Annual Accounts 2017

CDC Group plc

CDC
Investment works

Contents

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.

People make the difference

We put people and relationships first, because we know that ultimately it is people who will grow a business, create jobs and have a positive impact on the other people living in their community. So we look to:

1. Work with talented teams: we want to support the most talented people with the right values, whether that's a company's management team or Board members, or investment fund managers.
2. Ensure workers can achieve their potential: we work with businesses to improve job quality and working conditions for the people who work there.
3. Have a positive impact on communities: the businesses we invest in can also provide wider benefits to people outside the business, for example as a result of climate-friendly initiatives or greater access to goods, services or infrastructure.

How our model works

CDC is the UK's development finance institution (DFI), 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 reinvest into 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.

Supporting businesses in Africa and South Asia to create jobs

No country has escaped poverty without a thriving private sector playing a full role in developing a strong economy.

The need for jobs in Africa and South Asia is vast. More than three-quarters of working-age people in Africa and South Asia do not have a job in the formal sector.

To get people into work, countries need a mixed economy with businesses of all sizes – but many of these businesses still struggle to find the investment they need to grow and create jobs. Private sector investors are often put off by higher levels of risk, or they may be reluctant to stick with a business through turbulent times.

That's why DFIs like CDC are needed.

→ Read more on our website
cdcgroup.com

Where we focus

We invest in Africa and South Asia because over 80 per cent of the world's poorest people live in these regions. We focus on investing in countries where the private sector is weak, jobs are scarce and the investment climate is difficult, but particularly in sectors where growth leads to jobs. These sectors are financial institutions, infrastructure, health, manufacturing, food and agriculture, construction and education.

What we put in

We provide the long-term investment that many businesses in developing countries need. We're able to stand firm with businesses through hard times, because we know success in these environments can be challenging and take time.

We provide capital in many ways (equity, debt, structured instruments, guarantees and trade finance) to meet our investees' needs. We invest both directly, where our team makes the investment decision and looks after the portfolio, and indirectly, where investment selection and management is made by a carefully selected third party, normally an investment fund manager.

And we know it takes more than money to grow a great business. So we also invest our time and expertise, and share our experience and networks to help businesses grow.

For example, we help them build their teams and often their boards, and we provide practical, hands-on support to help businesses achieve good environmental, social and business integrity standards.

Financial Performance

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 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, the Department for International Development (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 in 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 a new Higher Risk Portfolio to generate significant development impact by accepting greater risks that would not be possible under the existing Commercial Risk 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 benefits 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 CDC Strategy 2017-2021*, as approved by DFID on 21 April 2017.

Clive MacTavish
Chief Financial Officer

*CDC Strategy 2017-2021 is available for review on CDC's website.

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.

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

CDC only uses offshore financial centres to meet its priority to mobilise capital into developing countries. Offshore financial centres can provide straightforward and stable financial, judiciary and legal systems which facilitate investment. CDC will therefore often introduce such jurisdictions into transactions for non-tax related purposes. This may include insulating companies from legal risk, insulating classes of security from cross-default or improving the financial terms or security for different investors. Certain investments may include structures that reduce the tax burden on investors. CDC will only acquiesce to such structures in order to facilitate a developmental impact, increasing investment and consequent job creation and economic growth. CDC prefers to use offshore financial centres that are successfully participating in the OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes (the "Global Forum"). In 2017 CDC made no investments in non-OECD jurisdictions. CDC will avoid making investments through a jurisdiction that does not adequately exchange tax information internationally. CDC would only invest through a jurisdiction that is not successfully participating in the Global Forum in exceptional cases, and only if it is considered that the developmental benefits of the investment justify the use of an intermediary located in such a jurisdiction.

Financial Performance
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Presentation of results

CDC's financial results are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These accounts can be found in full from page 26 onwards. The Directors' and Strategic Report gives a summary of those results. 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 4 to 9 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 36 to 37.

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:

- 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;
- 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; and
- Operating costs: The total operating expenses incurred by CDC and its investment holding companies, including depreciation.

Capital structure

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.

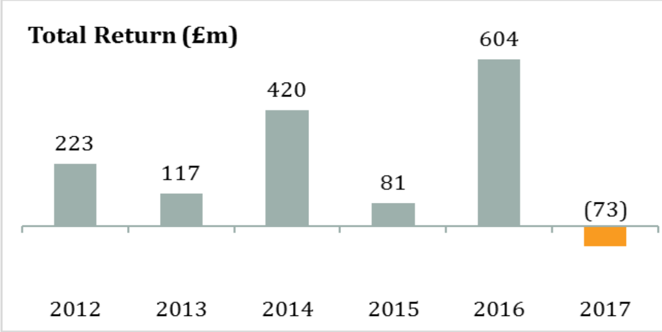
During the current year, CDC issued 336,000,000 ordinary shares of £1 each to its parent entity. The parent entity subscribed to the shares by issuing a promissory note, the first in the series of the new investment, for the value of the shares.

Current performance

Total return after tax

	2017 £m	2016 £m
Portfolio return	**(28.4)**	677.4
Operating costs	**(59.1)**	(47.9)
Other net income/(expense)	**14.7**	(25.4)
Total return after tax	**(72.8)**	604.1

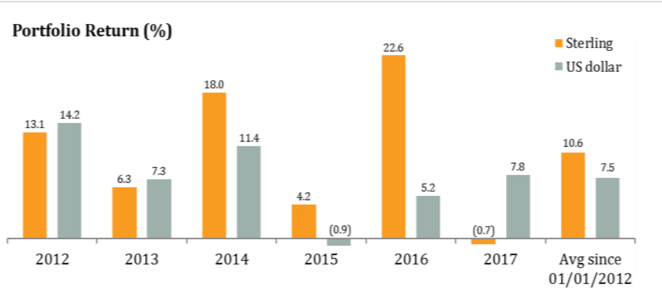
The overall result is a total loss after tax of £72.8m (2016: £604.1m profit). As a return on opening total net assets on a valuation basis, this represents a loss for CDC's shareholder of 1.5% (2016: 15.5% profit) this year and an average annual return of 7.0% since 2012.



