, shall be positive. The average net profit since 2012 is £192.5 million (2017: £223.6 million), exceeding the target.

Portfolio return

The portfolio generated a £70.3 million gain (2017: £28.4 million loss). This represents a portfolio return of 1.8 per cent (2017: (0.7 per cent), 2016: 22.6 per cent). CDC's management tracks return in US dollars as most investments are denominated in this currency. In US dollar terms, returns are on a downward trend and in 2018 the portfolio generated a 2.6 per cent loss (2017: 7.8 per cent profit). The Sterling result has benefitted from currency translation gains following a decrease in the Sterling to US dollar exchange rate from 1.35 at 31 December 2017 to 1.27 at 31 December 2018.

As a DFI, CDC invests to generate returns over the long term recognising that in any isolated year market conditions or events may drive exceptional performance. The agreed target for the Company on its primary investing activities, the Growth Portfolio, is a ten-year average return of 3.5 per cent. This forms one of the targets for the Company's Long-term Development Performance Plan, explained in more detail in the People Development and Remuneration Committee Report on pages 33 to 42. Since 2012, the average portfolio return of the Growth Portfolio in Sterling has been 9.2 per cent compared with the 3.5 per cent target as shown in the chart below.



* These figures represent our Growth Portfolio only and exclude our Catalyst Strategies

Operating costs and other net expenses

Operating costs for the year of £79.1 million (2017: £59.1 million) have increased due to employees rising to 334 at the year-end (2017: 266). Operating costs represent 1.6 per cent of the Company's opening net asset value which reflects an increase on the position in 2017 and prior years. This rising trend, driven by increased headcount, is reflective of two core trends: (i) the continued scaling of the CDC investment teams to allow them to achieve the investment pace necessary to be able to absorb the extra £3.5 billion capital offered by the shareholder under the 2017 business case; and (ii) the growth of new teams to support greater work around assessing and measuring development impact and supporting other strategic initiatives requested by the shareholder under the strategic framework 2017-2021. The growth in both areas, which also incorporates the establishment and expansion of local offices across our markets, has also had a commensurate impact on the growth of our business support teams.

Whilst headcount is expected to continue to rise strongly in 2019, as the build-outs described above continue, it is expected that this pace of growth will then slow in 2020 and beyond. At the same time, it is expected that the pace of growth in the portfolio will pick up with an enhanced pace of new commitments and that this will begin to see the operating costs as a percentage of the portfolio start to fall again.

Portfolio and net assets

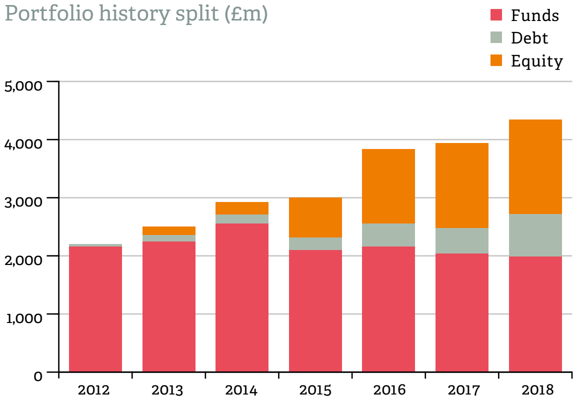
Portfolio

	2018 £m	2017 £m
Portfolio at start of year	**3,939.4**	3,839.2
New investments	**828.4**	687.3
Realisations	**(471.3)**	(531.2)
Transfers	**–**	31.4
Value change	**37.9**	(98.8)
Allowances for guarantees	**5.4**	11.5
Portfolio at end of year	**4,339.8**	3,939.4

The overall CDC portfolio grew by £400.4 million in 2018. As described above, a higher pace of disbursement growth compared with receipts in 2018 saw the portfolio grow. The portfolio also provided valuation gains of £37.9 million in Sterling terms due to currency valuation gains offsetting net losses in investment currencies.

Direct debt and equity investments continue to make up an increasing share of the portfolio following the shift in investment focus in 2012. At 31 December 2018, CDC had investments in 213 funds, managed by 120 different fund managers, and 95 direct investments.

Portfolio history split (£m)



Net assets

	2018 £m	2017 £m
Portfolio	**4,339.8**	3,939.4
Net cash and short-term deposits	**370.4**	413.4
Other net assets	**1,091.3**	700.7
Total net assets	**5,801.5**	5,053.5

Total net assets increased in the year from £5,053.5 million to £5,801.5 million a rise of 14.8 per cent (2017: 5.5 per cent).

Net cash and short-term deposits held

The cash balance decreased from £413.4 million at the start of the year to £370.4 million at the year-end resulting in a net cash outflow of £43.0 million. At 6.4 per cent of net assets, the cash balance was within the liquidity policy set by the Board of 0-10 per cent of net assets. A wholly owned subsidiary of CDC has a standby Revolving Credit Facility of US $600 million (£471 million). Cash levels, together with an understanding of undrawn commitments and the position of the standby Revolving Credit Facility, are regularly reviewed by management and the Board to see they are in line with agreed Company polices. More details can be found in the Risk section of this report on page 14.

During the year CDC drew down £360 million of funds that had been lodged as promissory notes by the shareholder (2017: £375 million). A further £395 million was drawn in Q1 2019 and further drawings are expected across the coming years as the Company absorbs the new investment agreed with the shareholder in 2017.

Other net assets

During 2017, CDC and its parent entity agreed to a new investment of capital under a series of eight promissory notes, up to a total value of £3.515 billion. These are lodged according to an agreed schedule with the largest notes being lodged in November of the years 2018, 2019 and 2020.

In line with the schedule in the current year, CDC issued 742 million ordinary shares of £1 each to its parent entity. The parent entity subscribed to the shares by issuing two promissory notes for £59 million and £683 million. At the end of the year these notes, together with a 2017 note for £336 million were undrawn.

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 asset of £nil (2017: £nil). The majority of the scheme's liabilities are covered by an insurance policy which substantially reduces the chance that scheme assets will diverge in value from the scheme liabilities. Further details are shown in note 16 to the audited financial statements.

Clive MacTavish
Chief Financial Officer

Risk management

The Board is ultimately responsible for CDC's risk management and internal control system and for reviewing its adequacy and effectiveness. The design and operation of the system is delegated to the executive management team. 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 and Compliance 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.

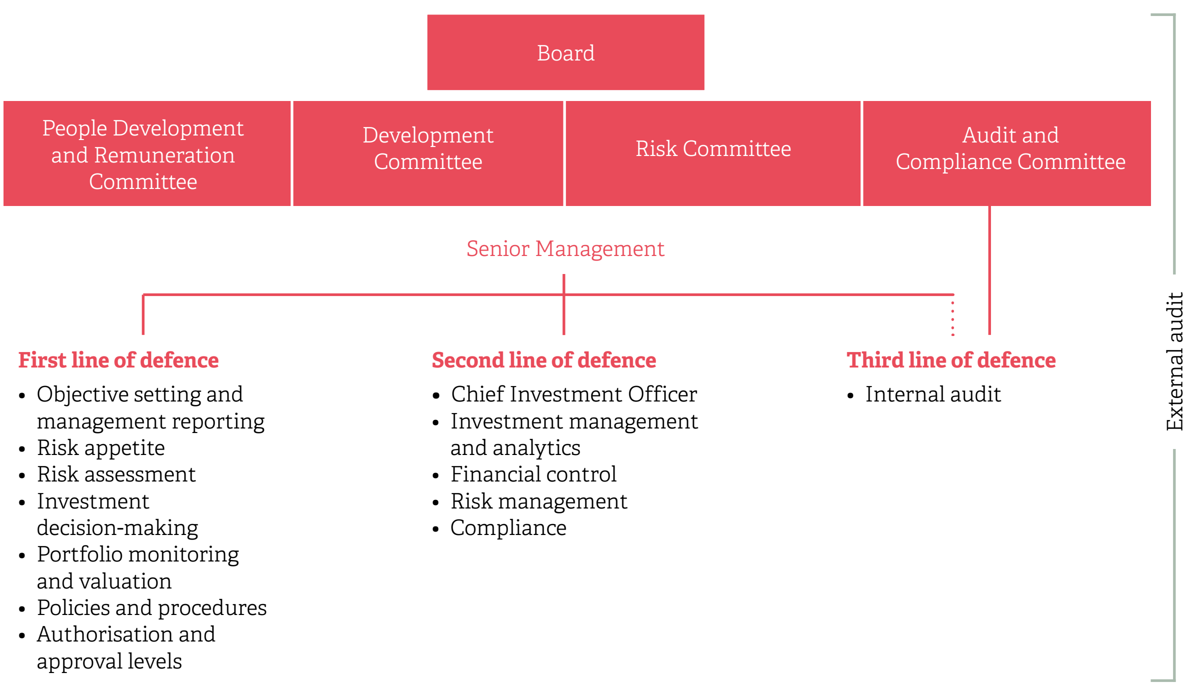
The Audit and Compliance Committee and the Risk Committee review the system of risk management and internal control on an ongoing basis via:

- regular review by the Risk Committee of the overall risks inherent in CDC's business and the actions taken to mitigate those risks where appropriate;
- annual approval by the Audit and Compliance Committee of the programme of work for CDC's internal audit function and regular review of the results of this work, including progress on proposed control improvements;
- annual review by the Audit and Compliance Committee of the work of the Group's Money Laundering Reporting Officer and Compliance Officer; and
- receipt and review of reports on breaches.

The key elements of the Group's risk management and internal control system include:

- setting of annual corporate objectives and quarterly reporting against financial and business targets;
- a risk appetite statement defined by the Board and set out in the Risk Management Policy;*
- the executive management team operating a continuous process, agreed with the Risk Committee, of identifying, evaluating and managing any significant risk, financial or non-financial, faced by the Company;
- an investment decision making process designed to ensure high quality, transparent and accountable investment decisions;
- a regular portfolio valuation and monitoring process;
- policies and procedures that govern CDC's operations and set out the core internal controls;
- regular reviews by the Chief Executive and Board of corporate strategies; and
- appropriate management authorisation, approval and control levels, from the Chief Executive downwards. The Board must specifically approve transactions above these levels.

Risk management and internal control framework



* The Risk Management Policy is available for review on CDC's website.

In 2017, the Board reviewed and approved an updated risk appetite statement, which is based on the following principles:

- CDC actively seeks out equity and credit risks resulting from investments in companies in developing countries in order to achieve both the targets set by its shareholder being a financial return on investment and development impact.
- Carrying out this business exposes us to environmental and social, business integrity and operational risks. We take active steps to understand and where appropriate mitigate or manage these risks so they do not damage our licence to operate.
- CDC's mission exposes us to high contextual risks, in particular related to investment returns, environmental and social damage and business integrity risk, which can never be fully mitigated.
- CDC's reputation is an important part of our licence to operate. We seek to manage and mitigate reputational risk by addressing the underlying causes of reputational risk and by engaging with stakeholders.

Regardless of our appetite for individual risks, we expect all exposures to be well understood and consideration given to the most appropriate way of managing a risk – a high risk appetite doesn't necessarily mean we will not seek to manage the risk.

Principal risks

CDC's mandate to invest in some of the most challenging regions of the world exposes it to high inherent risks. Although CDC takes steps to manage and mitigate these risks, they can never be entirely eliminated and some residual risk remains. The principal risks are considered to be:

- Financial risk
- Environmental and social risk
- Business integrity risk
- Development impact risk
- Operational risk
- Strategic and external risk

A final category of risk, reputational risk, is recognised as an overarching category which can be associated with any of the six principal risks.

Financial risk

CDC invests in developing countries with a mandate to increase available capital in 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 portfolio returns below targets CDC has agreed with its shareholder. Equally, the timing of cash distributions from investments is uncertain and unless CDC has a direct majority equity stake, which is rare, is usually not within the direct control of CDC. When CDC invests through intermediated equity, the sale of interests in these investments may require a long period of time since there is only a limited market for secondary sales of emerging markets private equity interests and sales usually require the consent of the fund manager, the granting of which may be at its discretion.

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 25 to the financial statements, is rigorous and effective. It is also satisfied that CDC has robust cash forecasting and management techniques.

In respect of managing this risk, CDC has adopted the following policies and processes:

Portfolio diversification: CDC maintains a diversified portfolio of assets comprising a combination of debt and equity investments which, in turn, are held directly or indirectly via a range of fund managers. CDC uses a framework of country, sector and single party limits to avoid excessive concentrations within the portfolio. Triggers, agreed with the Risk Committee, are set below the limits to act as an early warning indicator. Any exposures that are close to, or breach triggers, are discussed by senior management and a decision made on the most appropriate course of action to take. The outcome of these discussions is reported to the Risk Committee. During 2018 there were no breaches of agreed limits.

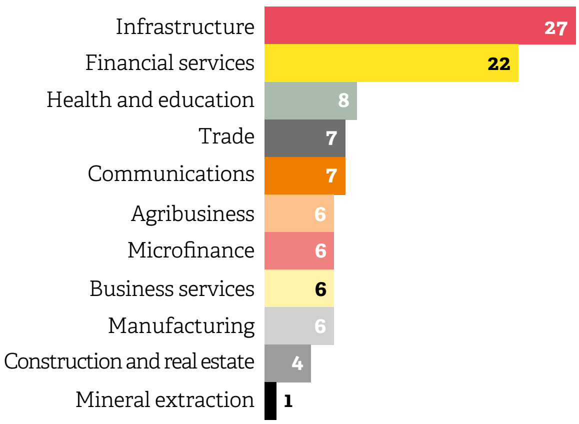
CDC's investments provide it with a portfolio of 1,229 underlying companies that are diversified by size, geography and industry sector. Since 2012, CDC's strategy has been directed towards only making new investments in Africa and South Asia. Over time this will decrease the amount of geographic diversification within the portfolio which will increase exposure to investment risk in these markets.

Single parties: Exposures to fund managers and single companies are monitored against the single party limits. The top 20 investments represent 38 per cent of the portfolio.

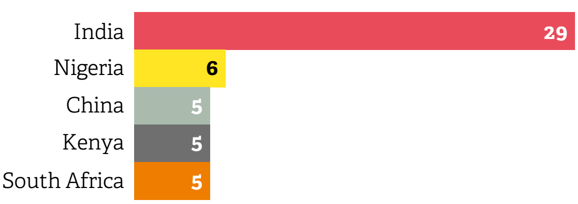
Sectors: CDC's highest sector exposure is 27 per cent in Infrastructure.

Countries: CDC has investments in 66 countries. The top five highest country exposures represent 50 per cent of the portfolio, with the largest exposure being 29 per cent in India.

Underlying portfolio by sector (%)



Underlying portfolio by top five highest country exposures (%)



Cash management: In order to manage liquidity risks, CDC targets having cash availability in excess of 80 per cent of aggregate undrawn contractual investment commitments. In 2018, this was met via a combination of a committed standby Revolving Credit Facility at a wholly owned subsidiary of CDC, promissory notes due from its parent entity and cash.

CDC also targets maintaining a cash balance of between 0 per cent and 10 per cent of net asset value, and this target was met as at 31 December 2018.

The Board regularly considers cash flow forecasts at Board meetings and expects CDC to meet its undrawn commitments, as well as commitments to future investments, from distributions received from its current investments, the promissory notes held and the cash balance.

Currency: Given its geographical focus, CDC is exposed to valuation risk caused by fluctuation in foreign exchange rates. The functional currency of investments is predominately US dollars. However, the underlying financial assets are held in a wide range of local emerging market currencies. As a long-term investor CDC does not hedge its fund or direct equity investments. Debt transactions, however, are hedged to ensure returns match the pricing on the loan. Foreign currency cash balances (predominantly US dollars) which are in excess of those required in the next six months are hedged in order to manage exposure and eliminate significant translation differences. Details of CDC's foreign currency balances are shown in note 17 to the accounts on page 72.

Valuation: The valuation of CDC's investments is subjective and there is an inherent risk that valuations may not reflect fair value. CDC's equity valuation guidelines have been developed in accordance with the International Private Equity and Venture Capital Valuation (IPEV) Guidelines (December 2015), which in turn are in accordance with the fair value requirements contained within IFRS 13. New guidelines were issued by IPEV in December 2018 which will be adopted from 1 January 2019. Debt investments are valued in accordance with IFRS 9 Financial Instruments, effective 1 January 2018, replacing IAS 39 Financial Instruments: Recognition and Measurement. Fund and equity investments are held at fair value, which is the expected value at which an orderly transaction would take place between market participants at the reporting date. Portfolio reviews of CDC's investments and the underlying investments in its private equity funds are carried out quarterly by the relevant CDC investment managers. As part of these reviews, valuations are prepared which are reviewed by the CDC finance team. Summary valuation and financial return information is regularly reviewed by the Board with additional detail and discussion at the Audit and Compliance Committee. The details of valuation methodologies are given in note 25 to the accounts under the Investments heading on page 81 and valuation movements are shown in note 3 to the accounts on page 62.

Development impact risk
Development impact is at the heart of CDC's mission and the primary reason for its existence. Development impact risk is the risk that CDC will fail to achieve its development objective to create jobs and make a lasting difference to people's lives in some of the world's poorest places. To manage this risk, the Company seeks to focus its investments into the geographies and sectors where there is most potential for development impact by using the Development Impact Grid and by developing a development impact thesis for each potential investment. These are used to assess every investment opportunity at Investment Committee meetings. The Company also monitors the impact of its investments at portfolio, sector and individual levels and seeks to understand the context and reasons for any changes, and to identify opportunities for course correction.

Environmental and social risk
CDC believes that operating to high environmental and social (E&S) standards is a fundamental part of business success and long-term sustainability. CDC is committed to helping portfolio businesses grow and flourish not only by providing capital, but also by helping them achieve good E&S standards.

CDC is exposed to a variety of E&S risks through the companies that it invests in, both directly and indirectly. In order to manage this risk, CDC has an E&S team which contributes to due diligence on potential investments, assists investee companies in developing or improving their E&S approach, monitors performance of investee companies via annual reports and monitoring visits (generally for higher-risk investments) and assists with resolution of E&S issues should they arise.

All fund managers and investee businesses receiving CDC capital must sign up to and comply with CDC's Code of Responsible Investing. The Code requires companies to assess, monitor and improve E&S standards (as necessary). Companies or projects with potentially significant E&S risks must work towards compliance with the International Finance Corporation (IFC) Performance Standards. In Africa and South Asia many businesses, especially small, locally owned companies, may fall short of CDC's requirements at the time they receive CDC's capital. Part of CDC's role as a DFI is to support companies as they develop policies and systems that enable them to manage the E&S risks associated with their operations in such a way as to add value to the business while benefitting the workers, the wider community and the environment at local, regional and national levels.

Business integrity risk
CDC believes that the process of helping develop corporate governance and business integrity standards in the countries in which it invests has a clear developmental impact by improving the performance of companies, helping develop access to capital and reducing investment risk. CDC recognises that fraud, bribery, corruption and other financial crimes can damage the development goals and reputation of the Company and, accordingly, has developed policies and practical procedures to promote good practices. When investing CDC will seek to ensure that its investments:

+ are made into companies with a commitment to high standards of business conduct; and
+ do not knowingly support financial crime.

CDC's Business Integrity team helps companies and fund managers develop and enhance corporate governance standards and practices to further mitigate this risk.

Operational risk
Operational risk is the risk of loss or damage to CDC caused by errors or weaknesses in its internal systems and processes or in the way they are operated. CDC seeks to mitigate these risks by having policies, procedures and processes in place that include appropriate control measures, hiring skilled staff to operate these processes and training staff to allow them to make good decisions. CDC's internal audit function performs regular reviews to assess the adequacy and effectiveness of the control measures. The internal audit programme is approved by the Audit and Compliance Committee.

Strategic and external risk
The strategic and external risks at CDC are those risks which arise from the context in which CDC is operating and the strategic decisions that CDC has made, including the effect of external events on CDC. They are often long-term in nature and frequently outside CDC's direct control. CDC seeks to manage these risks by maintaining the confidence of key opinion formers and political stakeholders in the role of CDC, being aware of and preparing for the impact of political changes that could affect CDC and developing plans to ensure the continuity of business-critical processes.

