

# CDC Emerging Markets Limited Annual Accounts Year ended 31 December 2017

Company Number: 03830059



## Contents

Directors' Report	1
Statement of Directors' Responsibilities	2
Independent Auditor's Report	3
Statement of Financial Position	4
Statement of Comprehensive Income	5
Statement of Cash Flows	6
Statement of Changes in Equity	7
Notes to the Accounts	8

## Directors' report

The directors are pleased to present their report together with the financial statements of the Company for the period ended 31 December 2017.

### Directors

John Diess  
Clive MacTavish  
Jane Earl

Appointed 17 October 2013  
Appointed 28 April 2016  
Appointed 19 June 2017

### Principal activity

The principal activity of the Company is that of an investment company, investing in emerging markets.

### Business and performance review

The Company recorded a net loss of US\$12,221,987 for the year ended 31 December 2017 (2016: US\$4,212,603). The net asset value of the Company was US\$34,563,844 at 31 December 2017 (2016: US\$39,285,831).

### Financial statements

The Statement of Directors' Responsibilities is shown separately

Notes 16 and 17 to the financial statements includes the Company's policies and processes for managing its financial risk, details of its financial instruments and hedging activities and its exposures to credit and liquidity risk. The Directors believe that the Group is well placed to manage its business risks successfully.

### Principle risks

The Company invests in developing countries. The Company values its portfolio according to the valuation methodology described in note 19 to the accounts. Investments are valued at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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

### Other information

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.

### Appointment of auditor

In accordance with Section 489 of the Companies Act 2006, a resolution proposing the reappointment of KPMG LLP as the Company's auditor will be put to members at the forthcoming general meeting.

On behalf of the Board



John Diess  
Director  
18 May 2018

# Statement of Directors' Responsibilities

## in respect of the Directors' Report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# Independent Auditor's Report to the members of CDC Emerging Markets Limited

## Opinion

We have audited the financial statements of CDC Emerging Markets Limited ("the company") for the year ended 31 December 2017 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, Statement of Cash Flows and, related notes, including the accounting policies in note 19.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- 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 company 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.

## Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report 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 directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report

We have nothing to report in these respects.

## Directors' responsibilities

As explained more fully in their statement set out on page 2, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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 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 company or to cease operations, or have no realistic alternative but to do so.

## Auditor's 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](http://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  
18 May 2018

# Statement of Financial Position

At 31 December

	Notes	2017 US\$	2016 US\$
<b>Assets</b>			
Non-current assets			
Equity investments	2	34,483,161	28,426,665
Loan investments	3	95,574,161	114,996,703
		<b>130,057,322</b>	<b>143,423,368</b>
Current assets			
Cash and cash equivalents	4	14,306,392	10,863,813
Forward foreign exchange contracts	6	-	537,518
Other receivables	8	2,492,590	2,484,727
		<b>16,798,982</b>	<b>13,886,058</b>
<b>Total assets</b>		<b>146,856,304</b>	<b>157,309,426</b>
<b>Equity and liabilities</b>			
Shareholders' equity			
Issued capital	5	53,850,003	46,350,003
Accumulated deficit		(19,286,159)	(7,064,172)
		<b>34,563,844</b>	<b>39,285,831</b>
Non-current liabilities			
Amounts due to parent company	13	100,650,000	108,150,000
		<b>100,650,000</b>	<b>108,150,000</b>
Current liabilities			
Amounts due to parent company	13	7,077,991	9,619,311
Forward foreign exchange contracts	6	4,553,664	244,295
Other payables and provisions	14	10,805	9,989
		<b>11,642,460</b>	<b>9,873,595</b>
<b>Total liabilities</b>		<b>112,292,460</b>	<b>118,023,595</b>
<b>Total equity and liabilities</b>		<b>146,856,304</b>	<b>157,309,426</b>

The Company registration number is 03830059.

Notes 1 to 19 form part of the financial statements.

The accounts were approved by the members of the Board on 18 May 2018 and were signed on their behalf by:



**John Diess**  
Director

# Statement of Comprehensive Income

For the 12 months to 31 December

	Notes	2017 Total US\$	2016 Total US\$
Investment income	9	17,697,397	10,452,606
Fair value gains	2	6,056,496	4,044,438
Administration fee		(2,868,467)	(1,847,197)
Administrative and other expenses	11	(17,231)	(10,071)
Profit from operations before tax and finance costs		20,868,195	12,639,776
Finance costs	12	(12,212,608)	(8,362,543)
Net foreign exchange differences	7	(19,126,024)	(7,964,134)
Loss from operations before tax		(10,470,437)	(3,686,901)
Income tax expense	10	(1,751,550)	(525,702)
<b>Total comprehensive loss for the year</b>		<b>(12,221,987)</b>	<b>(4,212,603)</b>

Notes 1 to 19 form part of the financial statements.