Portfolio return

The portfolio generated a £28.4m loss (2016: £677.4m profit). This represents a portfolio return of (0.7%) (2016: 22.6%, 2015: 4.2%). Most of the portfolio is denominated in US dollars and the Sterling result has suffered from currency translation losses following an increase in the Sterling to US dollar exchange rate from 1.23 at 31 December 2016 to 1.35 at 31 December 2017. In US dollar terms, the portfolio generated a profit for the second consecutive year, generating a return in 2017 of 7.8% (2016: 5.2%).

As a development finance institution, CDC invests to generate returns over the long-term recognising that in any isolated year market conditions or events may drive exceptional performance, as the Sterling denominated results for 2016 and 2017 show. The agreed target for the company on its primary investing activities, excluding the Higher Risk Portfolio, is a ten-year average return of 3.5%. This forms one of the targets for the company's Long-term Development Performance Plan, explained in more detail in the Report of the People and Remuneration Committee on page 22. Since 2012, the average financial return in Sterling has been 10.6% compared to the 3.5% target.

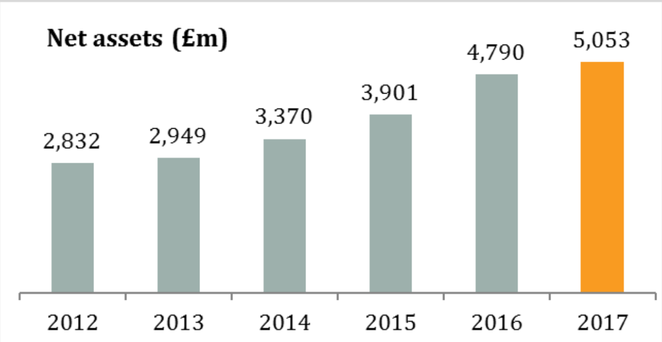


Operating costs and other net expenses

Operating costs for the year of £59.1m (2016: £47.9m) have increased due to employees rising to 266 (2016: 224). Operating costs represent 1.2% of the Company's opening net asset value. Other net income of £14.7m (2016: £25.4m net expense) came from the cancellation of a returnable grant facility from DFID following a transfer of ownership of impact investments, and the release of prior period accruals for the long-term development performance plan offset by currency translation losses. More details of these income items can be found in notes 8 and 9.

Portfolio and net assets

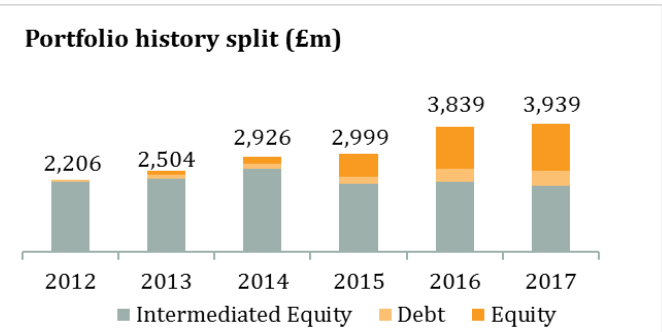
	2017 £m	2016 £m
Portfolio	**3,939.4**	3,839.2
Net cash and short-term deposits	**413.4**	220.1
Other net assets	**700.7**	731.0
Total net assets	**5,053.5**	4,790.3



Total net assets increased in the year from £4,790.3m to £5,053.5m a rise of 5.5% (2016: 22.8%).

	2017 £m	2016 £m
Portfolio at start of year	**3,839.2**	2,999.2
New investments	**687.3**	759.5
Realisations	**(531.2)**	(547.5)
Transfers	**31.4**	–
Value change	**(98.8)**	624.3
Allowances for guarantees	**11.5**	3.7
Portfolio at end of year	**3,939.4**	3,839.2

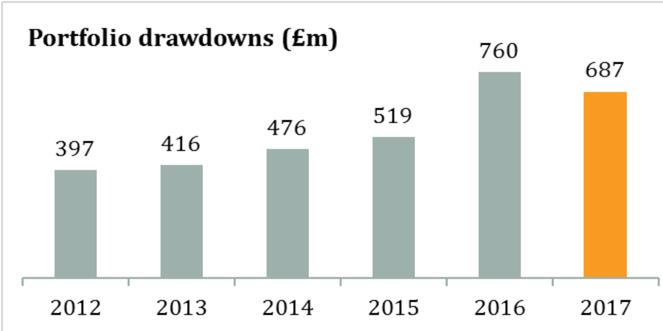
Direct debt and equity investments continue to make up an increasing share of the portfolio following the shift in investment focus in 2012. The largest share of the portfolio, however, remains in intermediated equity investments managed by fund managers. Portfolio value increased from £3,839.2m to £3,939.4m in the year as a result of net new investments, valuation gains driven by the growth of underlying companies and foreign exchange losses. CDC has investments in 197 funds, managed by 104 different fund managers, and 84 direct investments.



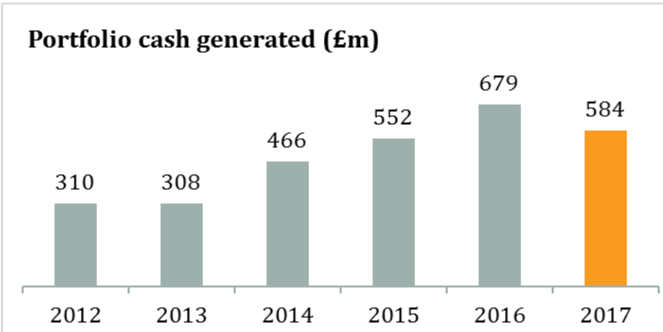
Cash flow

	2017 £m	2016 £m
Portfolio drawdowns	**(687.3)**	(759.5)
Portfolio cash generated	**583.5**	679.1
Net portfolio flows	**(103.8)**	(80.4)
Hedging cash flows	**18.3**	(167.8)
Drawdown of promissory note	**375.0**	–
Other cash flows	**(96.2)**	30.5
Net cash flow	**193.3**	(217.7)

Drawdowns for new investments at £687.3m (£2016: £759.5m) were lower than last year due to CDC's greater focus on developing new opportunities through platforms and greenfield opportunities which take time to convert into effective investments, as well as challenges faced by intermediated equity investments to reach closing. 50% of new investments were in Africa and 45% were in South Asia.