Responsible investing

A responsible investor

How we invest is just as important as the amounts we invest. Our vision to support the creation of opportunity and to improve people's lives won't come at any cost. Being a responsible investor means working with honest companies and business partners; protecting workers' rights; providing social safeguards; and protecting against environmental damage and the harmful effects of climate change. In doing so we seek to set high standards across the markets we invest in and provide practical assistance to help the companies and funds we invest in to improve their business practices.

Our work is guided by our Code of Responsible Investing. In 2018, we delivered classroom training for over 100 fund managers and investees on environmental, social and business integrity matters.

More information about our approach as a responsible investor can be found in our Annual Review 2018 which is published separately. Our commitment in this area, however, can be illustrated by our efforts in 2018 around the subject of modern slavery. Modern slavery is omnipresent in our markets and represents a globally significant source of criminality which affects over 40 million people a year. A quarter of these victims are children, and more than 70 per cent of them are women and girls. These victims are caught in the supply chains for the clothing, food and technology that most of us use every day. In December, we published Good Practice Guidance on Modern Slavery, which the Home Office's Modern Slavery Unit has now advised all government departments to use. Our Director for Environmental and Social Responsibility also participated in the Financial Sector Commission on Modern Slavery and Human Trafficking.

Anti-bribery and Corruption Policy

Business integrity is a core aspect of our mission and informs all our operations and decision-making. We take a 'zero-tolerance' approach towards bribery and corruption and our commitment to business integrity is enshrined in our Code of Responsible Investing. We comply with all applicable laws, in both the UK and the jurisdictions where we invest, and believe our efforts to identify and mitigate integrity risks help ensure the success and sustainability of our investment strategy.

We have detailed business integrity and compliance policies and procedures that are informed by the key principles of the UK Bribery Act 2010. These aim to ensure that all staff members follow the Company's commitment to integrity and legal compliance. This includes conducting appropriate risk assessments at all stages of the investment cycle and thorough due diligence on all investments to avoid associating with individuals or entities against whom credible allegations of corruption have been made.

We publish a full policy on bribery and corruption on our website.

Human rights and the Modern Slavery Act

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.

In compliance with the UK Modern Slavery Act 2015, we publish a statement annually on our website.

A responsible employer

Our ability, as CDC, to have a positive impact on our mission is founded on our ability to attract and retain high-quality staff. Whilst having a purposeful mission is a hugely motivating factor for our staff, we recognise that employees will only stay at CDC and fulfil their personal potential if we create an environment which encourages and supports them.

Engagement

We try hard to listen to our employees. Each year we run an employee survey, and feed the results back to them openly, inviting further debate and solutions for the areas in which they think we could do better. On top of this we undertake regular pulse surveys to glean responses to individual things we do or events we hold. We don't like to lose people but, when we do, an independent organisation conducts an exit interview and feeds back to us what they hear. Through all this we strive to continually improve the environment for employees and our employee experience.

Although growing fast, we remain a relatively small organisation, and so have to work hard to ensure employees feel that they are developing at CDC. This is partly through a rigorous process enabling people to progress and be promoted through the organisation if they are performing well, but also through an extensive programme of training and development which enables employees to develop skills, stay on top of technical developments and access individual coaching and mentoring opportunities. We focus heavily on developing our managers, recognising that only skilled managers will themselves be able to get the best out of their teams.

Diversity
We look to hire extraordinary people. We have hired at scale in recent years, and have grown a workforce with a broad range of skills and backgrounds. We know that decisions made by a diverse group of people are likely to be better decisions, and that a workplace which feels inclusive to all its members will promote better work and a happier environment.

CDC's work increasingly involves reviewing our investee companies to gauge their success in equality, diversity, and promoting women's economic empowerment. With that background it is imperative that, when developing our own workplace, we focus closely on diversity and inclusion. We have thriving networks recognising women, LGBTQi employees, parents and carers, and we are currently supporting an active engagement amongst our BAME staff. We increasingly track the diversity of each step of our core processes (covering recruiting, promotions and progressions), and have a target for improving female representation at the top of CDC. This latter target, and broader actions to improve the gender balance of our organisation, are discussed in more detail in our Gender Pay Gap Report which is published separately.

We have a thriving internship programme, built on relationships with some of the foremost global business schools, which leads to over 50 applicants for each internship place and often becomes a ticket to starting a career at CDC. We are also having an ever livelier discussion about improving social mobility, and for the first time in 2018 welcomed school students from underprivileged backgrounds to gain work experience at CDC, enabling us to learn from each other.

Reward
Our responsibilities as an employer are reflected in the way in which we reward our employees. In order to achieve significant development impact in challenging places through high-quality investing, we look to attract people with the same talent and expertise as those investing elsewhere in the private sector. Our commitment to good stewardship of the public money which we spend and invest, means that we do not hire people motivated solely by personal financial gain, and our individual reward is not tied to the financial success of specific investments. We provide good employment benefits and a work environment through which we want to encourage people to do their best work, and to want to stay at CDC. Further discussion of CDC's remuneration can be found in the People Development and Remuneration Committee report on pages 33 to 42.

With all these elements of support, engagement, development, inclusion and reward, we seek to create a working environment at CDC within which our employees can thrive and which allows the organisation to succeed in improving the lives of people in some of the world's most challenging places.

Carbon footprint
In 2018 CDC measured its corporate carbon footprint based on its emissions from air travel and electricity usage. CDC's total carbon footprint is 8,299 tonnes of CO_2.

CDC has chosen to continue offsetting this via ClimateCare through projects in Sierra Leone and Bangladesh. The project in Sierra Leone supports the Gola Rainforest National Park, working with communities and stakeholders to ensure that the park and its buffer zone are better protected and threats of encroachment are minimised. The project in Bangladesh provides low smoke, efficient cookstoves in people's homes, reducing fuel consumption by approximately 50 per cent.

The Strategic and Directors' report was approved by the Board and signed on its behalf by:

Nick O'Donohoe
Chief Executive
9 April 2019

Governance

18-45

GOVERNANCE REPORT

Governance report

Chairman's introduction

I am pleased to introduce the corporate governance report for the year ended 31 December 2018. It is an expanded report this year building on our aspiration to be at the forefront of transparency around governance and decision-making.

This report includes an overview of the Group's governance structure and a description of the key activities of the Board and its committees during the year as part of its oversight of the Group's strategy, business model and performance.

The report of the Nominations Committee explains the Board changes which have taken place during 2018 and the retirement of Valentine Chitalu. On behalf of the Board, I would like to thank Valentine for his significant contribution to the Company over the nine years that he served on our Board. As well as being the Chair of the Audit and Compliance Committee, Valentine was also able to provide the Board with an important 'Voice-of-Africa' perspective and, it is a mark of the loss of that resource that, in looking for a replacement, the Nominations Committee agreed that it was appropriate to replace Valentine with two individuals to cover the breadth of his contributions. I am delighted to welcome Andrew Alli and Dolika Banda to the CDC Board. In September 2018, they joined our Board meeting in Zambia where they were formally appointed.

The Board's five committees continue to play an important role in the governance of the Group, and in helping the Board operate effectively and efficiently. Reports from each of the committees, describing their activities during the year, are set out later in this report. Included among these is our report on Director's Remuneration which we expanded last year to give much greater visibility in line with best practice.

The Board has delegated certain of its investment decision making powers to the CDC Investment Committee and during the year we said goodbye to one of our external members, Zed Cama. I would like to thank Zed for his contribution over a number of years. Ian Barney stepped down as an external members of our Investment Committee, but continues as an external member of the CDC Plus Committee, and we were very pleased to welcome Anne-Marie Harris, James Heath and Richard Munn, all of whom have a wealth of experience in our markets.

This year, in line with the UK Corporate Governance Code, the Board appointed an external evaluator to review its effectiveness and performance. The review, received by the Board in February 2019, concluded that the Board is operating effectively but also provided suggestions for improvement. The Board has welcomed the findings and has developed an action plan that will be implemented in 2019. In addition, as part of our commitment to increase transparency we have published summary minutes of the Board meetings on our website.

Although we are wholly owned by DFID my colleagues and I recognise that we have a much wider range of stakeholders, both internally and externally, and thus this expanded report is intended to give much greater visibility into our roles and processes. I regularly meet both the shareholder and our other stakeholders, and I look forward to discussing the contents of this report with any of those parties in due course.

Graham Wrigley
Chairman
9 April 2019

Board of Directors

Graham Wrigley
Chairman
Nominations Chair

Appointed Chairman and Non-executive Director in December 2013.

Ever since visiting Nepal and India in 1981 Graham had wanted to work in international development. So, 13 years ago he quit his business career and decided to 'retrain' for a new career by completing an MsC in Development Economics at SOAS University of London. Since then, he has worked in a variety of roles with SME and microfinance organisations in sub-Saharan Africa, Nepal and the poor states of North India, with a personal goal of helping these companies become sustainable and help their countries' economic development.

Graham's first career was in business. He was a founder partner of Permira and a member of the firm's management board as it grew into one of the world's leading private equity firms, with over US$20 billion under management. Prior to that he worked for Bain & Co.

Graham studied Law and Economics at Cambridge University and has an MBA from INSEAD, one of the world's leading business schools, where he is a visiting professor. He also works with several charities, including Sir Edmund Hillary's Himalayan Trust UK, where he serves as Chairman and has volunteered for them for over 35 years.

Nick O'Donohoe
Chief Executive

Appointed Chief Executive and Executive Director in June 2017.

Nick was previously a Senior Adviser to the Bill and Melinda Gates Foundation where he specialised in the use of blended finance models to support the work of the Foundation. Prior to taking this role, Nick co-founded, with Sir Ronald Cohen, Big Society Capital (BSC). He served as its Chief Executive Officer from 2011 to 2015. BSC is an independent financial institution established by the UK Government as "the world's first social investment bank" and is capitalised with unclaimed UK bank accounts and investment by the largest UK banks.

Previously Nick worked at JP Morgan, latterly as Global Head of Research. He was a member of the Management Committee of the Investment Bank and the Executive Committee of JP Morgan Chase, as well as the senior sponsor for JP Morgan's Social Finance Unit. Nick co-authored "Impact Investments: An Emerging Asset Class", published by JP Morgan and the Rockefeller Foundation in November 2010. Prior to JP Morgan, he spent 15 years at Goldman Sachs.

Nick served as Chairman of the UK Dormant Assets Commission which reported in March 2017. He is also a board member of the Global Impact Investing Network (GIIN) and Deputy Chairman of the Global Steering Group for Impact Investment.

Nick has an MBA from the Wharton School and a BA in Mathematical Economics and Statistics from Trinity College, Dublin.

Clive MacTavish
Chief Financial Officer

Appointed Chief Financial Officer in September 2015 and Executive Director in November 2015.

Clive joined CDC after three years at Expedia Inc. where he was Chief Financial Officer of Expedia's Global Lodging Group, comprising websites Hotels.com and Venere.com as well as the Lodging Partner Supply business which secured and managed the supply of hotels for all the Expedia businesses. Prior to Expedia, Clive was Finance Director, EMEA for Dow Jones where he also ran Sales & Marketing and Operations for its consumer media business. This followed over six years at the Financial Times where he held a number of roles including Head of Strategy, Global Financial Controller and Finance Director EMEA. He joined the Financial Times from parent company Pearson plc where he had worked in its head office on FP&A, M&A and corporate strategy.

Clive started his career with PwC and is a qualified accountant (ACA). He also holds an MBA from Duke University and an MA from Cambridge University.

Andrew Alli
Non-executive Director
Audit and Compliance Chair (from February 2019)

Appointed in September 2018.

Andrew was, most recently, the President and Chief Executive Officer of the Africa Finance Corporation, a multilateral financial institution focused on improving Africa's critical infrastructure.

A financial professional with over 30 years' experience in both developed and developing countries, he is currently a Non-executive Director for the Development Bank of Nigeria, where he chairs the Audit Committee. He spent over a decade with the IFC, where he held senior positions including as Country Manager for Nigeria and South Africa. A dual citizen of the UK and Nigeria, Andrew is a Chartered Accountant and has a BEng in Electronics and Electrical Engineering from King's College, University of London and an MBA from INSEAD.

Dolika Banda
Non-executive Director

Appointed in September 2018.

Dolika is Chief Executive Officer of African Risk Capacity Insurance Ltd and has held Non-executive Director positions at Ecobank Transnational and the UK Department for International Development's Financial Sector Deepening Africa programme.

A Zambian national based in Lusaka, she has over 25 years' experience in international finance and banking and has worked across the world in Africa, Europe, Latin America, the Caribbean and the US. A former Director at the IFC and a former Regional Director for Africa at CDC Group, Dolika's involvement in development finance followed a successful career in banking. She has held senior positions at Barclays Bank Zambia in corporate and merchant banking and at Citibank Zambia in financial control, credit, treasury and international relationships. Dolika holds a Master's in International Business from Schiller University and was recognised in 2012 with a prize for vision and courage by Africa Femmes Performantes (Africa's Performing Women) in Washington, DC.

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

Board of Directors continued

Wim Borgdorff
Non-executive Director
Risk Chair

Appointed in September 2014.

Wim was Founder of AlpInvest Partners, a private equity investment management firm with over EUR37 billion of fund, secondary and co-investments under management. He is a Non-executive board member of the Bernard van Leer Foundation, a long-standing privately endowed Dutch charity dedicated to early child development globally. From 2000 to 2016 Wim held several senior management roles at AlpInvest Partners which became part of The Carlyle Group in 2011. 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.

Sam Fankhauser
Non-executive Director
Development Impact Chair

Appointed in April 2015.

Professor Sam Fankhauser is Director at the Grantham Research Institute on Climate Change at the London School of Economics. He is also an Associate Director at the economics consultancy Vivid Economics. Previously Sam served as Deputy Chief Economist and Director, Policy Studies, at the European Bank for Reconstruction and Development. Prior to that he worked at the World Bank and the Global Environment Facility.

Sam studied Economics at the University of Berne, the London School of Economics and University College London.

Michele Giddens OBE
Non-executive Director

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 eight 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 IFC, 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. She was an adviser to the Social Investment Task Force and Chair of the Community Development Finance Association between 2003 and 2005. She has recently been appointed as Chair of the UK National Advisory Board to the Global Social Impact Investment Steering Group, as established by the G8.

Michele has a BA Honours in Politics, Philosophy & Economics from Oxford University and an MBA from Georgetown University, Washington, DC.

Keki Mistry
Non-executive Director

Appointed in September 2014.

Keki is the Vice-Chairman and Chief Executive Officer of the 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 and is a fellow of the Institute of Chartered Accountants of India.

Laurie Spengler
Non-executive Director
People Development and Remuneration Chair

Appointed in July 2016.

Laurie is President and Chief Executive Officer of Enclude, a global advisory firm dedicated to building inclusive, sustainable and prosperous local economies.

She has over 25 years' experience in strategy and transaction services, specifically capital raising, M&A, and private equity transactions. She has developed a particular expertise in structuring and launching investment vehicles that align different types of capital to allow operating enterprises, financial institutions and funds to generate positive social, environmental and development outcomes while delivering appropriate financial returns.

Previously, Laurie was founder and Chief Executive Officer of Central European Advisory Group. She also worked as an attorney at White & Case. Among her active board engagements are the Executive Committee of the Aspen Network of Development Entrepreneurs and she has recently been appointed to the UK National Advisory Board to the Global Social Impact Investment Steering Group, as established by the G8. She is also a member of the Council on Foreign Relations.

Laurie has a JD from Harvard University and an undergraduate degree from Stanford University.

Valentine Chitalu
Non-executive Director
Audit and Compliance Chair (to February 2019)

Appointed in March 2010. Retired February 2019.

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 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 is Chairman of the Phatisa Group, a US$300 million private equity fund manager, focusing on the food and housing sectors in Sub-Saharan Africa. He 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. Valentine is a UK qualified accountant and holds a Masters Degree in Development Economics from Cambridge University.

How the Board operates

Introduction

Role of the Board

The CDC Board's primary role is to provide leadership, and to ensure that the Company is appropriately managed and delivers on the objectives of the Company's shareholder. This role can be broken down into the following elements:

+ Determine the direction and strategy of CDC in accordance with the Company's Investment Policy.
+ Monitor the achievement of the Company's business objectives.
+ Monitor CDC's delivery of development impact consistent with our mission.
+ Ensure that the Company's responsibilities to its shareholder are met.
+ Ensure that risks are identified and controls are in place.
+ 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, the Investment Committee and other senior executives within the Company for other specific matters.

Board size and composition

The Board has ten members: the Chairman, two Executive Directors and seven independent Non-executive Directors. The Board's members come from a range of backgrounds and it is structured to ensure that no individual or group of individuals is able to dominate the decision-making process and no undue reliance is placed on any individual. Details of the individual directors and their biographies are set out on pages 20 to 23.

Board diversity

The Board acknowledges the benefits that diversity can bring to the Board and to all levels of the Group's operations. It recognises the importance of having a Board with a range of skills, knowledge and experience including direct experience of the geographic regions in which we operate. It also embraces the benefits to be derived from having Directors who come from a diversity of backgrounds, bringing different perspectives and the challenge needed to ensure effective decision-making. Following the retirement of Valentine Chitalu and the appointment of Dolika Banda and Andrew Alli, the CDC Board was 30 per cent female.

Definitions of Board roles and responsibilities

Role of Chairman and Chief Executive

The roles of the Chairman and Chief Executive are separate and there is a clear division of responsibilities between the two roles.

The Chairman is Graham Wrigley. Graham held two directorships and three trusteeships during 2018 excluding his CDC directorship. The Board considers that he had, and continues to have, sufficient time to undertake his duties at CDC. 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. Graham also has responsibility for leading the development of the Company's culture by the Board and for ensuring that the Board sets the tone from the top.

The Chief Executive is Nick O'Donohoe, who is primarily responsible for the day-to-day management of the Company and for overseeing the adoption of the Group's culture. Nick chairs the CDC Executive Committee, the executive forum of senior leaders that supports his management oversight of the Company.

Role of independent Non-executive Directors

During the year Valentine Chitalu announced his intention to retire from the CDC Board and was replaced by Dolika Banda and Andrew Alli.

The Non-executive Directors are regarded as independent and are from varied business and other backgrounds. 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.

Role of Senior Independent Director

The Senior Independent Director is Wim Borgdorff. The Senior Independent Director acts as a sounding board for the Chairman and Executive Directors and leads the Chairman's annual performance review. In addition to the existing channels for shareholder communications, shareholders may discuss any issues or concerns they have with the Senior Independent Director.

Appointment and removal of Directors

The Company's articles of association require that all the Directors retire and offer themselves for re-election at the annual general meeting. Accordingly all the Directors will offer themselves for re-election at the annual general meeting

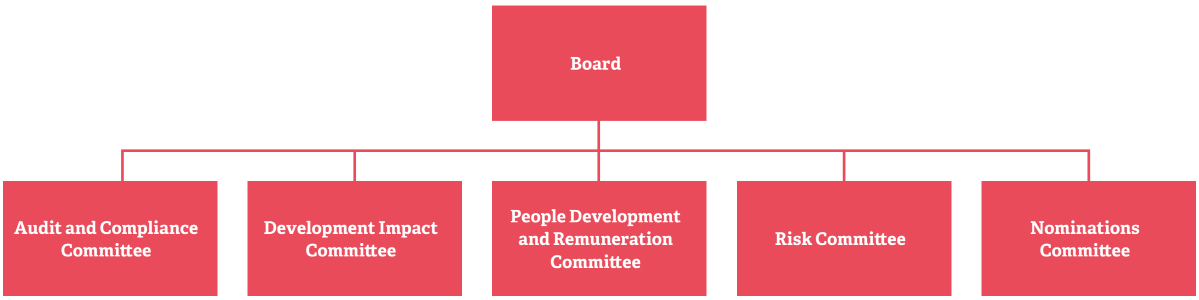
DFID has appointed the Chairman and two of the Company's Non-executive Directors who are deemed to be independent.

Governance framework

Board governance structure

The Board committee structure is shown in the diagram below. The Board has delegated responsibility for certain matters to its committees, as set out in written terms of reference which are reviewed annually.

The Chair of each committee reports regularly to the Board on matters discussed at committee meetings. Reports for each of the Board's committees are set out later in this report and they include further detail on each committee's role and responsibilities, and the activities undertaken during the year.



Investment Committee

The Board has delegated certain of its investment decision making powers to the CDC Investment Committee. Where investment decisions fall outside of delegated authorities then a panel of Non-executive Directors will be invited to participate in those specific investment discussions.