# Statement of Cash Flows

For the 12 months to 31 December

	Notes	2017 US\$	2016 US\$
<b>Cash flows from operating activities</b>			
Loss from operations before tax		(10,470,437)	(3,686,901)
Finance costs		12,212,608	8,362,543
Change in value of equity investments	2	(6,056,496)	(4,044,438)
Foreign exchange movements		(7,232,591)	2,459,589
Loss/(profit) from operations before changes in working capital		(11,546,916)	3,090,793
(Decrease)/increase in amounts due to parent company		(3,534,617)	10,179,829
Increase in other receivables		(7,863)	(1,659,187)
Increase/(decrease) in other payables		816	(43,078)
Increase/(decrease) in derivative financial instruments		4,846,887	(1,224,612)
Cash flows from operations		(10,241,693)	10,343,745
Loan interest and commitment fees paid		(4,932,728)	(5,316,161)
Taxes paid		(1,751,550)	(525,702)
Cash flows from operating activities		(16,925,971)	4,501,882
<b>Cash flows from investing activities</b>			
Acquisition of equity investments	2	-	-
Acquisition of loan investments	3	(23,419,667)	(49,429,772)
Disposal of loan investments	3	49,279,656	-
Cash flows from investing activities		25,859,989	(49,429,772)
<b>Cash flows from financing activities</b>			
Loan advances from the parent company		17,500,000	42,000,000
Loan repayments to the parent company		(25,000,000)	-
Current account repayments to the parent company		(6,286,583)	(5,508,590)
Issue of share capital	5	7,500,000	18,000,000
Cash flows from financing activities		(6,286,583)	54,491,410
Net increase/(decrease) in cash and cash equivalents		2,647,435	9,563,520
Cash and cash equivalents at 1 January		10,863,813	1,349,199
Effect of exchange rate fluctuations on cash held		795,144	(48,906)
Cash and cash equivalents at 31 December		14,306,392	10,863,813



## Statement of Changes in Equity

	Share capital US\$	Accumulated deficit US\$	Total US\$
At 1 January 2016	28,350,003	(2,851,569)	25,498,434
Changes in equity for 2016			
Total loss and comprehensive loss for the year	-	(4,212,603)	(4,212,603)
Issue of share capital	18,000,000	-	18,000,000
At 31 December 2016	46,350,003	(7,064,172)	39,285,831
Changes in equity for 2017			
Total loss and comprehensive loss for the year	-	(12,221,987)	(12,221,987)
Issue of ordinary shares	7,500,000	-	7,500,000
At 31 December 2017	53,850,003	(19,286,159)	34,563,844

# Notes to the Accounts

## 1. Corporate information and accounts preparation

### Corporate information

The financial statements of CDC Emerging Markets Limited (the Company) for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 18 May 2018. CDC Emerging Markets Limited is a limited company incorporated in England and Wales. It is a wholly owned subsidiary of CDC Group plc, a public limited company incorporated in England and Wales. The Company's registered office is located at Level 1, 123 Victoria Street, London SW1E 6DE, England.

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

### Statement of compliance

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

### Basis of preparation

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and other financial instruments that have been presented and measured at fair value in accordance with relevant accounting standards. The financial statements are presented on a going concern basis.

The financial statements are presented US dollars, which is also the Company's functional currency. Assets and liabilities are retranslated at spot rates at the statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation of assets and liabilities denominated in foreign currencies at the year-end exchange rate are recognised in the statement of comprehensive income.

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised. The area on which the most significant estimates and judgements are made is on the fair value of equity investments. The Company's fair value methodology for equity investments is disclosed in note 19.

A summary of other significant accounting policies can be found in note 19.

### Presentation

Comparative figures are regrouped or restated where necessary in accordance with current year classification.

## Notes to the Accounts

Continued

### 2. Equity investments

	2017 Unlisted Shares US\$	2016 Unlisted Shares US\$
At 1 January, at fair value	24,426,665	24,382,227
Additions	-	-
Disposals	-	-
Increase in fair value for the year	6,056,496	4,044,438
At 31 December, at fair value	34,483,161	28,426,665

Unlisted shares are included within Level 3 of the fair value hierarchy, The Company holds no Level 1 or Level 2 equity investments. There have been no transfers between levels during the year.