Portfolio cash generated of £583.5m (2016: £679.1m) was lower than last year, impacted by a quiet private equity market in Africa where investment activity has been lower than in previous years, alongside a challenging exit environment.



Net cash and short-term deposits held

With the decrease in the level of new investments and a drawdown against promissory notes, cash and short-term deposits were higher this year at £413.4m (2016: £220.1m). Cash levels, together with an understanding of future 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 8.

Financial Performance
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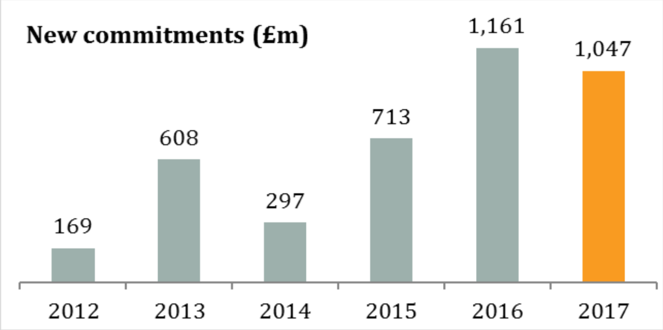
New commitments

In 2017, CDC made new commitments of £1,047.1m (2016: £1,161.2m). CDC expects the commitment pace to increase over the coming years 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.



Total new commitments were:

Direct investment commitments	**£m**
Commercial risk portfolio	
Africa Logistics Properties	19.9
Alcazar Energy Egypt Solar 1 SAE	9.0
ARC For Renewable Energy SAE	8.6
Arinna Solar Power SAE	2.7
Asian Institute of Medical Sciences	16.1
Aten Solar Power SAE	11.7
Ayana Renewable Power	79.9
Bangla Offshore LNG	19.4
Delta for Renewable Energy SAE	8.2
Globeleq Limited	21.6
Healthcare Global (Africa)	4.1
Horus Solar Energy SAE	11.7
IHS Zambia	19.4
Manipal	47.7
Miro Forestry Company	0.7
M-Kopa	5.3
Onomo Hotels	40.4
Phoenix Power SAE	8.7
RBL Bank Limited	76.3
RFL Electronics Limited	11.1
SMBCE MRPA	74.0
SP Energy (Egypt) SAE	5.2
Te Power	29.5
UNIC Online Limited	0.4
Utkarsh Small Finance Bank	20.4
Winnergy for Renewable Energy Projects SAE	2.8
Zephyr Power	32.3
	587.1
Higher risk portfolio	
Cattle Feedlot Company Limited	4.1
CFAM Limited	148.1
Kamponji Enterprises Limited	11.6
M-Kopa (Kenya)	13.9
M-Kopa (Uganda)	1.5
Veritas Finance Private Limited	7.8
	187.0
Total	**774.1**

Intermediated equity commitments	**£m**
Commercial risk portfolio	
Aavishkaar Emerging India Fund	18.8
Africa Capitalworks	30.4
African Infrastructure Investment Fund III	34.8
Catalyst Fund II	8.0
Cepheus Growth Fund I	11.3
DI Frontier Fund 2	24.1
Dynamic India Fund S4 I	32.2
Faering Capital Fund III	18.8
Growth Catalyst Partners	3.8
Maghreb Private Equity Fund IV	21.9
Shorecap III	14.8
Solon Capital Holdings	15.5
	234.4
Higher risk portfolio	
Energy Access Ventures Fund	4.4
Insitor Impact Asia Fund	3.3
Medical Credit Fund	7.7
Myanmar Opportunities Fund II	11.6
Sahel Capital - FAFIN	11.6
	38.6
Total	**273.0**

Risk management and internal control

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:

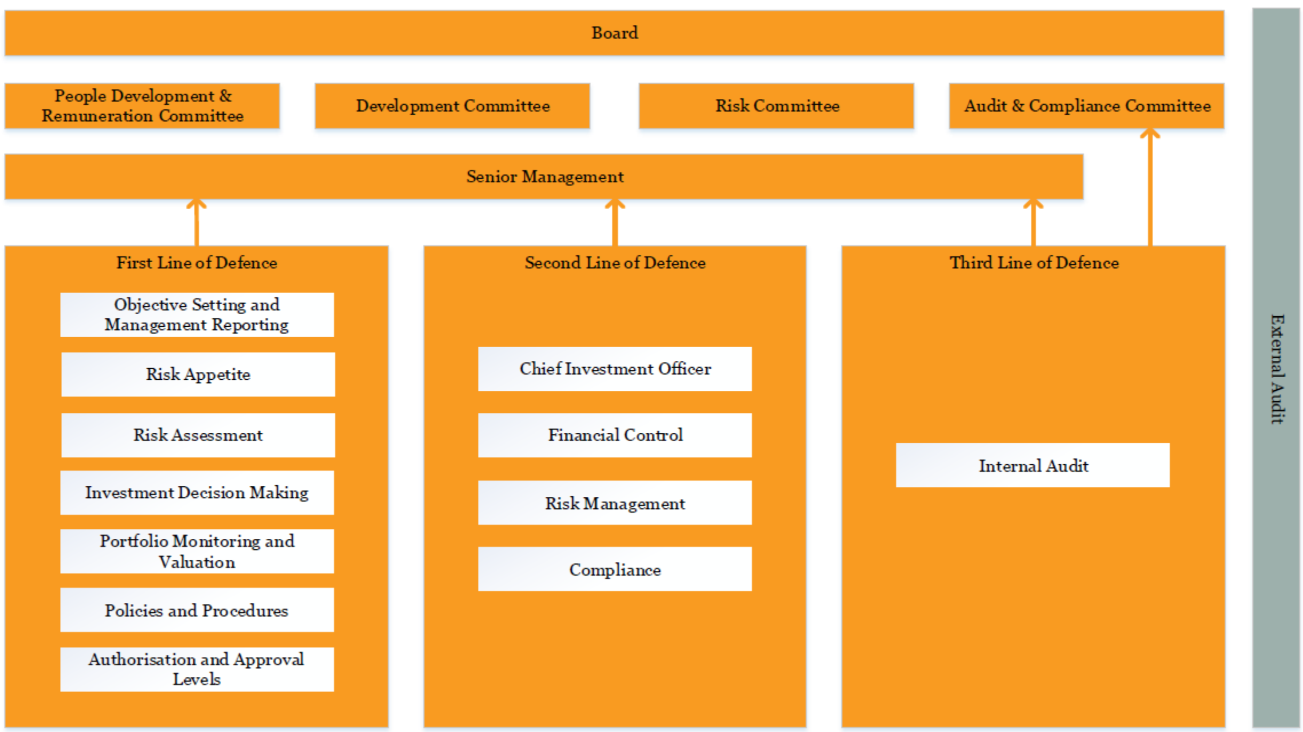
- setting of annual corporate objectives and quarterly reporting against financial and business targets;
- a risk appetite statement defined by the Board and set out in the Risk Management Policy*;
- the executive management team operating a continuous process, agreed with the Risk Committee, of identifying, 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.