The membership of the Investment Committee includes independent members and members of senior executive management. CDC has recruited highly experienced investors to complement the internal members of the Investment Committee. These are Wanching Ang, Adam Barron, Rod Evison, Paul Fitzsimons, Mark Gidney, Anne-Marie Harris, James Heath, Stewart Hicks, John Kelting, Richard Munn, Donald Peck and Nicholas Rouse.

Meetings of the Board

At each scheduled meeting the Board receives a report from the Chief Executive on the performance of the Company. In addition, the other members of the CDC Executive Committee attend by invitation to update the Board on performance, strategic developments and initiatives in their respective areas.

There is an annual schedule of rolling agenda items to ensure that all matters are given due consideration and are reviewed at the appropriate point in the financial and regulatory cycle. Meetings are structured to ensure that there is sufficient time for consideration and debate of all matters. In addition to scheduled or routine items, the Board also considers key issues that impact the Group, as they arise.

The Directors receive detailed papers in advance of each Board meeting. The Board agenda is carefully structured by the Chairman in consultation with the Chief Executive and the Company Secretary. Each Director may review the agenda and propose items for discussion with the Chairman's agreement. Additional information is also circulated to Directors between meetings as required. Each Board meeting includes time for discussion between the Chairman and Non-executive Directors without the Executive Directors. All Board and committee meetings are appropriately minuted and summary Board minutes are published on the CDC website after each meeting.

Key Board activities in 2018

During 2018, the Board particularly spent time monitoring and reviewing the following:

- The progress of CDC towards the target level of new commitments over the period 2017-2021 as set out in the 2017 strategic framework, alongside the progress on CDC's development impact goals.
- The people agenda, covering the pace and level of resourcing, actions to support diversity and inclusion, and the oversight of CDC's culture to ensure that CDC is best placed to succeed in meeting the objectives of its shareholder.
- The continued development of our Catalyst strategies, which are designed to have a transformational development impact, and can take a greater level of financial risk.
- The continued growth of our overseas operations. In this context, the Board approved a strategy for Africa coverage building on the strategy for South Asia that was agreed in 2017.
- The roll-out of a plan to bring a greater sector focus to the investing of CDC.
- The establishment of a new team to deliver additional value services to our investee companies and fund managers, including support on gender, human capital, climate change and job quality as well as allowing the delivery of grant support around these activities.
- The development of a plan for CDC to support greater capital mobilisation, and partnerships with other organisations.
- The expansion of a range of efforts to provide greater engagement with our stakeholders including DFID, NGOs, DFIs and UK PLCs.
- In light of public concern about safeguarding in international development, the development of a series of responses on the matter both within CDC and in relation to CDC's investee companies.

Training, support and advice

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 Jane Earl, the Company Secretary, and they may obtain independent professional advice at CDC's expense, if required.

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.

Performance and evaluation

During the year, in accordance with the provisions of the UK Corporate Governance Code, the Board appointed an external evaluator to carry out an independent review of its effectiveness and that of its committees.

In addition to attending the Board and committee meetings, meetings were held with each of the Directors, members of the Executive Committee, the Company Secretary, representatives from DFID and other key stakeholders.

The evaluation focused on a range of different areas relevant to board effectiveness and corporate governance, including:

- the role and composition of the Board;
- oversight on key areas of responsibility;
- meeting effectiveness and Board information; and
- people and culture.

The report was presented to the Board in February 2019. The evaluation concluded that the Board is strong and effective.

The Board has welcomed the positive findings of the evaluation but will focus during the coming year on a number of areas with the aim of further improving its effectiveness.

Attendance at Board and committee meetings in 2018

The Board had scheduled to meet five times during 2018. Separate to this, there is regular communication between the Company and the Board between meetings.

	Board	Audit and Compliance	Development Impact	People Development and Remuneration	Risk	Nominations
Number of scheduled meetings during the year	**5**	**5**	**4**	**5**	**4**	**2**
Graham Wrigley (Chair)	5	4	4	5	4	2
Nick O'Donohoe (Chief Executive)	5	5	4	5	4	2
Clive MacTavish (Chief Financial Officer)	5	5	–	5	4	2
Andrew Alli (from September 2018)	2	1	–	–	1	–
Dolika Banda (from September 2018)	2	–	1	1	–	–
Wim Borgdorff	5	5	–	5	4	2
Valentine Chitalu	5	5	–	–	4	2
Sam Fankhauser	5	–	4	–	4	2
Michele Giddens	5	–	4	4	1	2
Keki Mistry	4	4	–	1	3	2
Laurie Spengler	5	–	4	5	–	2

During the year membership of the Board committees was reviewed and it was agreed that a small reshuffle would help provide an additional stimulus to discussions and give a change of perspective. In this context it was agreed that Michele Giddens would step down from the People Development and Remuneration Committee and join the Risk Committee, and that Keki Mistry would step down from the Risk Committee and join the People Development and Remuneration Committee.

Nick O'Donohoe and Clive MacTavish are not members of any of the committees but attend by invitation.

Nominations Committee report

Letter from the Chair of the Nominations Committee

The Nominations Committee meets as required with a quorum of two members. All Non-executive Directors are members and our remit includes appointing new Board members, reviewing the Board's independence, structure, size and composition as well as reviewing the composition of our Board committees. The Nominations Committee also considers succession planning and makes recommendations to the Secretary of State for International Development as a holder of a special share in CDC Group plc, as appropriate.

During 2018 the Nominations Committee had two formal meetings. Given Valentine Chitalu was due to retire as a Non-executive Director in 2019 we undertook a search early in 2018 to identify his successor. A sub-committee of three members was formed to manage the search. We interviewed a number of search firms before we engaged Sapphire Partners to work with us. We were particularly attracted by Sapphire's focus and strength in the areas of gender and diversity. As part of the process we undertook a skills audit and we were also anxious to ensure that we maintained a 'Voice of Africa' amongst our number as well as paying attention to diversity at the Board table.

I was delighted that we were able to attract such a high calibre of background and experience amongst the candidates we interviewed. And it was further evidence, if any were required, of the high regard in which CDC is held within the wider development finance and financial services communities in which we operate that we were able to attract such talented individuals.

We welcomed Andrew Alli and Dolika Banda to the Board with their formal appointment taking place at our Board meeting in Zambia. I am very confident that both Andrew's and Dolika's contributions will enrich our Board discussions. They both received an intense induction programme to enable them to hit the ground running. In addition to their core non-executive responsibilities, as Andrew has recent and relevant financial experience, he has been appointed the Chair of the Audit and Compliance Committee while Dolika is working closely with our nascent CDC Plus team.

I would like to take the opportunity to thank Valentine on behalf of everyone at CDC for his tireless work on our behalf and it is a testament to his stature within the organisation that we felt we needed to find two Non-executive Directors to replace him.

2018 was also the year in which we undertook an independent Board evaluation of our effectiveness and we appointed Independent Audit to work with us on this project. Independent Audit commended the Board for its commitment and hard work, commenting on its collegiality and open and transparent ways of working. At the same time, as you would expect, it has come up with a list of suggestions to help us improve our Board effectiveness. Our Company Secretary, Jane Earl, and I are working together to make sure we capitalise on its findings.

I am fortunate to chair a Board of such engaged and committed Directors as I do here at CDC. Each brings a unique set of skills and experience and over the past year has contributed hugely to the success of the organisation through their leadership. During 2019 we will focus on our succession planning to ensure that the Board continues to demonstrate effective leadership in the years to come.

Graham Wrigley
Chairman

Development Impact Committee report

Letter from the Chair of the Development Impact Committee

Development impact is at the core of CDC's mission. The role of the Development Impact Committee is to guide, monitor and provide assurance over CDC's development impact activities, including compliance with CDC's Code of Responsible Investing and related policies and procedures. The Committee comprises five Non-executive Directors, and in 2018 I was pleased to welcome Dolika Banda as a new member of the Committee.

An important duty of the Committee is to ensure that the reporting on and measurement of CDC's development impact is performed in a robust and consistent manner. Each year we receive assurance from an independent assessor on our measurement of development impact which is shared with DFID, our shareholder. In 2018 this assurance was provided by PwC. I am pleased that CDC's development impact scores continue to exceed the target agreed with DFID.

In 2018 CDC continued its journey towards a broader and deeper understanding of development impact and the way to assess it. Within this broader understanding, anchored in the UN Global Goals, providing high-quality jobs for a growing population remains a core objective for CDC. In 2018 we commissioned an independent review by two eminent academics on our methodology for measuring job creation. Whilst confirming that the existing methodology was fit for purpose, they recommended some important improvements which we intend to action during 2019. Also in 2019 we will be finalising a new framework for measuring development impact that moves beyond job creation and reflects the wider impact of our investing activities.

Environmental and social outcomes are a key aspect of development impact. At each meeting, CDC's Environmental and Social team reports on how our investee companies are complying with our Responsible Investing policy. Our team works closely with investee companies to ensure they seek opportunities for environmental and social improvements and associated risks which impact their operations and their communities at a local, regional and national level. We are particularly keen to ensure that we are supporting safe workplaces, ensuring that all employees are kept safe and treated with respect.

CDC has continued to expand its development impact team which has grown from 19 employees in 2016 to 48 in 2018. Part of this growth includes a new Value Creation team, established in 2018 to promote environmental, social and development outcomes in four strategic areas: climate change, women's economic empowerment, skills and job quality. The new team has made an immediate impact. CDC has played a pivotal role in promoting women's economic empowerment in some of the poorest places in the world, for example by working with international partners on the 2X Challenge. The objective for 2019 is to raise our game in the same way in the other value creation priorities: climate change, skills and job quality.

In 2018, the Committee assumed responsibility for monitoring the activities of the CDC Plus team, CDC's new grant facility, providing assurance to both the CDC Board and DFID that the facility provides value for money and is working within its remit. We are also engaged with DFID in commissioning evaluations, so we can learn about the impact of the investments that we are making.

CDC's cadre of development impact specialists has grown rapidly in 2018, with many of them embedded in the investment teams. In 2019 I look forward to welcoming Liz Lloyd CBE as CDC's Chief Impact Officer. This is a new role for the organisation, sitting on the Executive Committee, and reflects CDC's commitment to development impact.

CDC lives and breathes development impact. I would personally like to thank all CDC employees who have contributed to the work of the Committee during 2018 with particular thanks to the Development Impact, Environmental & Social and Value Creation teams. There are too many important initiatives and successes to highlight here. I would, however, commend to you CDC's Annual Review which will be published alongside this report, where you can learn more about our development impact in our markets.

Sam Fankhauser
Chair

Audit and Compliance Committee report

Letter from the Chair of the Audit and Compliance Committee

I am delighted to present my report as the new Chair of the Audit and Compliance Committee and would like to pay tribute to my predecessor Valentine Chitalu, who stood down in February 2019. Much of what I am reporting to you was led by Valentine during 2018.

The Committee's main duties are as follows:

- To review the financial statements.
- To review the findings of the external auditor and the independence of the external auditor.
- Direct the internal audit programme.
- Monitor the management accounting and the policies and procedures relating to valuations.
- Investigate any irregularities relating to the above.
- Oversee the Company's regulated activities and compliance function.

KPMG, as auditor, attended each of the Committee meetings during 2018.

Key accounting judgments

Valuations

The valuation of portfolio investments is a key area for the Company, especially as there are a large number of unlisted portfolio investments. During the year the Committee followed up on process improvements recommended by KPMG as well as reviewed the year-end valuations in detail with the auditors in April. In July there was a further presentation by management on the most material investments and their valuations. This presentation built on previous work carried out for the Committee by PwC, which performed independent assessments of selected assets in 2016 and 2017. We will continue to focus on this subject during 2019 and may again choose to engage third-party valuation experts to give further validation as is felt needed.

IFRS 9

The Company has adopted the provisions of IFRS 9 Financial Instruments which came into effect on 1 January 2018, replacing IAS 39. All debt instruments have a credit rating calculated at commitment, and these are regularly monitored. These ratings, and their movements since commitment, are then used to drive probability of default and expected credit loss calculations. CDC's direct debt portfolio is still relatively small, compared with the rest of the business, and also relatively young, so there have been few impairments to date. As such the main impact of the introduction of the standard was to create a provision based on the stage one, one-year expected credit loss for the portfolio. One loan was assessed as being in stage two and the appropriate lifetime impairment was assessed. The Committee will continue to monitor this closely over the coming years.

Internal audit

The Committee reviews the scope, activity and resources of the Company's internal audit function. The Committee approves the annual internal audit plan and, semi-annually, receives formal reports against this plan from the CDC Internal Audit Manager, Siobhan Foley. The Internal Audit Manager has a direct reporting line to the Chair of the Committee and meets regularly with the Committee Chair throughout the year.

In 2018, in line with best practice, we appointed Deloitte to undertake a review of the internal audit function within CDC. The business has grown significantly over the past few years and so it was appropriate to take a step back and look at the arrangements we have in place to maintain assurance over controls and processes. Deloitte confirmed that the internal audit function was fit for purpose but made some helpful recommendations which the Company will action during 2019.

The CDC Internal Audit Manager attended the inaugural European DFI Internal Audit Forum during 2018 and the Committee is very supportive of her engaging with the wider DFI community to help develop a shared understanding of best practice.

External audit

Auditor independence

The Committee 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:

- 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 permitted by the Financial Reporting Council's Ethical Standard in the United Kingdom.
- The external auditor's policies for the rotation of the lead partner and key audit personnel.
- 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 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.

Audit tender

As of this year end, 2018, KPMG has been CDC's external auditor for ten years and, following the guidance of both the Financial Reporting Council (FRC) and the Institute of Chartered Accountants for England and Wales, an audit tender process was undertaken during 2018. Valentine, Graham Wrigley and Clive MacTavish along with members of the Finance team formed a sub-committee to receive the presentations from tendering companies and to make a recommendation to the Committee and CDC Board on the audit firm to be appointed. Both KPMG and Deloitte submitted proposals and after much deliberation the sub-committee agreed to recommend to the Board that Deloitte be appointed as CDC's auditor from 2019 onwards.

I would like to take this opportunity to thank Jonathan Martin and his team at KPMG for all their hard work on CDC's audits including this one, their final audit. I know Valentine has valued Jonathan's wise counsel over the many years he has led the CDC account and the diligence of the teams who have worked with him.

Regulatory and compliance matters

As a financial services organisation CDC is governed by a number of regulations. CDC 's Director of Business Integrity and Compliance, Mark Butler, is tasked to ensure that the Committee remains properly briefed on key matters. This year briefings covered GDPR regulations, the Senior Manager Certification Regime and the Criminal Finances Act 2017. In addition, during the year the Business Integrity Manual was updated with particular attention paid to ensuring that the Company had clear safeguarding procedures in place.

As a Committee, we maintain a dialogue with our shareholder, DFID, and during 2018 Valentine and I met senior representatives of DFID. During 2019 our focus will remain on our core responsibilities which will include the integration of a new external audit team. I would like to take this opportunity to thank Clive MacTavish, our Chief Financial Officer, and his team for their work during the course of the year in support of the Committee.

Andrew Alli
Chair

Risk Committee report

Letter from the Chair of the Risk Committee

I am very pleased to introduce the report on the activities of the Risk Committee during 2018. The Committee's main duties are to oversee the implementation of the Risk Management Policy and the risks facing CDC. The Committee is supported by the Chief Financial Officer, Clive MacTavish, the Managing Director for Investment Risk and Analytics, Frances Reid, and the Risk Manager, Liz Garlick. PwC attended each meeting as an adviser.

During 2018 we welcomed Andrew Alli and Michele Giddens as new members of the Committee and Keki Mistry stood down in September to join the People Development and Remuneration Committee. I am grateful to Keki for his sound advice during his time on the Committee.

A key focus during 2017 was agreeing our risk appetite statement and in 2018 we followed this up with monitoring those risks which fell outside our agreed appetite, namely information security and our job creation methodology. We also monitored the corporate high-level risk map at each meeting. You will see from pages 12 – 15 of the Strategic and Directors' Report the presentation of the key risks facing CDC and how these are mitigated.

As part of our risk management process we also consider our investment risks. In 2018 we reviewed in detail the Company processes around currency management and hedging, whilst in early 2019 we discussed research on value at risk and its potential application to CDC. In addition, we maintain a watching brief over our portfolio limits and delegated authorities. We regularly review our single obligor, sector and counterparty limits as well as hedging and foreign exchange exposure.

We also receive reports from the Exceptional Risk Committee, which considers specific investment proposals that present particular reputational risks to CDC, as part of our ongoing monitoring of investment risk.

I am grateful to Clive, Frances and Liz for the work they have done over the past 18 months to ensure that we have a robust risk management framework in place.

Wim Borgdorff
Chair

People Development and Remuneration Committee report

Letter from the Chair of the People Development and Remuneration Committee

Introduction

I am very pleased to introduce this report on the activities of the People Development and Remuneration Committee (PremCo) of CDC.

The remit of PremCo has been deliberately designed to cover not just remuneration but broader people issues across CDC. It is not restricted to the executive population as, for a small purpose-driven organisation, it is important to consider all aspects of building and maintaining a culture that supports and strengthens delivery of CDC's mission over the long term. That mission, which is the source of inspiration and motivation for the people who work at CDC, informs our overall recruitment, retention and reward structure. Our overarching goal is to help ensure that the culture of CDC advances the mission of the Company and is properly nurtured through good people policies with regard to the attraction, management and development of talent across the entire organisation. This goal will become even more important as CDC enters a period of further growth and geographic reach of operations. Our ability to attract and retain talented individuals in this period is critical and PremCo is mindful of this in all that it does.

As covered in more detail elsewhere in this report, 2018 saw continued growth for CDC in terms of both the portfolio of investments and the organisation. The demands of the new strategy, requiring additional staff both in London and overseas, means that PremCo expects to continue to work to a full agenda addressing the issues of culture, staff management, reward and compliance.

With 2017 having seen the completion of the last triennial review of the CDC Remuneration Framework, 2018 allowed the Committee to focus more on the People Development side of the agenda compared to the Remuneration side. To this end, the meetings established a regular agenda around five key themes:

+ Reward
+ Hiring and attrition
+ Gender and diversity
+ Culture and leadership
+ Governance

Within these themes, key discussions were as follows:

+ The decision to publish CDC Gender Pay Gap (GPG) information early in 2018 (in advance of CDC falling within the terms of the GPG legislation) marked the start of a clear focus on diversity and inclusion. The headline results were disappointing, if not unexpected, but have presented a natural springboard for a greater focus on the issue not just of gender diversity but of support for wider diversity in general across the Company. A large number of initiatives have been launched which have been monitored and guided by the Committee.
+ Support has been given to a major project to review and better articulate the CDC culture. The bulk of work on this was done during 2018 with support from an external agency (Culture Consultancy) and has involved discussion with a wide range of staff across the business both in London and overseas. The output from these consultations will enable the CDC Executive Committee to present an appropriate update of CDC's values in 2019 consistent with the expansion of the Company, its new leadership and the increased demands of the new strategy.
+ Managing the growth in headcount has been a particular challenge for the Company and the Committee has kept monitoring the pace of hiring and attrition as well as related issues such as the hiring of staff outside the UK and the growth of CDC's regional office network.

CDC remuneration philosophy

CDC's overall approach to remuneration is framed within the CDC Remuneration Framework – the overarching governance document for CDC remuneration. PremCo is responsible for agreeing the CDC Remuneration Framework with the shareholder. In addition to the agreed philosophy, the Framework also covers the different elements of remuneration for all staff (including the Chief Executive) and how each element works in practice. The document also details the governance and authorisation processes for remuneration within CDC, and the monitoring and review mechanisms available to the shareholder and UK Government Investments (UKGI). The revised version of the Framework was finalised in 2017 and is published on CDC's website.

PremCo focuses on the overall employee value proposition at CDC which goes beyond pay. In order to deliver value to the taxpayer in attracting and developing the talent needed to deliver on its mission, CDC's remuneration, particularly that awarded to investment professionals, is not benchmarked to commercial private equity but is rather benchmarked, in a triennial exercise as set out in the Remuneration Framework, to a group of other development and international finance institutions. As such new starters frequently accept a reduction in salary upon joining. Whilst this provides an ongoing challenge in securing talent, CDC succeeds in attracting and retaining high calibre candidates owing to the interesting and varied work on offer, the personal development opportunities available, other non-financial elements of reward and, perhaps most importantly, the fundamental motivation of helping to support CDC in achieving its mission.