The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The Company's fair value methodology for equity investments is disclosed note in 19.

Under level 3, if the net asset values of the funds change by 10% (the net asset value being the key unobservable input) then the market value would change by US\$3,448,316 (2016: US\$2,842,667).

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

### 3. Loan investments

	2017 US\$	2016 US\$
At 1 January, at fair value	114,996,703	67,977,614
Loan advances	23,419,667	49,429,772
Loan repayments	(49,279,656)	-
Exchange adjustment	6,437,447	(2,410,683)
At 31 December, at fair value	95,574,161	114,996,703

### 4. Cash and cash equivalents

	2017 US\$	2016 US\$
Cash at bank and in hand	14,306,392	10,863,813
Total cash and cash equivalents	14,306,392	10,863,813

Cash at bank and in hand earns no interest. The fair value of cash and cash equivalents is US\$14,306,392 (2016: US\$10,863,813).

## Notes to the Accounts

Continued

### 5. Issued capital

	2017 No. of shares	2016 No. of shares
Authorised		
Ordinary shares of US\$1.60 each	2	2
Class A ordinary shares of US\$10,000 each	9,000	9,000

	2017 No. of shares	2017 US\$	2016 No. of shares	2016 US\$
Allotted, called up and fully paid Ordinary shares				
At 1 January, Ordinary shares of US\$1.60 each	2	3	2	3
Issued Ordinary shares of US\$1.60 each	-	-	-	-
At 31 December, Ordinary shares of US\$1.60 each	2	3	2	3

	2017 No. of shares	2017 US\$	2016 No. of shares	2016 US\$
Allotted, called up and fully paid Class A ordinary shares				
At 1 January, Class A ordinary shares of US\$10,000 each	4,635	46,350,000	2,835	28,350,000
Issued Class A ordinary shares of US\$10,000 each	750	7,500,000	1,800	18,000,000
At 31 December, Class A ordinary shares of US\$10,000 each	5,385	53,850,000	4,635	46,350,000

### 6. Forward foreign exchange contract ('FFEC')

Forward foreign exchange contract with parent company comprises:

	2017 US\$	2016 US\$
Gross foreign exchange contracts in profit	-	537,518
Gross foreign exchange contracts in loss	(4,553,664)	(244,295)
Total forward foreign exchange contracts	(4,553,664)	293,223

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

	2017 US\$	2016 US\$
Current assets	-	537,518
Current liabilities	(4,553,664)	(244,295)
Total forward foreign exchange contracts	(4,553,664)	293,223

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

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

	2017 Foreign currency in millions	2017 Average spot price	2017 US\$	2016 Foreign currency in millions	2016 Average spot price	2016 US\$
Foreign currency						
Indian rupee	(12,366.0)	64.9050	(190,524,613)	15,198.0	67.3755	225,571,610

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

## Notes to the Accounts

Continued

### 7. Net foreign exchange differences

	2017 US\$	2016 US\$
Exchange gains/(losses) arising on loan investments	8,311,977	(2,433,492)
Exchange losses arising on forward foreign exchange contracts	(28,233,054)	(5,482,544)
Exchange losses arising on cash and cash equivalents	795,144	(48,906)
Other exchange differences	(91)	808
<b>Total net foreign exchange differences</b>	<b>(19,126,024)</b>	<b>(7,964,134)</b>

### 8. Other receivables

	2017 US\$	2016 US\$
Loan investment interest receivables	2,492,590	2,484,727
Other receivables	2,492,590	2,484,727

### 9. Investment income

	2017 US\$	2016 US\$
Loan interest income	14,929,567	10,377,548
Loan fee income	288,949	75,058
Premium on sale of loan	2,478,881	-
<b>Total investment income</b>	<b>17,697,397</b>	<b>10,452,606</b>

### 10. Income tax expense

	2017 US\$	2016 US\$
Withholding tax expense	1,751,550	525,702
<b>Total income tax expense per the statement of comprehensive income</b>	<b>1,751,550</b>	<b>525,702</b>

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

	2017 %	2016 %
UK Corporation tax small profits rate	(19.3)	(20.0)
Effect of current year losses for which no deferred tax assets has been recognised	(15.9)	67.2
Effect of overseas taxation	51.9	(32.9)
<b>Effective tax rate for the year</b>	<b>16.7</b>	<b>14.3</b>