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;
- Doing 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; and
- 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.

CDC Risk Management and Internal Control Framework



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

Financial Performance
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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 & Social risk
- Business Integrity risk
- Development Impact risk
- Operational risk
- Strategic & 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 22 to the financial statements, is rigorous and effective. It is also satisfied that CDC has robust cash forecasting and management techniques.

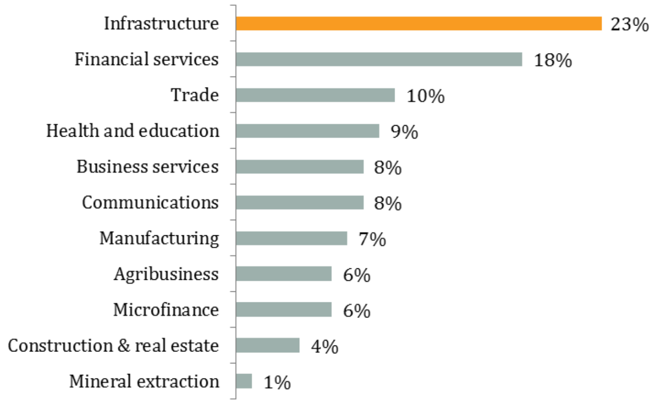
In respect of managing this risk, CDC has adopted the following policies and processes:

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 triggers, 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.

The proportion of assets under management (CDC investment value plus outstanding commitments) held directly by CDC is 46.0% (2016: 36.4%). Given CDC's history a notable proportion of the remaining portfolio is managed by one private equity fund manager, Actis, although this percentage continues to fall over time. The percentage of assets under management by Actis as a percentage of the overall CDC portfolio was 7.6% (2016: 13.3%) at the end of 2017. The concentration with the next largest fund manager was 3.1%.

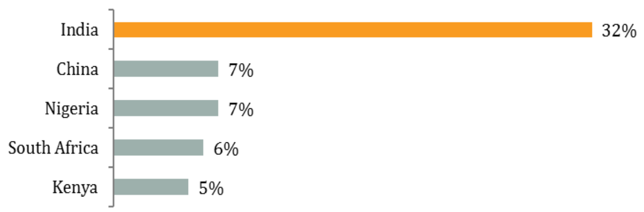
CDC's investments provide it with a portfolio of 1,277 underlying companies that are diversified by size, geography and industry sector. CDC's highest sector exposure is 23% in Infrastructure. The top 20 investments represent 41.3% of the portfolio with the largest individual investment representing 9.8%.

Underlying portfolio by sector



CDC has investments in 79 countries. The top five highest country exposures represent 57% of the portfolio.

Underlying portfolio by top five highest country exposures



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 geographical diversification within the portfolio which will increase exposure to investment risk in these markets.

Cash management – A wholly owned subsidiary of CDC has a committed standby Revolving Credit Facility of US$1,200m (£887.8m). At 31 December 2017, CDC had significant undrawn commitments of £1,979.8m (2016: £1,839.3m). CDC targets having cash availability in excess of 80% of aggregate undrawn contractual investment commitments. The standby Revolving Credit Facility, promissory notes and the cash balance held of £1,997.2m, represent 101% of undrawn investment commitments. At 31 December 2017, CDC's cash balance of £413.4m represents 8.2% of the net asset value which is within CDC's desired range to maintain 0% to 10% of its net asset value in cash.

CDC has promissory notes of £696.0m, at 31 December 2017, due from its parent entity (2016: £735.0m). The promissory notes will be drawn down when required to fund future investments in Africa and South Asia.

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 intermediated 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 6 months are hedged in order to manage exposure and to eliminate significant translation differences. Details of CDC's foreign currency balances are shown in note 16 to the accounts on page 46.

Valuation – The valuation of CDC's investments is subjective and there is an inherent risk that valuations may not reflect fair value. CDC's valuation guidelines have been developed in accordance with the International Private Equity and Venture Capital Valuation Guidelines (December 2015), which in turn are in accordance with the fair value requirements contained within IAS 39 and IFRS 13. 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 22 to the accounts under the Investments heading on page 54 and valuation movements are shown in note 3 to the accounts on page 38.

Environmental & 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 environmental and social risks must work towards compliance with the International Finance Corporation 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 development finance institution is to support companies as they develop policies and systems that enable them to manage the environmental and social risks associated with their operations in such a way as to add value to the business while benefitting the workers, wider community and the environment at the 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 help companies and fund managers develop and enhance corporate governance standards and practices to further mitigate this risk.

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. The Company also monitors the impact of its investments at portfolio, sector and individual level and seeks to understand the context and reasons for any changes, and to identify opportunities for course correction.

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 and preparing for the impact of political changes that could affect CDC and developing plans to ensure the continuity of business-critical processes.

Carbon footprint

In 2017 CDC measured its corporate carbon footprint based on its emissions from air travel and electricity usage. CDC's total carbon footprint is 7,258 tonnes of CO_2.

CDC has chosen to offset 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%.

Clive MacTavish
Chief Financial Officer

Board of Directors

Graham Wrigley

Nick O'Donohoe

Clive MacTavish

Wim Borgdorff

Sam Fankhauser

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

Graham Wrigley
Chairman
Nominations Chair
Appointed Chairman and Non-executive Director in December 2013.