Long-term commitment is critical in our organisation. To align senior and investment staff with the exceptionally long-term nature of the business, and to compensate them for the fact that they often take a significant discount on what they could earn to come and work at CDC, the Company operates a Long-term Development Performance Plan (LTDPP) which encourages staff to remain with CDC. It is based on CDC achieving long-term financial and development goals, as well as rewarding longer service, critical to CDC as an organisation providing patient, long-term capital. The plan is capped, limiting the maximum potential reward of all employees. In addition, the Chief Executive's compensation, as reported later in this report, is capped at a maximum of £305,000 from salary and incentive award combined.

Performance against long-term targets

PremCo oversees the annual calculation of the award made under the LTDPP. In 2018 the overall Development Performance Percentage was 98.00 per cent with the Company's long-term financial return and development impact both being ahead of the agreed targets in the Remuneration Framework. These calculations are explained in more detail in the body of this report.

Plans for PremCo in 2019

The PremCo agenda in 2019 will notably include the following items:

+ The work on the next triennial review of remuneration will commence with a benchmarking exercise and the chance that gives to reflect again on the overall CDC Remuneration Framework.
+ The culture project will conclude and PremCo will oversee the way that this is embedded into the Company's policies, processes, communications and expected standards of behaviour.
+ The Committee will work to ensure that the organisation meets the people-related aspects of the 2018 FRC Guidance on Board Effectiveness, which will include monitoring culture.
+ The Committee will continue to give significant attention to the diversity and inclusion agenda, including the publication of the 2018 Gender Pay Gap and the monitoring of progress against targets and on new initiatives to encourage greater diversity at CDC.

There will be many other workstreams and PremCo will continue to set its agenda using the five headings presented earlier to ensure that all themes are appropriately considered for the agenda at each meeting.

Conclusion

2018 was a busy year for PremCo, reflecting substantial growth and change at CDC. PremCo has taken an active part in both reward and non-reward people issues, giving support and encouragement to CDC's management, whilst at the same time ensuring that they are accountable for their decisions and working in a manner which reflects the shareholder's interests. A focus on culture requires multiple efforts from many as well as an honest assessment of progress made. PremCo looks forward to continuing to work with management and the shareholder in the year ahead as CDC continues to execute on the areas highlighted. In closing, I would like to acknowledge the contributions of all the PremCo members, each of whom has provided essential input and support in recognition of the importance of building a mission-aligned CDC culture over the long term.

Laurie Spengler
Chair

Remuneration Policy

Policy overview

PremCo is responsible for agreeing the CDC Remuneration Framework with DFID. The Remuneration Framework covers base salary, long-term incentives, in the form of the Long-term Development Performance Plan (LTDPP) and other benefits. The ongoing challenge for CDC is to hire the people needed to achieve the organisation's mission whilst requiring them to take a discount, which is often significant, relative to their full market worth. The goal is that the taxpayer gets real value for money from CDC.

The Remuneration Framework has a specific section which covers the remuneration of the Chief Executive and this is described first before the policies applicable to all other staff.

Remuneration Policy for Chief Executive

Component	Operation and implementation during the year
Chief Executive reward	The Chief Executive will receive a base salary of £276,530, with the potential to be reviewed annually by reference to external economic factors and inflation data, in line with base salaries of staff as governed under the base salary policy below. The maximum pay-out to the Chief Executive in any one year will remain below £305,000 plus other benefits of up to 18 per cent of base salary. The Chief Executive's remuneration will be part of the benchmarking exercise to be undertaken every three years. The Chief Executive will be eligible to participate in the benefits in kind described in the benefits section below, with the exception that, whilst private medical insurance will be available for overseas travel, the Chief Executive will not have access to UK private medical insurance paid for by CDC.
Support for objectives of CDC	To be successful CDC needs to attract world-class senior finance professionals to lead it. It is recognised that CDC cannot provide competitive market salaries for such people and that commitment to the CDC mission will always be the key motivating factor for the Chief Executive. The reward cap reinforces the remuneration philosophy as being mission driven and, although marginally increased in 2017, continues to ensure that the current incumbent is paid at less than a third of the level of his pre-2012 predecessor.

Remuneration Policy for Executive Directors, Executive Committee members and Group employees

Component	Operation and implementation during the year
Base salary	Individual base salaries reflect job responsibilities, the experience and skills of the individual relative to other CDC employees, market rates of the comparator group and the sustained level of individual performance. Each tier of functional titles has a band of around 10-20 per cent to allow progression year on year if performance warrants, before being considered for promotion to the next level. CDC undertakes a benchmarking exercise every three years as set out in the Remuneration Framework. Following the exercise, PremCo will revert to DFID to confirm that the Remuneration Framework remains fit for purpose or, if necessary, may propose changes to DFID. Salaries are reviewed annually by reference to external economic factors and inflation data.
Support for objectives of CDC	CDC base salary levels reflect roles, experience and skills. CDC's annual PDA (Personal Development Approach) performance review process and its promotion and progression process ensure that managers discuss performance and development with every person at CDC and promotion indicators exist for every band of employee. We aim for our processes to be transparent, clear and simple, reflecting the working environment and culture that we seek to create.

Remuneration Policy for Executive Directors, Executive Committee members and Group employees

Component	Operation and implementation during the year
Pension	All UK employees of CDC, including Executive Directors, are offered a non-contributory stakeholder pension arrangement, or a cash equivalent (at no further cost to the company) for those impacted by limits on pension allowances, with employer contributions from 6-15 per cent as follows: **Age band** / **Company contribution rate** Under 30 — 6%* 30-39 — 9% 40-49 — 12% 50 and above — 15% Managing Directors — 15% CDC operates a funded pension scheme providing benefits on a defined benefit basis for staff who entered service prior to 1 April 2000. There is currently one active member of the scheme. * This rate will increase to 8 per cent from 1 April 2019.
Support for objectives of CDC	Encouraging staff to save for retirement is an integral part of the culture of any responsible employer. The CDC scheme forms part of the employee value proposition which attracts people to work for CDC and to remain doing so.
Long-term Development Performance Plan (LTDPP)	The following staff are eligible for an LTDPP award: + Managing Directors (which includes all members of the Executive Committee) + Directors in all teams + Managers and executives in Investment teams + Managers in the Responsible Investing, Legal and Strategy teams + Managers in Operations teams Awards are structured relative to an individual's salary and calculated with reference to tenure and the achievement by CDC of specific development and financial targets. The maximum cash award payable at the end of the first year of employment is 10 per cent of salary. This maximum increases by 10 per cent per annum up to a maximum of 100 per cent of salary after ten years. In any year, the specific payment is calculated by multiplying an individual's maximum award entitlement by CDC's Development Performance Percentage for the year. This latter number is the sum of two elements: CDC's Development Potential Percentage (DPP) and CDC's Development Outcome Percentage (DOP). Please refer to the section on 'Performance of LTDPP' on page 40 for more details. Operations team managers are eligible for a 50 per cent LTDPP which mirrors the main LTDPP award with a revised annual cash award of up to 5 per cent payable at the end of the first year, increasing by 5 per cent per annum up to a maximum of 50 per cent of salary after ten years. The Board confirms and demonstrates by written letter to DFID the DPP and the DOP, together with assurances from CDC's external evaluators and auditors.
Support for objectives of CDC	The LTDPP was created to align the interests of CDC senior staff and DFID by incentivising CDC staff to: + invest for long-term development and financial impact; + make those investments financially successful, because it is agreed that actual development impact is typically well correlated with financial success; and + protect the value of CDC's balance sheet.

Remuneration Policy for Executive Directors, Executive Committee members and Group employees

Component	Operation and implementation during the year
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 per cent of salary, or eight times base salary with no dependent pension. + Permanent health insurance, which provides cover in the event that staff are unable, through ill health, to continue to work for the Company. + Private medical insurance, which can include cover for family members. + Annual medical check-ups for all staff that frequently travel overseas on business. + Sabbaticals lasting up to one month for employees with five years' service and three months for those with ten years' service.
Support for objectives of CDC	Providing benefits which are supportive of the lives of our employees (without ever being lavish or unnecessary) is important to ensure that CDC remains an attractive place to work. As an organisation which is not always able to match market rates of salary, it is important that our employee benefits are seen to match market standards, encourage a diverse workforce and be modern and attractive.

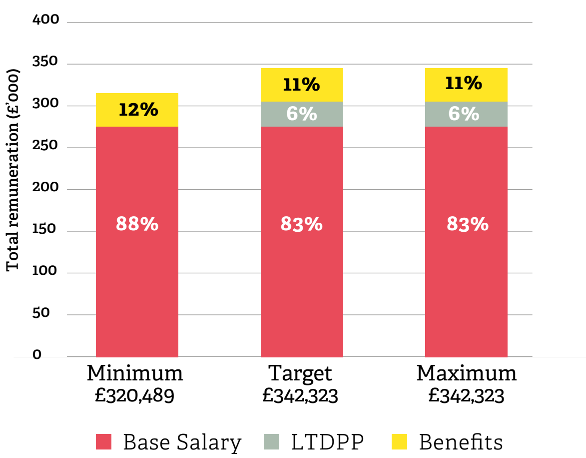
Remuneration Policy for Non-executive Directors

Component	Operation and implementation during the year
Base fee	The remuneration of the Non-executive Directors takes the form of fees which have been agreed with DFID. Chairman: £35,000 per annum Non-executive Directors: £22,000 per annum to sit on the Board plus two committees
Committee Chair fees	Non-executive Directors: £6,000 per annum Non-executive Director remuneration is subject to an overall cap of £28,000 per annum

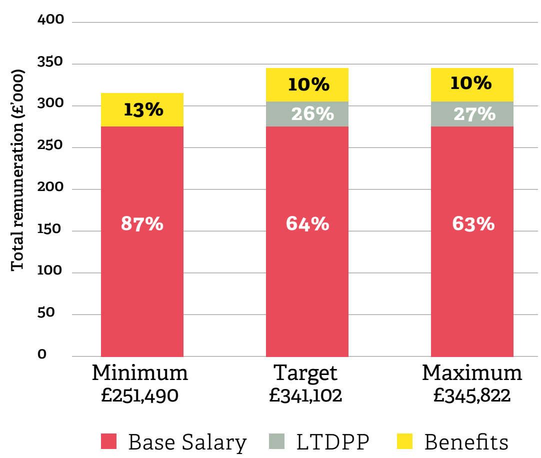
Recruitment policy

Any new Executive Directors will be engaged on the same terms and conditions as the current executive directors described in this section. Equally, CDC expects any new Chairman or Non-executive Directors to be engaged on the same terms and conditions as for the current incumbents whose remuneration is also described in this section.

Chief Executive



Chief Financial Officer



Executive Director scenario charts for total remuneration, 2019
The charts above provide an indication of the level of remuneration that would be received by Executive Directors in the 2019 year under the current Remuneration Policy in three scenarios.

The following assumptions were made in preparing these charts:

- Minimum – this includes only the fixed elements of pay, being base salary, benefits and pension.
- Target – this includes the fixed elements and the maximum LTDPP award excluding the CDC Board's discretionary adjustment.
- Maximum – this includes the fixed elements and the maximum LTDPP award.

Service agreements
Nick O'Donohoe has an employment contract which is terminable on either side by 12 months' notice. Nick O'Donohoe will receive a salary equivalent of £283,165 for 2019 (2018: £276,530). He is entitled to participate in CDC's LTDPP subject to the cap mentioned above.

Clive MacTavish has a statement of written particulars of employment which is terminable on either side by three months' notice. Clive MacTavish will receive a salary of £217,680 for 2019 (2018: £212,580). He is entitled to participate in CDC's LTDPP scheme.

The Non-executive Directors have letters of appointment including the terms disclosed in the table below. Non-executive Directors will be subject to re-election at an annual general meeting in accordance with the provisions for retirement of Directors by rotation contained in CDC's Articles of Association.

The employment contracts and letters of appointment of the Directors include the following terms:

	Date of appointment	Notice period (months)
Executive Directors		
Nick O'Donohoe	19 June 2017*	12
Clive MacTavish	13 November 2015*	3
Non-executive Directors		
Andrew Alli	24 September 2018	3
Dolika Banda	24 September 2018	3
Wim Borgdorff	1 September 2014	3
Valentine Chitalu (retired 28 February 2019)	31 March 2010	3
Sam Fankhauser	13 April 2015	3
Michele Giddens	1 December 2014	3
Keki Mistry	1 September 2014	3
Laurie Spengler	28 July 2016	3
Graham Wrigley	4 December 2013	3

* Nick O'Donohoe and Clive MacTavish have employment contracts with the Company dated 24 April 2017 and 7 September 2015 respectively.

GOVERNANCE REPORT

Policy on payment for loss of office
CDC expects Executive Directors to provide service through their contractual notice periods to ensure that there is a secure handover to a replacement. As an alternative CDC may, at its discretion, pay in lieu of that notice should this be seen as preferable for the Company. That payment would be determined by the notice period and the applicable annual salary and other benefits for the individual. Equally, on cessation of employment, Executive Directors may, at the discretion of PremCo, retain entitlement to a pro-rata annual long-term incentive for their period of service in the financial year prior to their leaving date. CDC expects that any payments would be kept within the terms of the planned Public Sector Exit Payments (Limitation) Bill currently being taken through the legislative process.

Shareholder views
CDC is wholly owned by DFID. As noted elsewhere, CDC's remuneration policies are comprehensively set out in the CDC Remuneration Framework which was originally agreed with DFID in 2012 and revised and agreed with them in 2017.

External appointments
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 is a Non-executive Director on the boards of the Global Steering Group for Impact Investment, Fernlea Consulting Limited and Mustard Seed Trust Limited. The Chief Financial Officer currently holds no non-executive appointments.

Annual Report on remuneration

Non-executive Director remuneration

The remuneration of the Non-executive Directors who held office during the year is shown in the table below:

	2018 fee £	2017 fee £
Graham Wrigley	**35,000**	35,000
Andrew Alli (from 24 September 2018)	**7,538**	–
Dolika Banda (from 24 September 2018)	**5,923**	–
Wim Borgdorff	**28,000**	28,000
Valentine Chitalu	**28,000**	28,000
Sam Fankhauser	**28,000**	28,000
Michele Giddens	**22,000**	25,500
Keki Mistry	**22,000**	22,000
Laurie Spengler	**28,000**	24,500

Non-executive Directors do not receive any pension, benefits or long-term incentives. Laurie Spengler assumed the Chair of PremCo from Michele Giddens following the July 2017 Board meeting (effective August 2017).

2018 single total figure of remuneration for Executive Directors

The remuneration of Executive Directors who held office during the year is shown in the table below:

	Actual remuneration						Annual equivalent
	Base salary £	Non-pension benefits £	APPP £	LTDPP £	Pension £	Total £	Salary £
Executive Directors							
Nick O'Donohoe (from 24 April 2017)							
2018	276,530	–	–	28,469	36,450	341,499	276,530
2017	184,146	–	–	19,558	24,272	227,976	268,475
Diana Noble (to 18 June 2017)							
2018	–	–	–	–	–	–	–
2017	142,498[1]	5,155	–	15,762	237,228[2]	400,643	268,475
Clive MacTavish							
2018	212,580	4,063	–	69,443	31,430	317,516	212,580
2017	199,017	2,838	8,983	46,776	25,073	282,687	206,388

1 Base salary includes a payment of £8,261 in respect of accrued but untaken holiday as per the Company's standard holiday policy for leavers.
2 Diana Noble was entitled to a pension contribution of 22.5 per cent of base salary and in 2017 accrued an entitlement of £29,904. Ms Noble elected to receive cash in lieu of this pension contribution equivalent to its value less employer's NI contributions (13.8 per cent) and, as a result, was paid a sum of £25,777. Ms Noble also elected to receive an additional £245,303 of pension contributions owing to her that had been accrued but not paid in the years 2011 and 2013-2016. As with 2017 payment, these amounts were paid at the accrued value less employer's NI contributions (£211,451) making a total payment in respect of pension during the year of £237,228. These accrued amounts were disclosed in previous remuneration reports as a footnote to the remuneration table.

Performance of the Long-term Development Performance Plan (LTDPP)

Executive Directors are entitled to a payment, as a percentage of their base salary, which is dependent on length of employment and CDC's performance as measured by two key measures linked to our mission.

* The 2017 Remuneration Framework is available for review on CDC's website.

Calculation of the maximum amount

The maximum amount that can be awarded to the Chief Executive is capped so that pay remains below £305,000 in any one year. The maximum for the Chief Financial Officer is based on the length of employment after 1 January 2012 (the same as for all eligible staff) which is as shown in the table below:

No. of years' employment after 1 January 2012	0–1	1	2	3	4	5	6	7	8	9	10+
Percentage of base salary	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%

Directors who join CDC after 1 October in any year will begin accruing eligibility on 1 January of the immediately following year. Directors joining before 1 October will begin accruing eligibility that year but the maximum amount will be reduced by 0.833 per cent for each full month between 1 January and the date of joining.

The maximum amounts for Directors in 2018 were therefore calculated as:

	Nick O'Donohoe	**Clive MacTavish**
Employment start date	24 April 2017	7 September 2015
Percentage of base salary	20.00%	40.00%
Adjustment for no. of full months not employed	(2.50%)	(6.67%)
Maximum amount	17.50%	33.33%

Calculation of the 2018 outcomes

	Development Potential Percentage (50%)	**Development Outcome Percentage (50%)**
Purpose	To measure the development impact potential of CDC investments.	To measure the development outcome of CDC investments in terms of financial return.
Metric	Three-year aggregate Development Impact (DI) score calculated by development grid based on: + the difficulty of making an investment in a particular geography; and + the investment's propensity to create employment in the applicable industry sector.	Cumulative Investment Return since 2012.
Assessment	See 2017 Remuneration Framework for assessment methodology*	
Outcome	Aggregate DI score 2016-2018 = 2.96. The Board of CDC allocated 6.00 per cent of the remaining 10.00 per cent DPP based on their assessment of CDC's progress in developing and executing against the new Catalyst strategies. Therefore, DPP for 2018 was equal to 96.00 per cent.	Cumulative Investment Return 2012-2018: 9.30 per cent.
2018 summary		
Weighting:	50.00%	50.00%
Achievement:	96.00%	100.00%
Outcome:	48.00%	50.00%
Total:	**98.00%**	

GOVERNANCE REPORT

As such, Executive Director awards were calculated as:

	Nick O'Donohoe	Clive MacTavish
Base salary at 31 December 2018	£276,530	£212,580
Maximum amount	17.50%	33.33%
Development Performance Percentage	98.00%	98.00%
LTDPP award	£47,473	£69,443
Reduction for Chief Executive capped remuneration	(£19,004)	–
Net LTDPP award	£28,469	£69,443

Employee remuneration
CDC recognises that it is important to provide full transparency over its remuneration to all its staff. A disclosure on all staff remuneration was previously made separately to the annual accounts but since 2017 it has been incorporated within these remuneration disclosures. The revised table below shows the impact of LTDPP separate to that of base salary. As the organisation is still growing, and as the LTDPP scheme was only established in 2012, CDC expects that, should its senior staff remain with the company, the count of people in the top bands of the table will increase over the next few years. By comparison, the counts of employees by Base Salary should remain more balanced proportionately and consistent with the growth of the Company.

The number of Group employees, employed for the full 12-month period, excluding Executive Directors, in the year by remuneration band is shown below:

	No. of employees Base salary and APPP*		No. of employees Total compensation	
Compensation	2018	2017	2018	2017
£400,001–£450,000	**–**	–	**2**	–
£350,001–£400,000	**–**	–	**5**	3
£300,001–£350,000	**–**	–	**7**	5
£250,001–£300,000	**–**	2	**17**	12
£200,001–£250,000	**11**	7	**27**	24
£150,001–£200,000	**37**	24	**27**	27
£100,001–£150,000	**65**	52	**53**	37
£50,001–£100,000	**87**	83	**77**	64
£0–£50,000	**35**	31	**20**	27
Total	**235**	199	**235**	199

* Due to the adjustments in 2017 with APPP being rolled into base salary, base salary and APPP have been combined to provide a more meaningful comparison of the year-on-year change.