### 11. Administrative and other expenses

	2017 US\$	2016 US\$
Auditor remuneration	10,806	9,989
Other expenses	6,425	82
<b>Total administrative and other expenses</b>	<b>17,231</b>	<b>10,071</b>

## Notes to the Accounts

### Continued

#### 12. Finance costs

	2017 US\$	2016 US\$
Loan interest payable to CDC Group plc	11,788,125	8,109,694
Loan commitment fee payable to CDC Group plc	424,483	252,849
<b>Total finance costs</b>	<b>12,212,608</b>	<b>8,362,543</b>

#### 13. Amounts due to parent company

	2017 US\$	2016 US\$
Loan due to CDC Group plc	100,650,000	108,150,000
Current account payable to CDC Group plc	1,323,513	4,686,583
Loan interest and commitment fees due to CDC Group plc	5,754,478	4,932,728
<b>Total amounts due to parent company</b>	<b>107,727,991</b>	<b>117,769,311</b>

#### 14. Other payables and provisions

	2017 US\$	2016 US\$
Other payables	10,805	9,989
Withholding tax provision	-	-
<b>Total other payables and provisions</b>	<b>10,805</b>	<b>9,989</b>

#### 15. Related party transactions

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

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

	2017 US\$	2016 US\$
Statement of comprehensive income		
Finance cost	(12,212,608)	(8,362,543)
Administration fee	(2,868,467)	(1,847,197)
Statement of financial position		
Forward foreign exchange contracts	(4,553,664)	293,223
Amounts due to parent company	(107,727,991)	(117,769,311)

Included in the amounts due to the parent company was an inter-group loan of US\$100,650,000 (2016: US\$108,150,000) which attracts a 10% interest rate charge due semi-annually to the parent company. The total size of the inter-group loan facility is US\$200,000,000 (2016: US\$200,000,000).

## Notes to the Accounts

### Continued

#### 16. Financial instruments

The Company's principal financial assets (as defined in IFRS 7) comprise cash, equity investments, loan investments and foreign exchange contracts. For the purposes of this note, the disclosure on financial assets has been split between these asset classes in order to give more meaningful information. Financial liabilities comprise amounts due to parent company and foreign exchange contracts.

#### Interest rate exposures

	Fixed rate US\$	Floating rate US\$	No interest US\$	Total US\$	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
<b>Financial assets: Cash</b>							
2017	-	-	14,306,392	14,306,392	-	-	*
2016	-	-	10,863,813	10,863,813	-	-	*
<b>Financial assets: Loan investments</b>							
2017	95,116,732	-	-	95,116,732	12.6%	5	-
2016	114,996,703	-	-	114,996,703	12.1%	7	-

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

#### Currency exposures

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

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

Functional currency	2017 US\$	2016 US\$
Indian rupee	14,289,614	5,335,112
Total	14,289,614	5,335,112

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

Functional currency	2017 Unlisted Shares US\$	2016 Unlisted Shares US\$
Indian rupee	34,483,161	28,426,665
Total	34,483,161	28,426,665

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

Functional currency	2017 US\$	2016 US\$
Indian rupee	95,574,161	114,996,703
Total	95,574,161	114,996,703

#### Liquidity risk

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

Financial assets: Maturity profile	2017 Forward foreign exchange contract US\$	2017 Loan investments US\$
Due within one year, but not on demand	-	-
Due after five years	-	95,574,161
Total	-	95,574,161

## Notes to the Accounts

Continued

### 16. Financial instruments (continued)

	2017 Forward foreign exchange contract US\$	2017 Amounts owed to parent company US\$
<b>Financial liabilities: Maturity profile</b>		
Due within one year, but not on demand	4,553,664	7,077,992
Due after five years	-	100,650,000
<b>Total</b>	<b>4,553,664</b>	<b>107,727,992</b>

	2016 Forward foreign exchange contract US\$	2016 Loan investments US\$
<b>Financial assets: Maturity profile</b>		
Due within one year, but not on demand	537,518	-
Due after five years	-	114,996,703
<b>Total</b>	<b>537,518</b>	<b>114,996,703</b>

	2016 Forward foreign exchange contract US\$	2016 Amounts owed to parent company US\$
<b>Financial liabilities: Maturity profile</b>		
Due within one year, but not on demand	244,295	9,619,311
Due after five years	-	108,150,000
<b>Total</b>	<b>244,295</b>	<b>117,769,311</b>

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

#### Fair value of financial assets and liabilities

##### Financial assets

Unquoted equity investments are included in the statement of financial position at fair value. There is no material difference between the fair value and the book value of the Company's cash.