Ever since visiting Nepal and India in 1981 Graham had wanted to work in international development. So, ten years ago he quit his business career and decided to "retrain" for a new career by completing an MsC in Development Economics at SOAS. 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$20bn 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 fifteen 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 on 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 2016 and Executive Director in November 2016.

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 their 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 their 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.

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 EUR37bn of fund, secondary and co-investments under management. He is a Non-executive board member of the Bernard van Leer Foundation, a long-standing Dutch privately endowed 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 June 2016.

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


Valentine Chitalu


Laurie Spengler


Keki Mistry


Michele Giddens

Valentine Chitalu

Non-executive Director
Audit and Compliance Chair
Appointed in May 2010.

Valentine is an entrepreneur in Zambia and Southern Africa, specialising in private equity and local private sector development. Before becoming an entrepreneur in 2004, he worked for CDC 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$300m Private Equity Fund Manager, focussing 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.

Laurie Spengler

Non-executive Director
People Development and Remuneration Chair
Appointed in July 2017.

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

Laurie 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.

Keki Mistry

Non-executive Director
Appointed in September 2014.

Keki is the Vice-Chairman and Chief Executive Officer of Housing Development Finance Corporation (HDFC) in India. HDFC has been a pioneer in the housing finance industry over the last 25 years and has helped provide thousands of Indians with financial assistance to own a home. Earlier in his career Keki was seconded to CDC to help evaluate the operations of mortgage financial institutions in Asia. He holds a number of directorships in India, including Sun Pharmaceutical Industries Limited, HCL Technologies Limited and Torrent Power Limited.

Keki is a fellow of The Institute of Chartered Accountants of India.

Michele Giddens

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

Diana Noble

Former Chief Executive
Appointed Chief Executive and Executive Director in November 2011 and resigned in July 2017.

Diana's background is in international development, private equity and venture capital. She was a Partner at Schroder Ventures (now Permira) for 12 years, founding Chief Executive Officer of e-Ventures and founding Managing Director of Reed Elsevier Ventures. Diana joined CDC after five years with the Clinton Foundation's Health Access Initiative where she undertook a number of roles, including Executive Vice President Operations, responsible for 43 countries and five global teams, overseeing the scale-up of a global programme to improve children's access to HIV/AIDS treatment.

Diana is a Non-executive Director on the board of the Business Growth Fund Plc. She has a first class Law degree and completed the Advanced Management Program at Harvard Business School.

Directors' and Strategic Report

The Directors submit their report and the audited financial statements of CDC Group plc (CDC or the Company) and its subsidiaries (the Group) for the year ended 31 December 2017. The Report of the People Development and Remuneration Committee on pages 16 to 23 details Directors' interests and Director and employee incentive arrangements during the year.

Principal activities and investment policy

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

Strategic review

The information that fulfils the requirements of the Strategic Review may be found in the Financial Performance review on pages 3 to 9, which is incorporated into this report by reference. 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 (www.cdcgroup.com).

Responsible investment

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

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

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

Financial statements

Basis of preparation

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

Total comprehensive income for the year

The total comprehensive loss for the year of £72.8m compares with comprehensive income of £604.1m for 2016; mainly due currency translation losses.

Cash flows

Cash and cash equivalents increased from £162.6m at the start of the year to £402.8m at the year end resulting in a net cash inflow of £240.2m (2016: outflow of £211.7m).

Statement of financial position

Total equity has increased from £4,790.3m to £5,053.5m.

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 (2016: £nil). Further details are shown in note 15 to the audited financial statements.

Dividend recommended

The Directors do not recommend payment of a dividend for the year (2016: nil).

Regulation

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

Directors

Financial statements

The Statement of Directors' Responsibilities is shown separately.

CDC's objectives, business activities, performance, financial position, cash flows and liquidity position are described in the Financial Performance review on pages 3 to 9.

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

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

Disclosure of information to auditor

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

Role of Chairman and Chief Executive

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

Following the resignation of Diana Noble, the Board appointed Nick O'Donohoe as Chief Executive with effect from 19 June 2017.

Role of the Board and processes

The role of the Board is to:

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

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

Board membership

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

The Company's articles of association 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.

The Board had scheduled to meet five times during 2017. In addition, one ad-hoc meeting was held at short notice to approve the appointment of Nick O'Donohoe as Chief Executive. Separate to this, there is regular communication between the company and the Board in between meetings. The Chairman and the Chief Executive agree the agenda for Board meetings, but all Board members are entitled to raise other issues. The Chairman ensures that the Board is properly briefed on all issues arising at its meetings and on shareholder views of the Company. The Chief Executive supplies the Board with information which is timely and of a quality that enables it to carry out its duties. Training, where appropriate, is provided to the Board and employees. All Directors have access to the advice and services of Mark Kenderdine-Davies, the General Counsel, and Jane Earl, the Company Secretary and they may obtain independent professional advice at CDC's expense, if required. All Board and Committee meetings are appropriately minuted.

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

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

Board directors

The table below indicates attendance of all the Directors, whose biographies are on pages 10 to 11, during the year ended 31 December 2017:

Number of scheduled meetings during the year	**5**
Graham Wrigley (Chair)	5
Nick O'Donohoe (from June 2017)	3
Diana Noble (to June 2017)	2
Clive MacTavish	5
Wim Borgdorff	5
Valentine Chitalu	5
Sam Fankhauser	5
Michele Giddens	5
Keki Mistry	5
Laurie Spengler	5

One additional ad hoc meeting was held to approve the appointment of the new Chief Executive.

Graham Wrigley held two directorships and three trusteeships during 2017 excluding his CDC directorship. The Board considers that he had sufficient time to undertake his duties at CDC.

During 2017, an internal evaluation of Board and Committee performance was carried out by the Chairman and Company Secretary. In summary, the conclusion was that the Board was performing appropriately with even, appropriate and positive engagement from all members and with a positive Board culture enabling openness and high quality debate.

Board committees

The Board has five principal committees to assist it in fulfilling its responsibilities. The Board has delegated investment decision powers to the investment committee, an executive committee which does not constitute a committee of the Board. The terms of reference of the principal committees are available for inspection on CDC's website.