People Development and Remuneration Committee
CDC's People Development and Remuneration Committee during 2018 comprised Laurie Spengler (Chair), Wim Borgdorff, Michele Giddens (to September 2018), Keki Mistry (from September 2018), Dolika Banda (from September 2018) and Graham Wrigley. Further details can be found on page 27 of the Governance report.

Gender pay gap reporting
The Gender Pay Gap Report is a separately published report and is available for review on CDC's website.

The report shows a median pay gap of 28 per cent in favour of men and an average pay gap of 30 per cent. The report sets out the commitments we are making to close our pay gap and to improve gender diversity at CDC. Diversity is a key focus for PremCo and will continue to form an important part of its agenda as we strive to build a more inclusive and dynamic organisation.

Additional strategy and corporate governance information

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 fund investments and other investment vehicles managed by third party investment fund managers.

Strategic Review

The information that fulfils the requirements of the Strategic Review can be found in the Strategic and Directors' Report section on pages 1 to 17. Further information on CDC's investments, development impact and case studies can be found in the Annual Review which is available on CDC's website.

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.

Matters concerning the Financial Statements

Going concern

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.

Dividend recommendation

The Directors do not recommend payment of a dividend for the year (2017: nil).

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.

Auditor

Following an audit tender, the Audit and Compliance Committee agreed to appoint Deloitte as auditor in succession to KPMG who will be retiring as the Company's auditor at the annual general meeting. In accordance with section 489 of the Companies Act 2006, a resolution proposing the appointment of Deloitte as the Company's auditor will be put to members at the forthcoming annual general meeting. KPMG 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.

Ownership and shareholder governance

At the beginning of the year, the Secretary of State for International Development held 1,836,000,000 ordinary shares of £1 each and one special rights redeemable preference share of £1 in the capital of the Company.

On 12 March 2018, a further 59,000,000 ordinary shares were issued to the Secretary of State for International Development; and on 23 November 2018, a further 683,000,000 ordinary shares were issued to the Secretary of State for International Development.

As at 31 December 2018, the Secretary of State for International Development held 2,578,000,000 ordinary shares of £1 each (2017: 1,836,000,000 ordinary shares) and one special rights redeemable preference share of £1 each.

On 13 March 2019, the Secretary of State for International Development received a further 53,000,000 ordinary shares of £1 each.

CDC is answerable to the shareholder in line with normal corporate governance.

The Secretary of State for International Development appoints the Chairman and two of the Non-executive Directors. The Secretary of State also agrees CDC's Investment Policy which sets five-year objectives including instruments, geographies, excluded activities, reporting obligations and performance targets linked to financial returns and development impact. It also sets the Code of Responsible Investing which sets environmental social and governance standards, including those relating to business integrity.

DFID, as sole shareholder, exercises oversight and monitors CDC's performance through the Board, through open communication and through a combination of formal reporting, and frequent formal and informal interactions with CDC management and staff. DFID meets quarterly with CDC's Chairman, Chief Executive, Chief Financial Officer and Chief Operating Officer; and annually with the Chairman, the Chief Executive, the CDC Board and the Chairs of each committee of the Board.

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.

Employees

CDC's policy on employment is one of equal opportunity in the recruitment, training, career development and promotion of employees. 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. Further information on the Company's approach to being a responsible employer can be found in the Strategic and Directors' Report section of this document.

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.

Jane Earl FCIS
Company Secretary
CDC Group plc
On behalf of the Board of Directors
9 April 2019
Registered in England No. 3877777

Statement of Directors' responsibilities

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

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs as adopted by the European Union) 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 Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

+ select suitable accounting policies and then apply them consistently;
+ make judgements and estimates that are reasonable, relevant and reliable;
+ state whether they have been prepared in accordance with IFRSs as adopted by the European Union;
+ assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
+ use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Parent 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.

Financial statements

46-93

AUDITED FINANCIAL STATEMENTS

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

Opinion

We have audited the financial statements of CDC Group plc ("the company") for the year ended 31 December 2018 which comprise the Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Comprehensive Income, Consolidated and Company Statement of Changes in Equity and Consolidated and Company Statement of Cash Flows and related notes, including the accounting policies in notes 1 and 26.

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 2018 and of the Group's and the Parent Company's profit for the year then ended;
+ the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The Impact of Uncertainties Due to Britain Exiting the European Union on our Audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as valuation of investments and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model, including the impact of Brexit, and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

Other information

The Directors are responsible for the other information, which comprises the Strategic and Directors' Report and the Governance Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

+ we have not identified material misstatements in the other information;
+ in our opinion the information given in the Strategic and Directors' Report and the Governance Report for the financial year is consistent with the financial statements; and
+ in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 45, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Jonathan Martin
(Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
9 April 2019

Consolidated Statement of Financial Position
As at 31 December

Assets	Notes	2018 £m	2017 £m
Non-current assets			
Equity investments	3	**3,743.0**	3,596.5
Loan investments	4	**590.0**	294.3
Plant and equipment	12	**3.7**	4.2
Intangible asset	13	**0.4**	–
Other receivables		**0.1**	–
Deferred tax asset		**0.1**	0.1
		4,337.3	3,895.1
Current assets			
Trade and other receivables	14	**88.3**	73.4
Note receivable	22	**1,078.0**	696.0
Forward foreign exchange contracts	7	**14.7**	17.4
Cash and cash equivalents	5	**349.8**	402.8
		1,530.8	1,189.6
Total assets		**5,868.1**	5,084.7
Equity and liabilities			
Attributable to the equity holders of the Company			
Issued capital	6	**2,578.0**	1,836.0
Retained earnings		**3,223.5**	3,217.5
Total equity		**5,801.5**	5,053.5
Non-current liabilities			
Net pension liability	16	**–**	0.1
		–	0.1
Current liabilities			
Trade and other payables	15	**39.3**	28.2
Forward foreign exchange contracts	7	**27.3**	2.9
		66.6	31.1
Total liabilities		**66.6**	31.2
Total equity and liabilities		**5,868.1**	5,084.7

Notes 1 to 26 form part of the financial statements.

The accounts were approved by the members of the Board on 9 April 2019 and were signed on their behalf by:

Graham Wrigley
Chairman

Nick O'Donohoe
Chief Executive

FINANCIAL STATEMENTS

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

	Notes	2018 Total £m	2017 Total £m
Investment income	8	**69.4**	53.7
Fair value gains/(losses)	3	**52.9**	(132.1)
Expected credit losses and provisions	4	**(22.9)**	(1.4)
Other income	8	**11.9**	47.0
Administrative and other expenses	9	**(79.3)**	(52.8)
		(37.4)	(139.3)
Profit/(loss) from operations before tax and finance costs		**32.0**	(85.6)
Finance costs		**(1.4)**	(0.1)
Finance income		**6.4**	1.8
Net foreign exchange differences	10	**(30.0)**	12.8
Profit/(loss) from operations before tax		**7.0**	(71.1)
Income tax expense	11	**(0.6)**	(1.2)
Profit/(loss) for the year		**6.4**	(72.3)
Other comprehensive income			
Items that will never be reclassified to profit and loss:			
Recognised actuarial loss on pensions	16	**(0.4)**	(0.5)
Total comprehensive profit/(loss) for the year		**6.0**	(72.8)

Notes 1 to 26 form part of the financial statements.

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

	Notes	2018 £m	2017 £m
Cash flows from operating activities			
Profit/(loss) from operations before tax		**7.0**	(71.1)
Depreciation of plant and equipment	12	**0.9**	0.6
Amortisation of intangible asset	13	**0.2**	–
Loss on disposal of plant and equipment		**0.1**	–
Finance income		**(6.4)**	(1.8)
Finance costs		**1.4**	0.1
Impairment of loan investments	4	**22.9**	1.4
Defined benefit pension costs	9	**0.3**	0.4
Change in value of equity investments	3	**(52.9)**	132.1
Exchange and other movements		**(31.9)**	25.1
Loss/(profit) from operations before changes in working capital		**(58.4)**	86.8
Decrease/(increase) in trade and other receivables		**2.0**	(16.9)
Decrease/(increase) in derivative financial instruments		**27.1**	(18.5)
Increase/(decrease) in trade and other payables		**11.1**	(21.5)
Cash flows from operations		**(18.2)**	29.9
Defined benefit pension contributions paid	16	**(0.8)**	(0.8)
Bank interest received		**6.2**	1.8
Finance costs		**(1.4)**	–
Taxes paid		**(0.7)**	(1.3)
Cash flows from operating activities		**(14.9)**	29.6
Cash flows from investing activities			
Proceeds from sale of equity investments	3	**340.0**	386.4
Acquisition of equity investments	3	**(459.8)**	(483.9)
Acquisition of plant and equipment	12	**(0.5)**	(1.8)
Acquisition of intangible asset	13	**(0.6)**	–
Loan advances	4	**(327.4)**	(108.2)
Loan repayments	4	**50.2**	43.1
Cash flows from investing activities		**(398.1)**	(164.4)
Cash flows from financing activities			
Proceeds from promissory notes		**360.0**	375.0
Cash flows from financing activities		**360.0**	375.0
Net (decrease)/increase in cash and cash equivalents		**(53.0)**	240.2
Cash and cash equivalents at 1 January		**402.8**	162.6
Cash and cash equivalents at 31 December	5	**349.8**	402.8

Notes 1 to 26 form part of the financial statements.

Consolidated Statement of Changes in Equity

	Share capital £m	Retained earnings £m	Total £m
At 1 January 2017	1,500.0	3,290.3	4,790.3
Changes in equity for 2017			
Recognised actuarial gain on pensions	–	(0.5)	(0.5)
Net charge recognised directly in equity	–	(0.5)	(0.5)
Loss for the year	–	(72.3)	(72.3)
Total comprehensive loss for the year	–	(72.8)	(72.8)
Issue of ordinary shares	336.0	–	336.0
At 31 December 2017	1,836.0	3,217.5	5,053.5
Changes in equity for 2018			
Recognised actuarial loss on pensions	**–**	**(0.4)**	**(0.4)**
Net charge recognised directly in equity	**–**	**(0.4)**	**(0.4)**
Profit for the year	**–**	**6.4**	**6.4**
Total comprehensive profit for the year	**–**	**6.0**	**6.0**
Issue of ordinary shares	**742.0**	**–**	**742.0**
At 31 December 2018	**2,578.0**	**3,223.5**	**5,801.5**

Company Statement of Changes in Equity

	Share capital £m	Retained earnings £m	Total £m
At 1 January 2017	1,500.0	3,290.3	4,790.3
Changes in equity for 2017			
Recognised actuarial gain on pensions	–	(0.5)	(0.5)
Net charge recognised directly in equity	–	(0.5)	(0.5)
Loss for the year	–	(72.3)	(72.3)
Total comprehensive loss for the year	–	(72.8)	(72.8)
Issue of ordinary shares	336.0	–	336.0
At 31 December 2017	1,836.0	3,217.5	5,053.5
Changes in equity for 2018			
Recognised actuarial loss on pensions	**–**	**(0.4)**	**(0.4)**
Net charge recognised directly in equity	**–**	**(0.4)**	**(0.4)**
Profit for the year	**–**	**6.4**	**6.4**
Total comprehensive profit for the year	**–**	**6.0**	**6.0**
Issue of ordinary shares	**742.0**	**–**	**742.0**
At 31 December 2018	**2,578.0**	**3,223.5**	**5,801.5**

Company Statement of Financial Position
As at 31 December

Assets	Notes	2018 £m	2017 £m
Non-current assets			
Equity investments	3	**3,745.3**	3,598.5
Loan investments	4	**590.0**	294.3
Plant and equipment	12	**3.5**	4.2
Intangible asset	13	**0.4**	–
		4,339.2	3,897.0
Current assets			
Trade and other receivables	14	**88.5**	73.0
Note receivable	22	**1,078.0**	696.0
Forward foreign exchange contracts	7	**14.7**	17.4
Cash and cash equivalents	5	**347.2**	401.3
		1,528.4	1,187.7
Total assets		**5,867.6**	5,084.7
Equity and liabilities			
Issued capital	6	**2,578.0**	1,836.0
Retained earnings		**3,223.5**	3,217.5
Total equity		**5,801.5**	5,053.5
Non-current liabilities			
Net pension liability	16	**–**	0.1
		–	0.1
Current liabilities			
Trade and other payables	15	**38.8**	28.2
Forward foreign exchange contracts	7	**27.3**	2.9
		66.1	31.1
Total liabilities		**66.1**	31.2
Total equity and liabilities		**5,867.6**	5,084.7

Notes 1 to 26 form part of the financial statements.

The accounts were approved by the members of the Board on 9 April 2019 and were signed on their behalf by:

Graham Wrigley
Chairman

Nick O'Donohoe
Chief Executive

Company Statement of Comprehensive Income
As at 31 December

	Notes	2018 Total £m	2017 Total £m
Investment income	8	**69.4**	53.7
Fair value gains/(losses)	3	**53.2**	(131.8)
Expected credit losses and provisions	4	**(22.9)**	(1.4)
Other income	8	**11.8**	47.0
Administrative and other expenses	9	**(79.8)**	(53.6)
		(37.7)	(139.8)
Profit/(loss) from operations before tax and finance costs		**31.7**	(86.1)
Finance costs		**(1.4)**	(0.1)
Finance income		**6.4**	1.8
Net foreign exchange differences	10	**(29.9)**	12.9
Profit/(loss) from operations before tax		**6.8**	(71.5)
Income tax expense	11	**(0.4)**	(0.8)
Profit/(loss) for the year		**6.4**	(72.3)
Other comprehensive income			
Items that will never be reclassified to profit and loss:			
Recognised actuarial loss on pensions	16	**(0.4)**	(0.5)
Total comprehensive income/(loss) for the year		**6.0**	(72.8)

Notes 1 to 26 form part of the financial statements.

Company Statement of Cash Flows
For the 12 months to 31 December

	Notes	2018 £m	2017 £m
Cash flows from operating activities			
Profit/(loss) from operations before tax		**6.8**	(71.5)
Depreciation of plant and equipment	12	**0.8**	0.6
Amortisation of intangible asset	13	**0.2**	–
Loss on disposal of plant and equipment		**0.1**	–
Finance income		**(6.4)**	(1.8)
Finance costs		**1.4**	0.1
Impairment of loan investments	4	**22.9**	1.4
Defined benefit pension costs	9	**0.3**	0.4
Change in value of equity investments	3	**(53.2)**	131.8
Exchange and other movements		**(31.5)**	25.1
(Loss)/profit from operations before changes in working capital		**(58.6)**	86.1
Decrease/(increase) in trade and other receivables		**0.8**	(16.4)
Decrease/(increase) in derivative financial instruments		**27.1**	(18.5)
Increase/(decrease) in trade and other payables		**10.8**	(21.5)
Cash flows from operations		**(19.9)**	29.7
Defined benefit pension contributions paid	16	**(0.8)**	(0.8)
Bank interest received		**6.2**	1.8
Finance income		**(1.4)**	–
Taxes paid		**(0.4)**	(0.8)
Cash flows from operating activities		**(16.3)**	29.9
Cash flows from investing activities			
Proceeds from sale of equity investments	3	**340.0**	386.4
Acquisition of equity investments	3	**(459.8)**	(484.6)
Acquisition of plant and equipment	12	**(0.2)**	(1.8)
Acquisition of intangible asset	13	**(0.6)**	–
Loan advances	4	**(327.4)**	(108.2)
Loan repayments	4	**50.2**	43.1
Cash flows from investing activities		**(397.8)**	(165.1)
Cash flows from financing activities			
Proceeds from promissory notes		**360.0**	375.0
Cash flows from financing activities		**360.0**	375.0
Net (decrease)/increase in cash and cash equivalents		**(54.1)**	239.8
Cash and cash equivalents at 1 January		**401.3**	161.5
Cash and cash equivalents at 31 December	5	**347.2**	401.3

Notes 1 to 26 form part of the financial statements.

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 2018 were authorised for issue in accordance with a resolution of the Directors on 9 April 2019. 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 European Union.

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, which is the Company's functional currency. 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 methodologies for equity investments are disclosed in note 25.

CDC has applied IFRS 9 Financial Instruments for the first time. The nature and effect of the changes as a result of adoption of this new accounting standards are described in note 23.

In 2017 CDC made a significant change to the employees' Long-term Development Performance Plan (LTDPP) which resulted in the removal of the deferred payment element of the scheme. Employees eligible to an award in the scheme now receive an award within four months of the end of their first year of membership of the scheme rather than their third year of membership under the original plan. In prior years, costs were accrued across the lifetime of the scheme in accordance with IAS 19 Employee Benefits. The plan is now considered to be a short-term scheme for accounting purposes and the cost is charged to the statement of comprehensive income in the year to which the award relates. This change was treated prospectively and the long-term accrual balance of £8.9 million (as shown in note 9 on page 66) was released to the statement of comprehensive income in 2017. Further details of the LTDPP scheme can be found in the People Development and Remuneration Committee Report on pages 33 to 42.

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.

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, DFID. Its funds are 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.

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, in time, fully commercial capital. 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 indicate 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 invests in a range of large and mid-market private equity houses which are clearly focused 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 200 investments at fair value in accordance with International Private Equity and Venture Capital Valuation Guideline (December 2015). 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 taxpayer 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 which provide services and are not themselves investment entities (non-investment subsidiaries), for the year ended 31 December 2018. 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 rights to direct relevant activities 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

Associates are entities which the Group has significant influence over, but does not control, generally accompanied by a shareholding of between 20 per cent and 50 per cent of the voting rights.

No associates are presented in the consolidated statement of financial position as the Group elects to hold such investments as fair value financial assets. This treatment is permitted by IAS 28 Investment in Associates and Joint Ventures, which permits investments held by entities that are akin to venture capital organisations to be excluded from its measurement methodology where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS 9 Financial Instruments. Changes in fair value are recognised in the statement of comprehensive income for the period.

1. Corporate information and accounts preparation (continued)

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 25.

2. Operating segments analysis

Operating segments are the components of the entity whose results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. CDC's operating segments are internally reported to the Group's Chief Executive, who is the chief operating decision maker, and reviewed at least quarterly.

For management purposes, CDC is organised into business units based on its investment instrument types and has four reportable segments: direct debt; direct equity; funds; and forward foreign exchange contracts. No operating segments have been aggregated to form the reportable operating segments.

Information related to each reportable segment is set out below. Segment portfolio return is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments.

	Debt 2018 £m	Equity 2018 £m	Funds 2018 £m	Forward foreign exchange contracts 2018 £m	Total 2018 £m
Segment portfolio return	**47.8**	**50.0**	**37.8**	**(65.3)**	**70.3**
Total segment operating profit/(loss)	**47.8**	**50.0**	**37.8**	**(65.3)**	**70.3**
Segment assets – Portfolio value	**751.3**	**1,621.5**	**1,984.0**	**(17.0)**	**4,339.8**

	2017 £m	2017 £m	2017 £m	2017 £m	2017 £m
Segment portfolio return	16.1	(19.6)	(57.3)	32.4	(28.4)
Total segment operating profit/(loss)	16.1	(19.6)	(57.3)	32.4	(28.4)
Segment assets – Portfolio value	421.0	1,462.6	2,040.0	15.8	3,939.4

During the year there were no transactions between operating segments.

Portfolio return from one manager of the Group's funds segment represented £27.0 million of the Group's total portfolio return. This has been offset by a portfolio loss of £26.0 million from one other manager.

Portfolio return from two investments in the Group's equity segment individually represented portfolio gains of £43.3 million and £24.8 million of the Group's total portfolio return. This has been offset by portfolio losses from two other investments of £32.8 million and £30.9 million.

Reconciliation to Financial Performance Report

Within the management reports, the results of which are shown in the Financial Performance Report on pages 8 to 11, CDC consolidates investment entity subsidiaries acting as investment holding companies in order to track the underlying performance and financial position of CDC. This does not impact these subsidiaries' investment entity status under IFRS 10. In the primary statements, these investment entity subsidiaries are not consolidated but are held as investments at fair value. The results in the management reports give the same total return and net assets as the primary statements but give rise to differences in classification. The classification differences relate mainly to portfolio, cash and cash flows. Forward foreign exchange contracts relating to the investment portfolio are included in portfolio return and portfolio value in the management reports.