##### Financial liabilities

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

### 17. Financial risk management

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

#### Liquidity risk

The Company's policy on liquidity risk is to ensure that they always have sufficient funding to meet all short to medium-term funding requirements. The Company's cash balance at 31 December 2017 was US\$14,306,392 (2016: US\$10,863,813) and its capital commitments including long-term commitments were US\$15,511,163 (2016: US\$14,577,045).

The Company's contractual maturity of the forward foreign exchange contract is disclosed in note 16 Financial instruments.



# Notes to the Accounts

## Continued

### 17. Financial risk management (continued)

#### Credit risk

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

	Notes	2017 US\$	2016 US\$
Equity investments	2	34,483,161	28,426,665
Loan investments	3	95,574,161	114,996,703
Cash and cash equivalents	4	14,306,392	10,863,813
<b>Total</b>		<b>143,363,714</b>	<b>154,287,181</b>

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

Credit risk on the Company's cash balances and FFECs is mitigated as the Company transact with institutions with high credit ratings. If possible, cash is deposited with financial institutions that have a long-term credit rating ascribed by Moody's of A2 or above.

#### Market risk

##### Foreign currency risk

Exposure to currency risk arises in the normal course of the Company's investment business. The Company has exposure to the Indian rupee. As at 31 December 2017 and 2016, all equity and loan investments held by the Company, were denominated in Indian rupee. In order to protect the Company's US dollar statement of financial position and reduce cash flow risk, the Company uses forward foreign exchange contracts to hedge foreign exposures.

A 10% movement in the average exchange rate for the Indian rupee against US dollar with all other variables held constant would impact profit by US\$7,127,700 (2016: 10% movement, impact: US\$8,928,487).

##### Equity price risk

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

A 10% change in the fair value of the Company's equity investment would impact the Company's profit by US\$3,448,316 (2016: US\$2,842,667).

##### Valuation risk

The Company values its portfolio according to CDC valuation methodology. CDC valuation guidelines have been developed in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Investments are valued at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants given current market conditions at the measurement date. The detailed valuation methodology sets out best practice with respect to valuing investments. Valuation risks are mitigated by comprehensive reviews of underlying investments in the private equity funds and direct investments carried out by the managers of the private equity funds at least twice a year. These valuations are reviewed by CDC management and then considered by the Audit, Compliance and Risk Committee. The details of the valuation methodology are given in note 19 to the accounts under the Investments heading.

##### Capital management

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

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns and benefits for stakeholders; and
- to maintain a strong capital base to support the development of the Company's businesses.

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

### 18. Capital commitments and contingencies

Amounts contracted for but not provided for in the accounts amounted US\$15,511,163 (2016: US\$14,577,045) for investment commitments (see note 17).

There are no contingencies as at the reporting date (2016: nil).

# Notes to the Accounts

## Continued

### 19. Summary of significant accounting policies

#### Non-current assets

##### Investments

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

#### Financial assets at fair value through profit and loss

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

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

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

Valuation methodologies used are as follows:

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

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

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

# Notes to the Accounts

## Continued

### 19. Summary of significant accounting policies (continued)

#### Loans and receivables

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

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

#### Forward foreign exchange contracts ('FFECs')

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

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

#### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### Impairment of assets

The carrying amounts of assets and financial instruments are reviewed at each statement of financial position date to determine whether there is any indication of impairment.

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

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

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

#### Financial liabilities

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

#### Provisions, contingent liabilities and contingent assets

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

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

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

#### Income

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

# Notes to the Accounts

## Continued

### 19. Summary of significant accounting policies (continued)

#### Income tax

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

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

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

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

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

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

#### IFRSs issued but not yet effective

The accounting policies set out in these financial statements have been applied consistently to all periods presented.

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

- IFRS 16: Leases;
- IFRS 9: Financial Instruments;
- IFRUC 22 Foreign Currency Transaction and Advance Consideration; and
- Annual improvements to IFRSs 2014-2016 Cycle.

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

- IFRS 15: Revenue from Contracts with Customers;
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4);
- IFRS 2: Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2; and
- Amendments to IAS 40: Transfers of Investment Property
- to IFRS 2; and
- IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12.

**CDC Emerging Markets Limited**

First Floor  
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 03830059