Audit and Compliance

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

Number of meetings during the year	**5**
Valentine Chitalu (Chair)	5
Wim Borgdorff	5
Keki Mistry	5
Graham Wrigley	5

The Audit and Compliance Committee's main duties are to oversee the affairs of CDC, in particular to review the financial statements; review the findings of the external auditor; review the independence of the external auditor; direct the internal audit programme; monitor the management accounting and valuations procedures and policies; investigate any irregularities and oversee the Company's regulated activities and compliance function.

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

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

The Audit and Compliance 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.

KPMG attended each of the Audit meetings during 2017.

Risk

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

Number of meetings during the year	**4**
Wim Borgdorff (Chair)	4
Valentine Chitalu	4
Sam Fankhauser	4
Keki Mistry	4
Graham Wrigley	4

The Risk Committee's main duties are to oversee the implementation of the Risk Management Policy and the risks facing CDC. The Risk Committee is supported by the Chief Financial Officer, who is responsible to them for overseeing risk management across CDC.

PwC attended each of the meetings as an Adviser to the Risk Committee.

People Development and Remuneration

The table below indicates the members and their attendance at scheduled meetings during the year. The quorum is two members. The Chief Executive attended all meetings by invitation but was not present for the discussion of the Chief Executive's performance and remuneration. The Chief Financial Officer attended the meetings by invitation.

Number of meetings during the year	**5**
Michele Giddens (Chair to July 2017)	5
Wim Borgdorff	5
Laurie Spengler (Chair from July 2017)	5
Graham Wrigley	5

Michele Giddens stepped down as the Chair of the Remuneration Committee in July 2017 and was succeeded as Chair by Laurie Spengler.

The People Development and Remuneration Committee's remit includes the implementation of clear and transparent compensation policies consistent with CDC's mission, determining remuneration packages for the Chief Executive and senior management and making recommendations to the Board on the Company's policy on executive remuneration. Details are set out in the Report of the People Development and Remuneration Committee on pages 16 to 23.

PwC attended each of the meetings as an Adviser to the People Development and Remuneration Committee during 2017.

Development Impact

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

Number of meetings during the year	**5**
Sam Fankhauser (Chair)	5
Michele Giddens	5
Laurie Spengler	5
Graham Wrigley	5

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

Nominations

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

Number of meetings during the year	**3**
Graham Wrigley (Chair)	3
Wim Borgdorff	3
Valentine Chitalu	3
Sam Fankhauser	3
Michele Giddens	3
Keki Mistry	3
Laurie Spengler	3

The Board recognises that a diverse board contributes towards a high performing, effective Board. As such, the Board gives due regard to diversity, including gender, in the selection process as and when appointment opportunities arise.

The Board has recently appointed Sapphire Partners to assist with the search for two additional Non-executive Directors.

Investment Committee

The Board has delegated certain of its investment decision making powers to the investment committee. Where investment decisions fall outside of delegated authorities then a panel of NEDs 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, Ian Barney, Adam Barron, Zed Cama, Rod Evison, Paul Fitzsimons, Mark Gidney, Stewart Hicks, John Kelting, Donald Peck and Nicholas Rouse. It is proposed to recruit three additional external members during 2018 and Russell Reynolds have been engaged to undertake the search.

Directors' conflicts of interest

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

General Counsel and Company Secretary

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

Ownership and shareholder governance

At the beginning of the year, the Secretary of State for International Development held 1,499,999,999 ordinary shares of £1 each and one special rights redeemable preference share of £1 in the capital of the Company.

On 16 November 2017, a further 336,000,000 ordinary shares were issued to the Secretary of State for International Development.

On 13 December 2017, the remaining one issued ordinary share of £1 held by the Solicitor for the Affairs of Her Majesty's Treasury was transferred to the Secretary of State for International Development. As at 31 December 2017, the Secretary of State for International Development holds 1,836,000,000 ordinary shares (2016: 1,499,999,999).

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.

Auditor

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

Employees

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

Website

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

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

By order of the Board

Jane Earl FCIS
Company Secretary
CDC Group plc
On behalf of the Board of Directors
23 April 2018
Registered in England No. 3877777

Report of the People Development and Remuneration Committee

Chair's Report

Introduction

I am very pleased to present my first report as Chair of the People Development and Remuneration Committee (PremCo) of CDC, having been appointed in July 2017. I would like to thank my predecessor, Michele Giddens, for her leadership through the Triennial Review of Remuneration and for her ongoing support when I took over the role.

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, 2017 saw continued growth for CDC both in terms of the portfolio of investments and the organisation. CDC continues to deploy capital to achieve its twin aims of achieving a development impact and generating a financial return. It was recognition of this success by our Shareholder, the Department for International Development (DFID) that led to the granting of additional capital for CDC (up to £3.5bn) to support the implementation of the agreed CDC strategy in the current five-year period to 2021. 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.

Within this context, 2017 was a busy year for the Committee being a year in which we completed the triennial detailed review of pay and related policies. The key highlights of the year were:

- The CDC Remuneration Framework was amended, reflecting agreed changes to reward structures at CDC. The amended Framework (updating the 2012 document) was signed on 6 July 2017 by CDC and DFID;
- A new Chief Executive, Nick O'Donohoe, was recruited with a resulting review of Chief Executive reward; and
- A second annual Employee Staff Survey was conducted, and a new appraisal and objective setting process (the Personal Development Approach) was introduced.

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 the website of CDC (www.cdcgroup.com/Corporate-information/Document-Library/).

PremCo focusses on the overall Employee Value Proposition at CDC which goes beyond pay. In order to deliver value to the tax payer 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 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, to 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. Additionally, the Chief Executive's compensation, as reported lower down in this report, is capped at a maximum of £305,000 from salary and incentive award combined.

2017 adjustments to reward

In line with the triennial benchmarking exercise set out in the Remuneration Framework, PremCo concluded a long process of analysis, review, and discussion with the CDC management team and the Shareholder which began in 2016. Discussions were concentrated on those areas in which CDC was facing pressures in hiring or retention, or in which amendment to the 2012 Remuneration Framework was felt to be needed. The result of this activity was an amended Remuneration Framework which was signed on 6 July 2017 by CDC and DFID.