CDC manages Impact Fund and Impact Accelerator facilities which, up until 29 September 2017, were managed on behalf of DFID and offset by a grant repayable to DFID. On 29 September 2017, these investments were fully transferred to CDC ownership at fair market value and form part of the Catalyst Portfolio. Under the transfer agreement, the returnable grant payable to DFID was cancelled as DFID and CDC entered into a new share agreement in November 2017 to enable CDC to implement its strategic framework 2017-2021 effectively. These investments and the associated grant and operating costs were not included in CDC's management reports prior to the transfer date.

2. Operating segments analysis (continued)

Statement of comprehensive income

	Notes	Primary statements 2018 £m	Reconciling items: Reclassify portfolio items 2018 £m	Reconciling items: Other items and reclassifications 2018 £m	Management reports 2018 £m
Portfolio return	3,4&8*	**130.9**	**(60.6)**	**–**	**70.3**
Administrative expenses/operating costs	9	**(79.3)**	**–**	**0.2**	**(79.1)**
Other net (expense)/income		**(50.6)**	**60.6**	**4.8**	**14.8**
Finance costs		**(1.4)**	**–**	**1.4**	**–**
Finance income		**6.4**	**–**	**(6.4)**	**–**
Total comprehensive profit/total return after tax		**6.0**	**–**	**–**	**6.0**

	Notes	2017 £m	2017 £m	2017 £m	2017 £m
Portfolio return	3,4&8*	(105.0)	76.6	–	(28.4)
Administrative expenses/operating costs	9	(52.8)	–	(6.3)	(59.1)
Other net expense		83.3	(76.6)	8.0	14.7
Finance costs		(0.1)	–	0.1	–
Finance income		1.8	–	(1.8)	–
Total comprehensive loss/total return after tax		(72.8)	–	–	(72.8)

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

Statement of financial position

	Notes	Primary statements 2018 £m	Reconciling items: Reclassify portfolio items 2018 £m	Reconciling items: Other items and reclassifications 2018 £m	Management reports 2018 £m
Portfolio value	3,4&14*	**4,385.2**	**(17.0)**	**(28.4)**	**4,339.8**
Net cash and short-term deposits	5	**349.8**	**–**	**20.6**	**370.4**
Other net assets/(liabilities)		**1,066.5**	**17.0**	**7.8**	**1,091.3**
Total net assets attributable to equity holders of the Company		**5,801.5**	**–**	**–**	**5,801.5**

	Notes	2017 £m	2017 £m	2017 £m	2017 £m
Portfolio value	3,4&14*	3,935.8	15.8	(12.2)	3,939.4
Net cash and short-term deposits	5	402.8	–	10.6	413.4
Other net assets/(liabilities)		714.9	(15.8)	1.6	700.7
Total net assets attributable to equity holders of the Company		5,053.5	–	–	5,053.5

* Portfolio per the primary statements is the aggregate of equity investments in note 3, the total of current and non-current loan investments in note 4 and guarantees in note 14.

Statement of cash flows

	Primary statements 2018 £m	Reclassify portfolio items 2018 £m	Other items and reclassifications 2018 £m	Management reports 2018 £m
		Reconciling items		
Portfolio drawdowns	**(787.2)**	**–**	**(41.2)**	**(828.4)**
Portfolio receipts	**390.2**	**65.2**	**79.8**	**535.2**
Net investment flows	**(397.0)**	**65.2**	**38.6**	**(293.2)**
Other cash flows	**344.0**	**(65.2)**	**(28.6)**	**250.2**
Net (decrease)/increase in cash & cash equivalents	**(53.0)**	**–**	**10.0**	**(43.0)**
	2017 £m	**2017 £m**	**2017 £m**	**2017 £m**
Portfolio drawdowns	(592.1)	–	(95.2)	(687.3)
Portfolio receipts	429.5	70.7	83.3	583.5
Net investment flows	(162.6)	70.7	(11.9)	(103.8)
Other cash flows	402.8	(70.7)	(35.0)	297.1
Net increase/(decrease) in cash & cash equivalents	240.2	–	(46.9)	(193.3)

Geographic information

The following tables show the distribution of CDC's portfolio return allocated based on the region of the investments.

	Africa 2018 £m	South Asia 2018 £m	Rest of World 2018 £m	Multi-region* 2018 £m	Total 2018 £m
Segment portfolio return	**136.1**	**16.2**	**(40.4)**	**19.0**	**130.9**
	2017 £m	**2017 £m**	**2017 £m**	**2017 £m**	**2017 £m**
Segment portfolio return	(92.3)	(41.8)	25.6	3.5	(105.0)

* Multi-region includes investments which span across all three of the other geographic segments.

3. Equity investments

	Group					
	Listed shares 2018 £m	**Unlisted shares 2018 £m**	**Total 2018 £m**	**Listed shares 2017 £m**	**Unlisted shares 2017 £m**	**Total 2017 £m**
At 1 January, at fair value	**403.6**	**3,192.9**	**3,596.5**	409.8	3,223.5	3,633.3
Additions	**–**	**459.8**	**459.8**	76.2	407.7	483.9
Disposals	**(10.9)**	**(329.1)**	**(340.0)**	(37.5)	(348.9)	(386.4)
Transfers	**(38.2)**	**12.0**	**(26.2)**	–	(2.2)	(2.2)
(Decrease)/increase in fair value for the year	**(38.8)**	**91.7**	**52.9**	(44.9)	(87.2)	(132.1)
At 31 December, at fair value	**315.7**	**3,427.3**	**3,743.0**	403.6	3,192.9	3,596.5

	Company							
	Listed shares 2018 £m	**Unlisted shares 2018 £m**	**Shares held in Group companies 2018 £m**	**Total 2018 £m**	**Listed shares 2017 £m**	**Unlisted shares 2017 £m**	**Shares held in Group companies 2017 £m**	**Total 2017 £m**
At 1 January, at fair value	**403.6**	**3,192.9**	**2.0**	**3,598.5**	409.8	3,223.5	1.0	3,634.3
Additions	**–**	**459.8**	**–**	**459.8**	76.2	407.7	0.7	484.6
Disposals	**(10.9)**	**(329.1)**	**–**	**(340.0)**	(37.5)	(348.9)	–	(386.4)
Transfers	**(38.2)**	**12.0**	**–**	**(26.2)**	–	(2.2)	–	(2.2)
(Decrease)/increase in fair value for the year	**(38.8)**	**91.7**	**0.3**	**53.2**	(44.9)	(87.2)	0.3	(131.8)
At 31 December, at fair value	**315.7**	**3,427.3**	**2.3**	**3,745.3**	403.6	3,192.9	2.0	3,598.5

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 25. The current value of quoted investments that are included within Level 3 is £58.0 million (2017: £51.3 million). Unlisted shares are included within Level 3. CDC holds no Level 2 equity investments.

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period. The transfer of investments from Level 1 to Level 3 reflects investments listed on a public exchange which is not considered to be an active market. There have been no transfers from Level 3 (unlisted shares) to Level 1 (listed shares) during the year. The transfers out of Level 3 reflect the conversion of equity investments to loan investments (note 4).

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 in note 25.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, CDC has used valuation techniques to derive the fair value.

Level 3 valuations are reviewed on a quarterly basis by CDC's Valuation Committee which reports to the Board of Directors on a quarterly basis. The Committee considers the appropriateness of the valuation model inputs, as well as the valuation results, using various valuation methods and techniques generally recognised as standard within the industry.

Level 3 equity investments amount to £3,427.3 million and consist of private equity positions. Included in Level 3 equity investments are investments into private equity funds which are valued using CDC's attributable proportion of the reported fund net asset value which is derived from the fair value of the underlying investments. The current value of such investments is £1,984.0 million.

CDC's direct equity investments which are valued based on unobservable inputs are included in Level 3. The valuation techniques that require significant unobservable inputs are the net present value of estimated future cash flows and comparable trading multiples.

Discounted cash flows
£547.6 million of CDC's portfolio is valued using the net present value of estimated future cash flows. The discount rates adopted by CDC are overall supported by a CAPM framework and will differ on an asset by asset basis depending on country, sector and construction risk.

Trading multiples
£314.9 million of CDC's portfolio is valued using comparable trading multiples. Management determines comparable public companies (peers) based on industry, size, developmental stage and strategy. Management then calculates a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by either its earnings before interest, taxes, depreciation and amortisation (EBITDA) or book value. The trading multiple is then discounted for considerations such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances.

Description	Fair value at 31 December 2018 £m	Valuation technique	Unobservable inputs	Weighted average input	Reasonable possible shift +/- (absolute value)	Change in valuation £m	Change in valuation US$m
Global equity securities	**314.9**	Comparable trading multiples	EBITDA multiple	17.1	10%	11.9	15.2
			Price/book multiple	2.8	10%	19.6	24.0
			Discount to multiple	17.5%	10%	7.1	9.1
Global equity securities	**547.6**	Discounted cash flows	Discount rate	12.41%	0.5%	15.5	19.8

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 £1,355.0 million (2017: £1,495.1 million). The Group earned investment income of £6.5 million (2017: £4.1 million) and generated fair value losses of £4.8 million (2017: losses of £29.4 million) from these entities during the year.

4. Loan investments

	Group and Company	
	2018 £m	**2017 £m**
At 1 January	**327.9**	287.2
Loan advances	**327.4**	108.2
Loan repayments	**(50.2)**	(43.1)
Transfers	**26.2**	2.2
Provision charge and expected credit losses for the year	**(22.9)**	(1.4)
Exchange adjustment	**31.5**	(25.2)
At 31 December	**639.9**	327.9
Less: Loan investments due within one year (note 14)	**(49.9)**	(33.6)
At 31 December	**590.0**	294.3

5. Cash and cash equivalents

	Group		Company	
	2018 £m	**2017 £m**	**2018 £m**	**2017 £m**
Cash at bank and in hand	**79.8**	19.9	**77.6**	18.5
Short-term deposits receivable within 90 days	**270.0**	382.9	**269.6**	382.8
Total cash and cash equivalents	**349.8**	402.8	**347.2**	401.3

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 150 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 £349.8 million (2017: £402.8 million).

6. Issued capital

	2018 Number	**2018 £m**	**2017 Number**	**2017 £m**
Allotted, called up and fully paid				
At 1 January, ordinary shares of £1 each	**1,836,000,000**	**1,836.0**	1,500,000,000	1,500.0
Issued, ordinary shares of £1 each	**742,000,000**	**742.0**	336,000,000	336.0
At 31 December, ordinary shares of £1 each	**2,578,000,000**	**2,578.0**	1,836,000,000	1,836.0

Ordinary shares
During the year ended 31 December 2018, the Company issued 742,000,000 ordinary shares (2017: 336,000,000 ordinary shares) to a related party; see note 22 for further details.

The number of ordinary shares reserved for issue under a subscription agreement is nil shares (2017: nil shares).

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

7. Forward foreign exchange contracts

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

	Group and Company	
	2018 £m	2017 £m
Gross FFECs in profit	**14.7**	17.4
Gross FFECs in loss	**(27.3)**	(2.9)
Net total	**(12.6)**	14.5

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

	Group and Company	
	2018 £m	2017 £m
Current assets	**14.7**	17.4
Current liabilities	**(27.3)**	(2.9)
Total	**(12.6)**	14.5

In accordance with the fair value hierarchy described in note 3, FFECs are measured using Level 2 inputs.

Contracts not designated for hedge accounting

At 31 December 2018, the Group held 58 FFECs (2017: 60 FFECs) which were not designated for the purposes of hedge accounting, but were used to mitigate the currency effects on the Group's US dollar, South African rand, Euro and Indian rupee denominated debt investments and cash balances.

The Group's Sterling denominated contracts comprise:

Foreign currency	Foreign currency in millions 2018	Average spot price 2018	2018 £m	Foreign currency in millions 2017	Average spot price 2017	2017 £m
US dollar	**1,110.5**	**1.2895**	**861.2**	727.9	1.3231	550.1
South African rand	**3.6**	**18.0725**	**0.2**	3.0	18.1775	0.2
Euro	**36.2**	**1.1266**	**32.1**	39.1	1.1288	34.6
Indian rupee	**14,668.0**	**94.1186**	**155.8**	11,136.9	87.2728	127.6

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

Foreign currency	Foreign currency in millions 2018	Average spot price 2018	2018 US$m	Foreign currency in millions 2017	Average spot price 2017	2017 US$m
Indian rupee	**20,598.0**	**72.6544**	**283.5**	16,146.0	63.7623	253.2

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 report on pages 8 to 11.

8. Income

	Group		Company	
	2018 £m	**2017 £m**	**2018 £m**	**2017 £m**
Investment income				
Interest income	**52.1**	38.1	**52.1**	38.1
Loan and guarantee fee income	**2.5**	4.5	**2.5**	4.5
Dividend income	**14.8**	11.1	**14.8**	11.1
Total investment income	**69.4**	53.7	**69.4**	53.7
Other income				
Management fee income	**11.8**	11.0	**11.7**	11.0
Other operating income*	**0.1**	36.0	**0.1**	36.0
Total other income	**11.9**	47.0	**11.8**	47.0

* Other operating income in 2017 includes the gain on cancellation of a returnable grant facility from DFID following a transfer of ownership of the Impact Fund and Impact Accelerator investments to CDC.

9. Administrative and other expenses

	Group		Company	
	2018 £m	**2017 restated[1] £m**	**2018 £m**	**2017 restated[1] £m**
Wages and salaries	**(30.1)**	(23.8)	**(27.4)**	(21.4)
Social security costs	**(4.5)**	(3.4)	**(4.5)**	(3.4)
Pension costs – defined benefit	**(0.3)**	(0.4)	**(0.3)**	(0.4)
Pension costs – defined contribution	**(2.9)**	(2.1)	**(2.7)**	(1.9)
Long-term Development Performance Plan (LTDPP) accrual	**(6.5)**	(4.7)	**(5.8)**	(4.2)
Release of prior years' LTDPP accrual[2]	**–**	8.9	**–**	8.8
Total employee benefits expense	**(44.3)**	(25.5)	**(40.7)**	(22.5)
Professional services	**(4.7)**	(3.3)	**(4.6)**	(3.3)
Auditor remuneration (see below)	**(0.6)**	(0.8)	**(0.6)**	(0.7)
Operating leases expense	**(2.8)**	(2.5)	**(2.5)**	(2.5)
Other administrative expenses	**(25.5)**	(19.6)	**(30.3)**	(23.4)
Total administrative expenses	**(77.9)**	(51.7)	**(78.7)**	(52.4)
Depreciation of plant and equipment	**(0.9)**	(0.6)	**(0.8)**	(0.6)
Amortisation of intangible asset	**(0.2)**	–	**(0.2)**	–
Other expenses	**(0.3)**	(0.5)	**(0.1)**	(0.6)
Total administrative and other expenses	**(79.3)**	(52.8)	**(79.8)**	(53.6)

1 comparative figures have been regrouped in accordance with current year classification.
2 refer to Note 1 for further details.

The average monthly number of Group employees during the year was 309 (2017: 245).

The aggregate of Directors' remuneration in 2018 was £0.9 million (2017: £1.1 million). Refer to pages 40 to 42 for the Annual Report on Remuneration which gives more details on remuneration and the Long-term Development Performance Plan.

	Group		Company	
	2018 £m	**2017 £m**	**2018 £m**	**2017 £m**
Audit of the financial statements	**(0.3)**	(0.4)	**(0.3)**	(0.3)
Other services	**(0.3)**	(0.4)	**(0.3)**	(0.4)
Total auditor remuneration	**(0.6)**	(0.8)	**(0.6)**	(0.7)

10. Net foreign exchange differences

	Group		Company	
	2018 £m	**2017 £m**	**2018 £m**	**2017 £m**
Exchange gains/(losses) arising on loan investments	**31.5**	(25.2)	**31.5**	(25.2)
Exchange (losses)/gains arising on forward foreign exchange contracts	**(78.7)**	57.9	**(78.7)**	57.9
Exchange gains/(losses) arising on cash and cash equivalents	**17.2**	(19.9)	**17.3**	(19.8)
Total net foreign exchange differences	**(30.0)**	12.8	**(29.9)**	12.9

11. Income tax

	Group		Company	
	2018 £m	**2017 £m**	**2018 £m**	**2017 £m**
Current tax				
Withholding tax expense	**0.4**	0.8	**0.4**	0.8
Current UK tax charge	**–**	0.1	**–**	–
Current overseas tax charge	**0.2**	0.4	**–**	–
Total current tax	**0.6**	1.3	**0.4**	0.8
Foreign deferred tax				
Attributable to timing difference arising in the current year	**–**	(0.1)	**–**	–
Total income tax expense	**0.6**	1.2	**0.4**	0.8

11. Income tax (continued)

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

	Group		Company	
	2018 %	**2017 %**	**2018 %**	**2017 %**
UK corporation tax rate	**19.0**	19.3	**19.0**	19.3
Effect of overseas taxation	**1.2**	(0.3)	**(1.5)**	0.3
Effect of UK tax exemption	**(11.6)**	(20.7)	**(11.6)**	(20.7)
Effective tax rate for the year	**8.6**	(1.7)	**5.9**	(1.1)

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 £0.8 million in 2018 (2017: £nil). The exemption does not apply to the Company in jurisdictions outside the UK or the Company's subsidiaries which pay tax in the jurisdictions where they operate.

12. Plant and equipment

	Group		Company	
	2018 £m	**2017 £m**	**2018 £m**	**2017 £m**
At 1 January	**4.2**	3.0	**4.2**	3.0
Additions	**0.5**	1.8	**0.2**	1.8
Disposals	**(0.1)**	–	**(0.1)**	–
Depreciation charge for the year	**(0.9)**	(0.6)	**(0.8)**	(0.6)
At 31 December	**3.7**	4.2	**3.5**	4.2

13. Intangible asset

	Group and Company	
	2018 £m	**2017 £m**
At 1 January	**–**	–
Additions	**0.6**	–
Amortisation charge for the year	**(0.2)**	–
At 31 December	**0.4**	–

14. Trade and other receivables

	Group		Company	
	2018 £m	**2017 £m**	**2018 £m**	**2017 £m**
Loan investments due from third parties (note 4)	**49.9**	33.6	**49.9**	33.6
Guarantees	**2.3**	3.9	**2.3**	3.9
Amounts owed by investment entities	**6.9**	14.4	**6.9**	14.4
Amounts owed by non-investment subsidiaries	**–**	–	**0.7**	–
Prepayments	**1.7**	1.6	**1.7**	1.5
Taxation recoverable	**0.1**	–	**–**	–
VAT recoverable	**1.1**	0.8	**1.1**	0.8
Other receivables	**26.3**	19.1	**25.9**	18.8
Total trade and other receivables	**88.3**	73.4	**88.5**	73.0

15. Trade and other payables

	Group		Company	
	2018 £m	**2017 £m**	**2018 £m**	**2017 £m**
Trade payables	**1.8**	0.5	**1.8**	0.5
Amounts owed to investment entities	**27.0**	17.8	**27.0**	17.8
Amounts owed to non-investment subsidiaries	**–**	–	**0.4**	0.7
Other taxes and social security	**0.1**	–	**–**	–
LTDPP accrual	**7.1**	5.3	**6.5**	4.8
Other accruals and deferred income	**3.3**	4.6	**3.1**	4.4
Total trade and other payables	**39.3**	28.2	**38.8**	28.2

16. 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 scheme is governed by a Board of Trustees which is responsible for the administration of the plan assets and for the definition of the investment strategy. 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 per cent, scheme liabilities would increase by 4.6 per cent but this would be largely offset by an increase in scheme assets of 4.4 per cent. Similarly, if life expectancy at age 60 was to increase by one year, scheme liabilities would increase by 3.5 per cent but assets would increase by slightly less than 3.4 per cent. The results of the 31 March 2018 actuarial valuation showed that after the buy-in, Technical Provisions were £9.1 million and the scheme assets were £14.8 million, giving a funding surplus of £5.7 million. Given the improved funding position since the previous valuation, the Trustees proposed and the Company accepted that no contributions to the Scheme would be due during the years ending 31 March 2019, 2020 or 2021. This is because the funding surplus at 31 March 2018 was expected to be sufficient to meet the expected cost of continued accrual for one remaining active member and expenses. 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 18 years.

16. Pension commitments (continued)

Main assumptions:	2018 %	2017 %
Discount rate	**2.7**	2.4
Inflation assumption	**3.6**	3.5
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	**3.6**	3.5
Rate of increase for deferred pensions	**3.6**	3.5

Life expectancy of a pensioner reaching age 60	Male	Female
In 2018	**29.3**	30.8
In 2017	30.4	31.6
In 2028	**30.8**	31.9
In 2027	31.7	32.9

Assets and liabilities of the scheme at 31 December	2018 £m	2017 £m
Buy-in contract with Rothesay Life	**396.7**	462.5
Net current assets	**13.5**	13.1
Fair value of assets	**410.2**	475.6
Defined benefit obligation	**(399.2)**	(470.0)
Surplus	**11.0**	5.6
Restriction due to asset ceiling	**(11.0)**	(5.7)
Net pension liability	**–**	(0.1)

Reconciliation of the (liability)/asset:	Defined benefit obligation £m	Fair value of assets £m	Asset ceiling £m	(Liability)/asset £m
At 31 December 2017	(470.0)	475.6	(5.7)	(0.1)
Administration costs incurred during the year	**–**	**(0.3)**	**–**	**(0.3)**
Interest cost	**(11.0)**	**11.1**	**(0.1)**	**–**
Past service cost – plan amendments	**–**	**–**	**–**	**–**
Cost recognised in administrative expenses	**(11.0)**	**10.8**	**(0.1)**	**(0.3)**
Actuarial gain due to liability experience	**12.8**	**–**	**–**	**12.8**
Actuarial gain due to liability assumptions	**43.6**	**–**	**–**	**43.6**
Actuarial gain on assets	**–**	**(51.6)**	**–**	**(51.6)**
Change in effect of asset ceiling	**–**	**–**	**(5.2)**	**(5.2)**
Remeasurement effects recognised in the Group's statement of comprehensive income	**56.4**	**(51.6)**	**(5.2)**	**(0.4)**
Employer contributions to the CDC Pensions Scheme	**–**	**0.8**	**–**	**0.8**
Benefits paid (including administration costs)	**25.4**	**(25.4)**	**–**	**–**
Cash flows	**25.4**	**(24.6)**	**–**	**0.8**
At 31 December 2018	**(399.2)**	**410.2**	**(11.0)**	**–**

17. 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, notes receivable, guarantees, 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							
2018	**–**	**77.7**	**2.1**	**79.8**	**–**	**–**	*****
2017	–	18.5	1.4	19.9	–	–	*
Financial assets: short-term deposits receivable within 90 days							
2018	**270.0**	**–**	**–**	**270.0**	**1.9%**	**1.0**	**–**
2017	382.9	–	–	382.9	0.9%	1.0	–
Financial assets: loan investments							
2018	**265.4**	**374.5**	**–**	**639.9**	**7.7%**	**7.9**	**–**
2017	68.2	259.7	–	327.9	10.1%	7.4	–

* 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							
2018	**–**	**75.5**	**2.1**	**77.6**	**–**	**–**	*****
2017	–	17.1	1.4	18.5	–	–	*
Financial assets: short-term deposits receivable within 90 days							
2018	**269.6**	**–**	**–**	**269.6**	**1.9%**	**1.0**	**–**
2017	382.8	–	–	382.8	0.9%	1.0	–
Financial assets: loan investments							
2018	**265.4**	**361.5**	**–**	**626.9**	**7.7%**	**7.9**	**–**
2017	68.2	259.7	–	327.9	10.1%	7.4	–

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

17. 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 FFECs 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 and cash equivalents balances:

Functional currency	US dollars 2018 £m	Other 2018 £m	Total 2018 £m	US dollars 2017 £m	Other 2017 £m	Total 2017 £m
Sterling	**246.6**	**3.8**	**250.4**	**140.0**	2.1	142.1
Total	**246.6**	**3.8**	**250.4**	**140.0**	2.1	142.1

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

Functional currency	Listed equity at valuation 2018 £m	Unlisted equity at valuation 2018 £m	Total 2018 £m	Listed equity at valuation 2017 £m	Unlisted equity at valuation 2017 £m	Total 2017 £m
US dollar	**–**	**2,913.6**	**2,913.6**	38.2	2,693.8	2,732.0
Indian rupee	**247.1**	**270.3**	**517.4**	263.7	271.2	534.9
Pakistani rupee	**49.8**	**–**	**49.8**	82.2	–	82.2
Euro	**–**	**204.7**	**204.7**	–	166.4	166.4
Chinese yuan	**–**	**13.8**	**13.8**	–	34.2	34.2
Sterling	**–**	**20.2**	**20.2**	–	22.3	22.3
Ugandan shilling	**13.0**	**–**	**13.0**	10.3	–	10.3
South African rand	**2.4**	**0.7**	**3.1**	5.7	1.1	6.8
Tanzanian shilling	**3.4**	**–**	**3.4**	3.5	–	3.5
Other	**–**	**4.0**	**4.0**	–	3.9	3.9
Total	**315.7**	**3,427.3**	**3,743.0**	403.6	3,192.9	3,596.5

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 FFECs 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 and cash equivalents balances:

Functional currency	US dollars 2018 £m	Other 2018 £m	Total 2018 £m	US dollars 2017 £m	Other 2017 £m	Total 2017 £m
Sterling	**245.3**	**2.9**	**248.2**	140.0	1.6	141.6
Total	**245.3**	**2.9**	**248.2**	140.0	1.6	141.6

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

Functional currency	Listed equity at valuation 2018 £m	Unlisted equity at valuation 2018 £m	Total 2018 £m	Listed equity at valuation 2017 £m	Unlisted equity at valuation 2017 £m	Total 2017 £m
US dollar	**–**	**2,913.8**	**2,913.8**	38.2	2,693.8	2,732.0
Indian rupee	**247.1**	**271.2**	**518.3**	263.7	272.0	535.7
Pakistani rupee	**49.8**	**–**	**49.8**	82.2	–	82.2
Euro	**–**	**204.7**	**204.7**	–	166.4	166.4
Chinese yuan	**–**	**13.8**	**13.8**	–	34.2	34.2
Sterling	**–**	**21.4**	**21.4**	–	23.5	23.5
Ugandan shilling	**13.0**	**–**	**13.0**	10.3	–	10.3
South African rand	**2.4**	**0.7**	**3.1**	5.7	1.1	6.8
Tanzanian shilling	**3.4**	**–**	**3.4**	3.5	–	3.5
Other	**–**	**4.0**	**4.0**	–	3.9	3.9
Total	**315.7**	**3,429.6**	**3,745.3**	403.6	3,194.9	3,598.5

Liquidity risk – Group

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

2018 Financial assets: Maturity profile	Short-term deposits £m	Loan investments £m	FFECs £m
Due within one year, but not on demand	**270.0**	**49.9**	**14.7**
Due within one to two years	**–**	**66.4**	**–**
Due within two to three years	**–**	**72.4**	**–**
Due within three to four years	**–**	**74.8**	**–**
Due within four to five years	**–**	**71.8**	**–**
Due after five years	**–**	**304.6**	**–**
Total	**270.0**	**639.9**	**14.7**

2017 Financial assets: Maturity profile	Short-term deposits £m	Loan investments £m	FFECs £m
Due within one year, but not on demand	382.9	33.6	17.4
Due within one to two years	–	32.9	–
Due within two to three years	–	38.7	–
Due within three to four years	–	42.0	–
Due within four to five years	–	38.0	–
Due after five years	–	142.7	–
Total	382.9	327.9	17.4

17. Financial instruments (continued)

2018 Financial liabilities: Maturity profile	**FFECs £m**
Due within one year, but not on demand	**27.3**
Due within one to two years	**–**
Total	**27.3**

2017 Financial liabilities: Maturity profile	**FFECs £m**
Due within one year, but not on demand	2.9
Due within one to two years	–
Total	2.9

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

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

2018 Financial assets: Maturity profile	**Short-term deposits £m**	**Loan investments £m**	**FFECs £m**
Due within one year, but not on demand	**270.0**	**49.9**	**14.7**
Due within one to two years	**–**	**66.4**	**–**
Due within two to three years	**–**	**72.4**	**–**
Due within three to four years	**–**	**74.8**	**–**
Due within four to five years	**–**	**71.8**	**–**
Due after five years	**–**	**304.6**	**–**
Total	**270.0**	**639.9**	**14.7**

2017 Financial assets: Maturity profile	**Short-term deposits £m**	**Loan investments £m**	**FFEcs £m**
Due within one year, but not on demand	382.8	33.6	17.4
Due within one to two years	–	32.9	–
Due within two to three years	–	38.7	–
Due within three to four years	–	42.0	–
Due within four to five years	–	38.0	–
Due after five years	–	142.7	–
Total	382.8	327.9	17.4

2018 Financial liabilities: Maturity profile	**FFECs £m**
Due within one year, but not on demand	**27.3**
Due within one to two years	**–**
Total	**27.3**

2017 Financial liabilities: Maturity profile	**FFECs £m**
Due within one year, but not on demand	2.9
Due within one to two years	–
Total	2.9

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, notes receivable 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.

18. Financial risk management

The Group's and Company's activities expose them to a variety of financial risks including market risk, credit risk, liquidity risk and cash flow interest rate risk. Market risk includes foreign currency risk, interest rate risk and price risk. The main financial risks managed by the Group and Company are foreign currency risk, interest rate risk, liquidity risk and credit risk. The Group and Company use FFECs 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. CDC targets having cash availability in excess of 80 per cent of aggregate undrawn contractual investment commitments as well as a cash balance within CDC's desired range of 0 - 10 per cent of its net asset value in cash. The Group's cash balance at 31 December 2018 was £349.8 million (2017: £402.8 million) and its capital commitments including long-term commitments were £2,146.6 million (2017: £1,979.8 million).

	Group		Company	
Analysis of total cash balance	**2018 £m**	**2017 £m**	**2018 £m**	**2017 £m**
Cash at bank and in hand	**79.8**	19.9	**77.6**	18.5
Short-term deposits receivable within 90 days	**270.0**	382.9	**269.6**	382.8
Total	**349.8**	402.8	**347.2**	401.3

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

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:

	2018 £m	**2017 £m**
2009 and prior	**213.9**	243.7
2010	**42.6**	45.0
2011	**38.2**	43.8
2012	**93.0**	64.3
2013	**201.4**	186.4
2014	**70.6**	104.6
2015	**223.2**	213.5
2016	**269.8**	484.0
2017	**425.7**	594.5
2018	**568.2**	–
Total	**2,146.6**	1,979.8

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

		Group		Company	
	Notes	2018 £m	2017 £m	2018 £m	2017 £m
Equity investments	3	**3,743.0**	3,596.5	**3,745.3**	3,598.5
Loan investments	4	**590.0**	327.9	**590.0**	327.9
Forward foreign exchange contracts in profit	7	**14.7**	17.4	**14.7**	17.4
Trade and other receivables (excluding loans)	13	**38.4**	39.8	**38.6**	39.4
Notes receivable	22	**1,078.0**	696.0	**1,078.0**	696.0
Short-term deposits	5	**270.0**	382.9	**269.6**	382.8
Cash and cash equivalents	5	**79.8**	19.9	**77.6**	18.5
Total		**5,813.9**	5,080.4	**5,813.8**	5,080.5

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

	Group and Company	
	2018 £m	2017 £m
Not past due	**590.0**	327.9
Past due	**–**	–
Total	**590.0**	327.9

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

	Group and Company	
	2018 £m	2017 £m
Balance at 1 January	**5.5**	4.1
Impairment loss released	**(3.3)**	–
Impairment loss recognised	**26.2**	1.4
Balance at 31 December	**28.4**	5.5

The ageing of loan investments impaired during the year was:

	Group and Company	
	2018 £m	2017 £m
Not past due	**28.4**	5.5
Total	**28.4**	5.5

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.

18. Financial risk management (continued)

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.

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 2018, the average interest rate earned on the Group's and Company's bank deposit was 1.9 per cent (2017: 0.9 per cent). A 1.0 per cent (2017: 1.0 per cent) change in all interest rates, with all other variables held constant, would have a 1.8 per cent, £0.1 million impact on the Group's profit before tax (2017: 0.4 per cent, £0.3 million impact on the Group's profit before tax). 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 2018, £2,913.6 million, 77.8 per cent of the investments of the Group and £2,913.8 million, 77.8 per cent of the investments of the Company, are denominated in US dollars (2017: £2,732.0 million, 76.0 per cent Group and Company). 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 13 cent, 10 per cent movement in the average exchange rate for the US dollar against Sterling with all other variables held constant would impact profit by £206.7 million (2017: 14 cent (10 per cent) movement, impact loss by £243.7 million).

Equity price risk

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

As at 31 December 2018, the Group and Company had an investment in an investment entity with a value of £1,164.8 million which represented 30.9 per cent of the Group's equity investments (2017: £1,020.3 million, 28.4 per cent).

A 10 per cent change in the fair value of the Group's equity investments would impact the Group's profit by £374.3 million (2017: 10 per cent change, impact £359.7 million).

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 (December 2015). 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 portfolio reviews of CDC's investments and the underlying investments in its private equity funds which are carried out quarterly by the relevant CDC investment managers. As part of these reviews, valuations are prepared and reviewed by CDC management and then considered by the Audit and Compliance Committee. The details of the valuation methodology are given in note 25 to the accounts under the Investments heading.

Capital management

CDC considers its capital to be the total equity shown in the 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.

19. Capital commitments

Amounts contracted for but not provided for in the accounts amounted to £2,146.6 million (2017: £1,979.8 million) for investment commitments (see note 18 for further details).

20. Operating leases

Group and Company as lessee

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

	Group and Company	
	2018 £m	**2017 £m**
Within one year	**3.2**	2.7
After one year but not more than five years	**11.6**	11.0
More than five years	**7.9**	11.1
Total	**22.7**	24.8

21. Contingent liabilities

The Group and the Company had the following contingent liabilities as at the 31 December 2018:

+ In respect of risk participation agreements with a value of £246.8 million (2017: £189.1 million).
+ In respect of undertakings to power distributors and governments in connection with the operation of power generating subsidiaries with a maximum legal liability of £nil (2017: £8.5 million).

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

22. Related party transactions

Parent entity

During 2017 and 2018, the Company entered into subscription agreements with its parent entity, in respect of the issue of ordinary shares in the Company. The parent entity subscribed to the shares by issuing promissory notes for the value of the shares of £742.0 million in 2018 (2017: £336.0 million).

During the year the Company received £360.0 million from its parent entity in settlement of a portion of the promissory notes receivable.

As at 31 December 2018, the Company has promissory notes of £1,078.0 million (2017: £696.0 million) due from its parent entity. The receivable is payable on demand and without interest.

Subsidiaries

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:

	2018 £m	**2017 £m**
Statement of comprehensive income		
Interest income	**11.9**	11.6
Management fee income	**11.8**	11.0
Management fee expense	**(5.8)**	(5.1)
Interest payable	**(1.4)**	(0.1)
Statement of financial position		
Equity investments	**1,380.3**	1,225.1
Trade and other receivables	**7.6**	14.4
Trade and other payables	**(27.4)**	(18.5)

23. Changes in accounting policies and disclosures

The Group has applied IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

IFRS 9 also contains new requirements on the application of hedge accounting; however, CDC opts not to apply hedge accounting therefore the new accounting requirements do not impact CDC's financial statements.

The adoption of IFRS 9 has impacted the following areas:

+ *The classification and measurement of CDC's financial assets*
  CDC holds financial assets to hold and collect the associated cash flows. Loans previously classified as held-to-maturity (HTM) investments under IAS 39 continue to be accounted for at amortised cost as they meet the held to collect business model and contractual cash flow characteristics test in IFRS 9.
+ *The impairment of financial assets applying the expected credit loss model.*
  This affects CDC's trade receivables and investments in debt-type assets measured at amortised cost.

When adopting IFRS 9, CDC has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to measurement and impairment are shown in the table below and are recognised in the 2018 statement of comprehensive income.

	Carrying amount		
	Closing balance 31 December 2017 (IAS 37/39)	**Adoption of IFRS 9**	**Opening balance 1 January 2018 (IFRS 9)**
Loan investments	327.9	(5.2)	322.7

There have been no changes to the classification of financial assets and liabilities as a result of the application of IFRS 9.

24. Subsequent events

On 28 February 2019, the Company entered into a subscription agreement with its parent entity, in respect of the issue of ordinary shares in the Company. The parent entity subscribed to the shares by issue of a promissory note for the value of the shares of £53.0 million.

25. 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.

The intangible asset comprises the purchase and development of a new investment software system. The accounting policy is not specified as it is not material to the Group or Company.

Non-current assets

Investments

The Group and Company classify their equity investments, including investments in investment entities and financial guarantees, 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 (December 2015). 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.
+ 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. The key judgements include selecting an appropriate multiple, which is derived from comparable listed companies or relevant market transaction multiples. Companies in the same geography and sector are selected and then adjusted for factors including liquidity risk, growth potential and relative performance.
+ 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 whose cash flows can be forecast with confidence, are valued using future cash flows discounted at the appropriate risk-adjusted discount rate. This method requires management to make certain assumptions about the model inputs, including forecast cash flows, future currency exchange rates and the discount rate.
+ 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.

25. Summary of significant accounting policies (continued)

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 derecognises 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 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 if both the following conditions are met:

+ The loan is held within a business model with the objective to hold loans in order to collect contractual cash flows.
+ The contractual terms of the loans give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Loans at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of comprehensive income when the loan is derecognised, modified or impaired. Maturities greater than 12 months are included in non-current assets with the remainder in current assets.

Forward foreign exchange contracts

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.

The fair value of the FFECs at the year-end is the difference between the agreed forward rate and the forward rate at the balance sheet date.

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.

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on CDC first identifying a credit loss event. Instead CDC considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and;
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

A '12-month expected credit loss' is recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

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.

Management fee income
A fixed percentage management fee is earned for providing asset management services to subsidiaries. These fees are recognised as revenue each period in accordance with the terms of the agreements.

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 (LTDPP) is charged to the statement of comprehensive income in the year to which the award relates. In the prior year, the cost of the LTDPP was accrued across the lifetime of the scheme. See note 1 for more details.

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.

25. Summary of significant accounting policies (continued)

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.

Some dividend and interest income received is subject to withholding tax imposed in certain countries of origin. Income that is subject to such tax is recognised gross of the taxes and the corresponding withholding tax is recognised as a tax expense.

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 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:

- IFRS 16 Leases.
- Amendments to IFRS 9: Prepayment Features with Negative Compensation.
- IFRIC 23 Uncertainty over Income Tax Treatments.
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement.
- Amendments to IAS 1 and IAS 8: Definition of Material.
- Amendments to References to Conceptual Framework in IFRS Standards.
- Annual improvements to IFRSs 2015-2017 Cycle.

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

- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures.
- Amendments to IFRS 3: Definition of a Business.
- IFRS 17 Insurance Contracts.

26. Related undertakings

The principal subsidiaries of CDC Group plc at the end of the year and the percentage of equity capital are set out below.