Following a review of its effectiveness in line with the philosophy set forth above, the core adjustments made to the 2012 Remuneration Framework were as follows:

- The previous short-term bonus plan (Annual Personal Performance Plan or APPP) was rolled into base salary at no additional cost to the organisation - it having been established that the APPP was acting at odds with the high performance team oriented culture of CDC;
- A series of minor amendments were made to the long-term development performance plan (LTDPP) to further align the career trajectory of CDC staff with the mission of the organisation; and
- A Taxed Pension Allowance (TPA) was introduced, at no additional cost to the organisation, for senior employees affected by pension allowance caps.

In addition, certain non-remuneration employee benefits were updated and enhanced in an effort to support the overall employee value proposition. The rationale for making all these changes was to support CDC's efforts to recruit and retain the staff needed to deliver against its ambitious strategy. Equally the changes were made in full recognition of the need for CDC to demonstrate good value for money. In this context, as noted above, PremCo worked to ensure that both the APPP and TPA adjustments were made in a way that was cost neutral to the company.

2017 Non-reward PremCo activity

Alongside changes to the reward framework in 2017, PremCo oversaw the introduction of a new objective setting and performance approach (known as the Performance Development Approach, or PDA). This approach was introduced with the goal of encouraging the creation of stretching personal objectives for all employees and for CDC to develop a coaching style of management aimed at enabling employees to reach their full potential. PremCo also oversaw the annual promotion process and supported management in its response to the second iteration of an annual Employee Satisfaction Survey.

Chief Executive Remuneration

The change of Chief Executive provided an opportunity for the Chief Executive employment contract and reward structure to be reviewed. This review concluded that the broad approach taken upon Diana Noble's hire in 2012 remained sound and, with the support of our Shareholder, was replicated for Nick O'Donohoe. Three minor changes were made (i) the cap on Chief Executive total compensation was increased from £299,999 to £305,000; (ii) the pension award was reduced to 15%; and (iii) the option of UK medical insurance was withdrawn.

Performance against long-term targets

PremCo oversees the annual calculation of the award made under the LDTPP. In 2017 the overall Development Performance Percentage was 97.12% 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 2018

The 2018 agenda for PremCo is set to focus on people issues beyond remuneration:

- The most pressing issue for CDC is resourcing the operational plan and PremCo will monitor this, remaining informed and offering advice where this can be useful to management. A critical part of this growth will take place outside the UK and the growth of CDC operations overseas, particularly in India, will also be a focus;
- PremCo further monitors staff attrition as an important factor which can materially affect both CDC's ability to grow, and can operate as a bellwether for organisational culture; and
- 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) marks a clear focus on Diversity and Inclusion which will form an important part of the PremCo agenda in 2018. CDC's ability to promote gender diversity at the top, and to maintain and develop an inclusive environment for all its employees, will be a focus for PremCo. This work will complement a wider review of culture by the CDC HR and Communications during 2018, which PremCo will also take a keen interest in..

Alongside these, PremCo will retain its focus on the tools of culture, performance and people management with a view to building career pathways within CDC: overseeing the recommendations from the internal Promotion and Progression processes; reviewing, with management, the results of the Employee Survey; and engaging in the development of the new Personal Development Approach. The first step of this latter development was the rolling out of a new 360° review process early in 2018, which enabled richer content for the PDA performance reviews and objective setting.

Conclusion

2017 was a busy year for PremCo, reflecting substantial growth and change at CDC. We have seen the organisation successfully transition from one Chief Executive to the next, in the process refining and expanding its goals whilst retaining the essential mission which is the reason that most employees join and stay 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
People Development and Remuneration Committee 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 Officer

Component	Operation and implementation during the year
Chief Executive Reward	The Chief Executive will receive a base salary of £268,475, 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% 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% 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 performance review process and its promotion and progression process ensures 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.*
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% as follows: **Age Band** — **Company Contribution Rate** Under 30 — 6% 30-39 — 9% 40-49 — 12% 50 and above — 15% MDs — 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.
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.*

Component	Operation and implementation during the year
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 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% of salary. This maximum increases by 10% per annum up to a maximum of 100% 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 22 for more details. Operations team managers are eligible for a 50% LTDPP which mirrors the main LTDPP award with a revised annual cash award of up to 5% payable at the end of the first year, increasing by 5% per annum up to a maximum of 50% of salary after ten years. The Board confirms and demonstrates by written letter to DFID the Development Potential Percentage and the Development Outcome Percentage, 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.*
Benefits	Benefits offered to all staff including Executive Directors: ✚ Life assurance cover, which will pay a lump sum equivalent to either four times base salary in the event of death, plus a dependent pension of 30% of salary, or eight times base salary with no dependent pension; ✚ Permanent health insurance, which provides cover in the event that 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; and ✚ 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 to 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

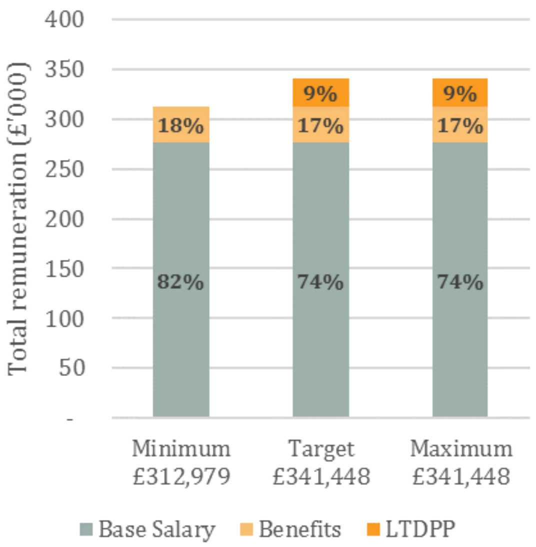
Recruitment Policy

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.