Subsidiaries consolidated

Company and registered address	Class of share	Percentage held by CDC	Principal activities
CDC India Advisers Private Limited Prestige Blue Chip, Block 2, No9, Hosur Road, Koramangala, Bengalaru, Karnataka – 560029, India	Ordinary	100.0	Investment advisory
CDC Limited 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment advisory
CDC East Africa Advisers Limited Suite E19, 2nd Floor West Wing, ICEA Lion Centre, Riverside Park, Waiyaki Way, Nairobi, Kenya	Ordinary	100.0	Investment advisory
CDC West Africa Investments Limited St Nicholas House, 10th Floor, Catholic Mission Street, Lagos, Nigeria	Ordinary	100.0	Investment advisory
Dayton Advisers Limited 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment advisory
Development Corporation Pakistan Advisers (Private) Limited 1st Floor, Modern Motors House, Beaumont Road, Karachi 75530, South Sindh, Pakistan	Ordinary	100.0	Investment advisory

Subsidiaries not consolidated

Company Registered address and principal place of business	Class of share	Percentage held by CDC	Principal activities	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Africa Power Group Limited 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	Investment holding	USD	39.2	129.6
Africa Power XF Limited 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	Investment holding	USD	–	–
Ayana Holdings Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	0.8	0.9
CDC Africa Cement Limited 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	Investment holding	USD	(35.0)	(143.0)
CDC Africa Power Limited c/o IQ EQ Corporate Services (Mauritius) Ltd, Cascades Building, Edith Cavell Street, Port Louis, Republic of Mauritius	Ordinary	100.0	Investment holding	USD	4.3	79.8
CDC Asset Management Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Dormant company	GBP	–	–
CDC Capital for Development Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Dormant company	GBP	–	–
CDC Emerging Markets Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	(16.1)	18.4
CDC Financial Services (Mauritius) Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	Investment holding	GBP	(0.1)	13.2
CDC Funds Management Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Dormant company	GBP	–	–

FINANCIAL STATEMENTS

26. Related undertakings (continued)

Company Registered address and principal place of business	Class of share	Percentage held by CDC	Principal activities	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
CDC Holdings Guernsey Limited^ ˣ 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	Investment holding	USD	5.0	335.3
CDC India Investments Private Limited^ Unit 804, 8th Floor, B Wing, The Capital, G Block, Bandra Kurla, Complex, Bandra, Mumbai, Maharashtra, India, 400051	Ordinary	100.0	Investment holding	INR	∞	∞
CDC India Opportunities Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	12.3	35.9
CDC Investment Holdings Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	Investment holding	GBP	(0.1)	3.6
CDC Overseas Holdings Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	GBP	–	–
CDC Pakistan Power Limited Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	Investment holding	USD	–	–
CDC Pakistan Power Projects Limited^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Investment holding	USD	5.9	6.2
CDC PTL Holdings Limited Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	62.0	In liquidation	USD	–	–
CDC Scots GP Limited^ 50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	Ordinary	100.0	Investment holding	USD	–	–
CDC Scots LP^ 50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	Partnership interest	100.0	Investment holding	USD	7.9	24.0
CDC South Asia Limited^ c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	Investment holding	USD	(0.1)	0.5
Dayton Investments Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	51.0	Investment holding	USD	57.0	205.5
Globeleq Limited Second Floor, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 1WW	Ordinary	70.0	Operating holding company	USD	–	0.5
Gridworks Development Partners LLP^ 123 Victoria Street, London, England, SW1E 6DE	Partnership interest	100.0	Investment holding	USD	∞	∞
MedAccess Guarantee Limited (Previously CFAM Limited)^ 123 Victoria Street, London, England, SW1E 6DE	Ordinary	100.0	Operating company	USD	–	100.0
Middle East Foods and Trade Company SAE 6 of October City, Cairo, Egypt	Ordinary	65.0	In liquidation	USD	–	–
North African Foods Limited Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	Investment holding	USD	–	0.1

Company Registered address and principal place of business	Class of share	Percentage held by CDC	Principal activities	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Pan African Holdings Limited^ Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary	100.0	Investment holding	GBP	0.1	3.2
Sinndar Holdings Limited 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL	Ordinary	100.0	Investment holding	USD	4.2	19.7

* Profit/(loss) for the year and aggregate capital and reserves for the subsidiary as at the end of its relevant financial year.
^ directly held by the Company.
ˣ CDC Holdings Guernsey Limited is the borrower of record for the committed standby US$600m Revolving Credit Facility (RCF). The assets of CDC Holdings Guernsey will be used as security should there be any drawings under the RCF. With CDC Group plc being exempt from UK corporation tax there is no tax advantage to be gained from this company being incorporated in Guernsey.
∞ First relevant financial year falls after 31 December 2018.

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.

Under section 409 of the Companies Act 2006, CDC Group plc is required to disclose specified details of all its related undertakings including significant holdings. The significant holdings in undertakings of CDC Group plc are equity investments including funds, carried at fair value through profit and loss, in which CDC's holding amounts to 20 per cent or more of the nominal value of any class of shares in the undertaking.

The significant holdings in undertakings of CDC Group plc at the end of the year are set out below.

Company Registered address	Class of share	Percentage held by CDC	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
A4C S Feeder LP 2 More London Riverside, London, SE1 2JT	Partnership interest	100.0	USD	(5.1)	27.6
Actis Africa Real Estate Fund LP 2 More London Riverside, London, SE1 2JT	Partnership interest	100.0	USD	4.9	9.3
Actis Energy 3C Sub-Feeder LP 2 More London Riverside, London, SE1 2JT	Partnership interest	100.0	USD	(33.9)	25.0
Advent Latin America Private Equity Fund IV LP 75 State Street, Boston, MA 02109, USA	Partnership interest	100.0	USD	(1.1)	4.8
TRG Africa Fund LP 94 Solaris Avenue, Camana Bay, PO Box 1348, Grand Cayman KY1-1108, Cayman Islands	Partnership interest	100.0	USD	0.1	0.1
Pragati India Fund Limited 4th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	Ordinary shares	99.0	USD	2.0	16.8
Qiming Venture Partners II LP PO Box 309GT, Ugland House, George Town, Grand Cayman, Cayman Islands	Partnership interest	98.9	USD	(8.4)	175.9
Actis Africa Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	93.0	USD	–	–
Happy Travel Rolling Investors LP 2 More London Riverside, London, SE1 2JT	Partnership interest	92.1	USD	–	–
Kotak India Affordable Housing Fund 27 BKC, 7th Floor, Plot No C-27, Bandra Kurla Complex, Bandra, Mumbai - 400051, India	Units	90.9	INR	∞	∞

FINANCIAL STATEMENTS

26. Related undertakings (continued)

Company Registered address	Class of share	Percentage held by CDC	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Actis South Asia Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	90.7	USD	–	0.2
Actis Infrastructure 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	83.8	USD	0.3	1.7
Momentum Africa Real Estate Parallel Company Level 5, Alexander House, 35 Cybercity, Ebene, Mauritius	Ordinary shares	83.3	USD	∞	∞
Actis Latin America 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	75.5	USD	(7.4)	31.2
Kotak India Private Equity Fund III 10th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	Ordinary shares	75.0	USD	1.2	25.2
Actis ASEAN Fund LP 2 More London Riverside, London, SE1 2JT	Partnership interest	69.2	USD	–	0.2
Aureos China Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	54.8	USD	–	–
Altra Private Equity Fund I LP PO Box 1040, 2nd Floor, Harbour Centre, North Church Street, Grand Cayman, KY1-1102, Cayman Islands	Partnership interest	53.9	USD	1.3	9.1
Aavishkaar Emerging India Fund GFin Corporate Services Ltd, Level 6, GFin Tower, 42 Hotel Street, Cybercity, Ebène 72201, Mauritius	Ordinary shares	52.2	USD	(2.5)	12.6
Actis China 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	51.0	USD	(3.8)	6.6
Aavishkaar Goodwell India Microfinance Development Company II Limited Level 6, One Cathedral Square, Jules Koenig Street, Port Louis, Mauritius	Ordinary shares	49.7	USD	^	^
InFrontier AF LP 695 High Road, Galla House, London, N12 0BT	Partnership interest	49.5	USD	^	^
Takura II African Century Gardens, 153 Josiah Chinamano Avenue, Harare, Zimbabwe	Partnership interest	49.5	USD	^	^
Kendall Court Mezzanine (Asia) Bristol Merit Fund LP PO Box 709GT, 122 Mary Street, Grand Cayman, Cayman Islands	Partnership interest	49.2	USD	^	^
14 Trees Limited c/o Holcim Group Services Ltd, im Schachen, 5113 Holderbank, AG, Switzerland	Ordinary shares	49.0	CHF	^	^
Kamponji Enterprises Limited Proto Feeds Building, Robert Mugabe Highway, Limbe, Blantyre, Malawi	Ordinary shares	49.0	USD	^	^
Pan African Housing Fund LLC Suite 510, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	47.7	USD	^	^
Kotak India Private Equity Fund Limited Suite 2005, Level 2, Alexander House, 35 Cybercity, Ebene, Mauritius	Ordinary shares	47.3	USD	^	^
Zephyr Power (PVT.) Limited 68-B, Sindhi Muslim Housing Society, Karachi 74400, Pakistan	Ordinary shares	46.7	USD	^	^
Actis Africa Real Estate Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	46.6	USD	^	^

Company Registered address	Class of share	Percentage held by CDC	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
APF-II India Holdings Private Limited Unit 2, 4B, 4th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius	Ordinary shares	45.8	USD	^	^
Insitor Impact Asia Fund Private Limited 6 Temasek Boulevard, #09-05, Suntec Tower Four, Singapore 038986	Partnership interest	45.2	USD	^	^
Dynamic India Fund S4 I IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	44.4	USD	^	^
APF-I (Mauritius) Limited 33 Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	43.7	USD	^	^
Africa Logistics Properties Crossinvest Global Management Limited, Avenue Geranium and Reservoir Road, Suite 011, Grand Baia Business Park, Grand Baie, Mauritius	Ordinary shares	42.0	USD	^	^
ARM Cement Limited L.R. No. 209/7417/2 Chiromo Road, Westlands, Nairobi, Kenya	Ordinary shares	41.7	USD	^	^
Fibonacci India Fund Co Limited IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	41.4	USD	^	^
Aureos South Asia Fund (Holdings) LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	41.2	USD	^	^
Actis China Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	40.0	USD	^	^
Aureos Malaysia Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	40.0	USD	^	^
Feronia Inc 181 Bay Street, Suite 1800, Toronto, Ontario, Canada, M5J 2T9	Ordinary shares	37.9	USD	^	^
Bujagali Holding Power Company Limited Plot No. 108/112, 5th Street, Industrial Are, Kampala, Uganda	Ordinary shares and redeemable preference shares	37.4	USD	^	^
ShoreCap III c/o SGG Fund Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	37.0	USD	^	^
Africa Forestry Fund II IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	36.9	USD	^	^
Ascent India Fund IV IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	36.8	USD	^	^
Africa Capitalworks Level 5, Alexander House, 35 Cybercity, Ebene, Mauritius	Ordinary shares	36.4	USD	^	^
DI Frontier Market Energy & Carbon Fund c/o Bech-Brunn Law Firm, Langelinie Alle 35, 2100 Copenhagen, Denmark	Partnership interest	36.4	EUR	^	^
VenturEast Proactive Fund II LLC St Louis Business Centre, Cnr Desroches & St. Louis Streets, Port Louis, Mauritius	Ordinary shares	36.2	USD	^	^

26. Related undertakings (continued)

Company Registered address	Class of share	Percentage held by CDC	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Actis Sunrise Development Limited c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	36.0	USD	^	^
Adlevo Capital Africa LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	35.4	USD	^	^
Actis Africa 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	35.3	USD	^	^
Faering Capital Fund III 95, Maker Chambers III, Nariman Point, Mumbai 400 021, India	Ordinary shares	35.2	USD	^	^
Saratoga Asia II LP c/o Walkers SPV Limited, Walkers House, 87 Mary Street, Grand Cayman KY 1-9002, Cayman Islands	Partnership interest	35.2	USD	^	^
Manipal c/o CIM Corporate Services Ltd, Les Cascades Building, 33 Edlth Cavell Street, Port Louis, Mauritius	Ordinary shares & preference shares	35.0	USD	^	^
Healthcare Global (Africa) HCG Tower, No 8 P. Kalinga Rao Road, Sampangi Rama Nagar, Bangalore, India	Preference shares	33.9	USD	^	^
GEMS Africa Limited 1st Floor, Jeep Showroom Building, Sheikh Zayed Road, Dubai, UAE	Ordinary shares and shareholder loan	33.4	USD	^	^
Amicus Capital Partners Private Equity I Villa 188, Adarsh Palm Retreat, Outer Ring Road, Devarabisanahalli, Bangalore 560103, India	Ordinary shares	32.5	USD	^	^
Sawari Ventures Fund I Jan van Goyenkade 8, 1075 HP Amsterdam, Netherlands	Ordinary shares	34.0	USD	^	^
Solon Capital Holdings c/o Trident Trust Company (Mauritius) Limited, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	31.4	USD	^	^
Rainbow Children's Medicare Private Limited 22, Road No 4, Banjara Hills, Hyderabad 500 034, India	Ordinary shares and compulsory convertible preference shares	31.4	INR	^	^
GEF Africa Sustainable Forestry Fund LP 5471 Wisconsin Avenue, Suite 300, Chevy Chase, MD, 20815, USA	Partnership interest	31.2	USD	^	^
Pembani Remgro Infrastructure Mauritius Fund I LP c/o Augentius Fund Administration (Mauritius) Limited, Level 3, Alexander House, 35 Cybercity, Ebene, Mauritius	Partnership interest	31.1	USD	^	^
Garden City c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	31.0	USD	^	^
CardinalStone Capital Advisers Growth Fund 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Partnership interest	30.9	USD	^	^
JS Private Equity Fund I LLC Level 6, One Cathedral Square, Jules Koenig Street, Port Louis, Mauritius	Partnership interest	30.8	USD	^	^
Actis India Fund 2 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	30.7	USD	^	^

Company Registered address	Class of share	Percentage held by CDC	Currency	Profit/ (loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Injaro Agricultural Capital Holdings Limited c/o CKLB International Management Ltd, 1st Floor, 24 Dr Joseph Rivière Street, Port Louis, Mauritius	Ordinary shares	30.5	USD	^	^
Regional Education Finance Fund for Africa 2, rue d'Alsace, L-1122 Luxembourg	Ordinary shares	30.2	USD	^	^
Kendall Court Mezzanine (Asia) Fund 1 LP PO Box 709 GT, 122 Mary Street, Zephyr House, Grand Cayman, Cayman Islands	Partnership interest	29.7	USD	^	^
Anthem Asia SME Venture Fund 1 Raffles Place, 13-01 One Raffles Place, Tower 1, Singapore	Partnership interest	29.0	USD	^	^
The Sierra Investment Fund 5th Floor, Barkly Wharf, La Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	28.9	USD	^	^
Aureos South East Asia Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	28.6	USD	^	^
Energy Access Ventures Fund 7 Boulevard Malesherbes, 75008 Paris, France	Units	28.6	EUR	^	^
Aureos Central Asia Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	28.5	USD	^	^
Aureos Latin America Fund I LP 100 King Street West 1600, Toronto, Ontario, Canada M5X 1G5	Ordinary shares	28.3	USD	^	^
Jacoma Estates Limited Hyde Park House, 5 Manfred Road, London, SW15 2RS	Preference shares	28.0	USD	^	^
Veritas Finance Private Limited S15, 2nd Floor, Economist House, Thiru Vi Ka Industrial Estate, Guindy, Chennai 600032, Tamil Nadu, India	Ordinary shares	28.0	INR	^	^
Abraaj Pakistan Fund I LP Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	Partnership interest	27.5	USD	^	^
Atlantic Coast Regional Fund LLC c/o Abax Corporate Services, Level 6, One Cathedral Square, Jules Koeing Street, Port Louis, Mauritius	Ordinary shares	27.3	USD	^	^
BTS India Private Equity Fund 4th Floor, Les Cascades, Edith Cavell St, Port Louis, Mauritius	Ordinary shares	27.2	USD	^	^
International Finance Participation Trust (Cayman 2004) PO Box 32322SM, Century Yard, Cricket Square, Grand Cayman, Cayman Islands	Units	27.0	USD	^	^
Growth Catalyst Partners LLC 33 Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	26.9	USD	^	^
Aavishkaar India II Company Limited 608 St James Court, St Denis Street, Port Louis, Mauritius	Ordinary shares	26.6	USD	^	^
Ethos Private Equity Fund V 26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands	Partnership interest	26.5	USD	^	^
Capital Alliance Property Investment Company LP c/o Caledonian Trust (Cayman) Limited, 69 Dr. Roy's Drive, George Town, Grand Cayman, Cayman Islands KY1-1102	Partnership interest	26.2	USD	^	^
Actis Umbrella Fund LP 2 More London Riverside, London, SE1 2JT	Partnership interest	26.1	USD	^	^

26. Related undertakings (continued)

Company Registered address	Class of share	Percentage held by CDC	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Aureos West Africa Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	26.0	USD	^	^
Aureos Southern Africa Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	25.1	USD	^	^
Progression Eastern African Microfinance Equity Fund c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	24.9	USD	^	^
India Infrastructure Fund (Singapore) Private Limited #04-02 112 Robinson Road, Singapore, 068902	Ordinary shares	24.8	USD	^	^
Takura III African Century Gardens, 153 Josiah Chinamano Avenue, Harare, Zimbabwe	Partnership interest	24.8	USD	^	^
Frontier Bangladesh II LP PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands	Partnership interest	24.5	USD	^	^
VenturEast Life Fund III IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Preference shares	24.5	INR	^	^
Ethos Mezzanine Partners III 26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands	Partnership interest	24.3	USD	^	^
Seedfund2 International IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	24.2	USD	^	^
Emerge Central America Growth Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	23.8	USD	^	^
Kula Fund II Limited c/o Ridgeway Blake Lawyers, First Rank Building, Rue Emile Mercet, Port Vila, Vanuatu	Ordinary shares	23.8	USD	^	^
Myanmar Opportunities Fund II c/o PO Box 309, Ugland House, South Church Street George Town, Grand Cayman KY1-1104, Cayman Islands	Partnership interest	22.8	USD	^	^
CX Partners Fund II 22 Saint Georges Street, Port Louis, Mauritius	Ordinary shares	22.8	USD	^	^
Sahel Capital – FAFIN c/o Trident Trust Company (Mauritius) Limited, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius	Ordinary shares	22.8	USD	^	^
Sarva Capital LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	22.7	USD	^	^
Central Africa Growth Sicar SA 16 Boulevard Royal, L-2449 Luxembourg	Ordinary shares	22.5	EUR	^	^
India Financial Inclusion Fund Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	22.5	USD	^	^
Ventureast Proactive Fund LLC IFS Court, Bank Street, TwentyEight, Cybercity, Ebene, Mauritius	Ordinary shares	22.2	USD	^	^

Company Registered address	Class of share	Percentage held by CDC	Currency	Profit/(loss) for the year* LCY'000	Aggregate capital and reserves* LCY'000
Blue Sapphire Healthcares Private Limited 152, Mandakini Enclave, Alaknanda, Dehli - 110019, India	Ordinary shares	21.0	USD	^	^
Novastar Ventures Africa Fund II c/o Apex Fund Services Ltd, 4th Floor, 19 Bank Street, Cybercity, Ebene 72201, Mauritius	Partnership interest	20.7	USD	^	^
Africa Food Security Fund I c/o SGG Fund Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, Mauritius	Partnership interest	20.4	USD	^	^
Investec Africa Credit Opportunities Fund Glategny Court, Glategny Esplande, St Peter Port, Guernsey, GY1 1WY	Participating shares	20.2	USD	^	^
Miro Forestry Developments Limited The St Botolph Building, 138 Houndsditch, London, EC3A 7AR	Ordinary shares	20.2	USD	^	^
African Infrastructure Investment Fund III Colinton House,1 Oakdale Road, Newlands, 7700, Cape Town, South Africa	Partnership interest	20.1	USD	^	^
African Rivers Fund c/o Abax Corporate Services Ltd,6th floor, Tower A1, Cybercity, Ebene, Mauritius	Ordinary shares	20.0	USD	^	^
Actis India 3 LP 2 More London Riverside, London, SE1 2JT	Partnership interest	20.0	USD	^	^
Africa Improved Foods (Holding) BV Het Overloon 1, 6411 TE Heerlen, The Netherlands	Ordinary shares	20.0	USD	^	^
Aureos East Africa Fund LLC Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius	Ordinary shares	20.0	USD	^	^
India Agribusiness Fund II Limited 5th Floor, Ebene Esplanade 24 Cybercity Ebene, Mauritius	Ordinary shares	20.0	USD	^	^
UNIC Online Limited 4 Inomenon Ethnon, Anastasia Building Floor 3, 6042, Larnaca, Cyprus	Ordinary shares	20.0	EUR	^	^

* Profit/(loss) for the year and aggregate capital and reserves for the significant holding as at the end of its relevant financial year.
^ Information not required as CDC Group plc's holding is less than 50 per cent and undertaking's financial information is not published.
∞ First relevant financial year falls after 31 December 2018.

CDC Group plc
123 Victoria Street
London SW1E 6DE
T +44 (0)20 7963 4700
F +44 (0)20 7963 4750
enquiries@cdcgroup.com
www.cdcgroup.com
Registered in England No 3877777
VAT registration number 190 7041 19

Investment works

UK Government

CDC Group plc
123 Victoria Street
London SW1E 6DE
United Kingdom

T +44 (0)20 7963 4700
E enquiries@cdcgroup.com

cdcgroup.com

CDC is wholly owned
by the UK Government

@CDCGroup

CDC Group plc