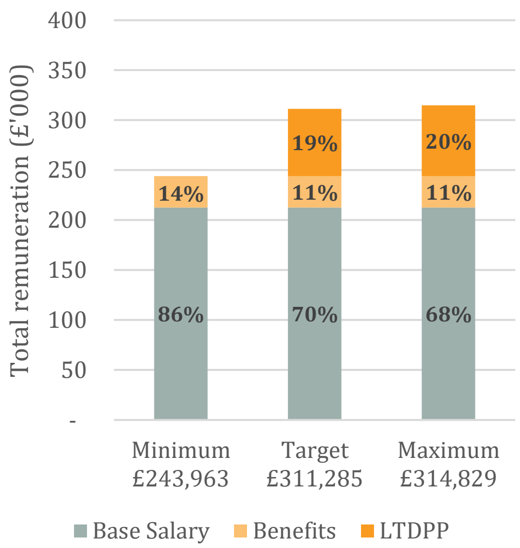
Executive Director scenario charts for total remuneration

The charts below provide an indication of the level of remuneration that would be received by Executive Directors in the 2018 year under the current remuneration policy in three scenarios.

Chief Executive



Chief Financial Officer



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 £276,530 for 2018 (2017: £268,475 annual equivalent). 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 3 months' notice. Clive MacTavish will receive a salary of £212,580 for 2018 (2017: £184,275, prior to the APPP plan being rolled into salary and £206,388 thereafter). 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		
Wim Borgdorff	1 September 2014	3
Valentine Chitalu	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 & 7 September 2015.

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 organisation. 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 the Department for International Development (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 and Fernlea Consulting Limited. The Chief Financial Officer currently holds no such 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:

	Fee 2017 £	Fee 2016 £
Graham Wrigley	35,000	35,000
Wim Borgdorff	28,000	28,000
Valentine Chitalu	28,000	30,000
Sam Fankhauser	28,000	28,000
Michele Giddens	25,500	28,000
Ian Goldin (to 29 July 2016)	-	16,333
Keki Mistry	22,000	22,000
Laurie Spengler (from 28 July 2016)	24,500	9,336

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 (so effective August 2017).

2017 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)							
2017	184,146	–	–	19,558	24,272	227,976	268,475
2016	–	–	–	–	–	–	–
Diana Noble (to 18 June 2017)							
2017	^ 142,498	5,155	–	15,762	*237,228	400,643	268,475
2016	265,815	2,810	–	34,184	–	302,809	265,815
Clive MacTavish							
2017	199,017	2,838	8,983	46,776	25,073	282,687	206,388
2016	182,450	2,981	26,683	–	22,410	234,524	182,450

^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.
*Diana Noble was entitled to a pension contribution of 22.5% of base salary and in 2017 accrued an entitlement of £29,904. Following an amendment to CDC's Remuneration Framework Ms Noble elected to receive cash in lieu of this pension contribution equivalent to its value less employer's NI contributions (13.8%) 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.

Report of the People Development and Remuneration Committee *– continued*

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.

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+
% 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% for each full month between 1 January and the date of joining.

The maximum amounts for Directors in 2017 were therefore calculated as:

	Nick O'Donohoe	Clive MacTavish
Employment start date	24 April 2017	7 September 2015
% of base salary	10.0%	30.0%
Adjustment for no. of full months not employed	(2.5%)	(6.7%)
Maximum Amount	7.5%	23.3%

Calculation of the 2017 Outcomes

	Development Potential Percentage (60%)	**Development Outcome Percentage (40%)**
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 2015-2017 = 3.01. The Board of CDC allocated 5.2% of the remaining 10% DPP based on their assessment of CDC's progress in developing and executing against the new Higher Risk Portfolio. Therefore, DPP for 2017 was equal to 95.2%.	Cumulative Investment Return 2012-2017: 10.6%.

2017 Summary

Weighting:	60.00%	40.00%
Achievement:	95.20%	100.00%
Outcome:	57.12%	40.00%
TOTAL:	**97.12%**	

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

As such, Executive Director Awards were calculated as:

	Nick O'Donohoe	Clive MacTavish
Base salary at 31 December 2017	£268,475	£206,388
Maximum Amount	7.50%	23.30%
Development Performance Percentage	97.12%	97.12%
LTDPP Award	£19,558	£46,776

Upon departure Diana Noble was eligible at the discretion of the Board for a payment of £15,762 under the Long-term Development Performance Plan which vested on 31 December 2017, pro-rated to reflect her period of actual service in the year. This award was capped to ensure that Ms Noble's total compensation from CDC in the calendar year January 2017 to December 2017 was below £150,000 (being £300,000 pro-rated for six months' service) in line with the Remuneration Framework.

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 has previously been made separately to the annual report but from this year it is 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 relatively consistent.

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	2017	2016	2017	2016
£350,001 - £400,000	-	-	3	-
£300,001 - £350,000	-	-	5	4
£250,001 - £300,000	2	-	12	5
£200,001 - £250,000	7	7	24	16
£150,001 - £200,000	24	8	27	16
£100,001 - £150,000	52	38	37	27
£50,001 - £100,000	83	61	64	52
£0 - £50,000	31	24	27	18
Grand Total	199	138	199	138

*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 2017 comprised Laurie Spengler (Chair from July 2017), Michele Giddens (Chair to July 2017), Wim Borgdorff and Graham Wigley. Further details can be found on page 14 of the Directors 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 33% in favour of men and an average pay gap of 29%. The report also sets out the scale of the challenge at CDC and sets forth the commitments we are making to close our pay gap and to improve gender diversity at CDC. Diversity is a key focus for PremCo will continue to form an important part of its agenda as we strive to build a more inclusive and dynamic organisation.

Statement of Directors' Responsibilities

In respect of the Annual Accounts, Directors' and Strategic Report, Report of the People Development and Remuneration Committee and Financial Statements

The Directors are responsible for preparing the Annual Accounts, Directors' and Strategic Report, Report of the People Development and Remuneration Committee 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; and
- asses 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.

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 2017 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 note 1 and 22.

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 2017 and of the Group's and the Parent Company's 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 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.

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.

Other information

The directors are responsible for the other information, which comprises the Directors' and Strategic Report, and the Report of the People Development and Remuneration Committee. 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 Directors' and Strategic Report and the Report of the People Development and Remuneration Committee 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 24, 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
23 April 2018

Consolidated Statement of Financial Position

As at 31 December

	Notes	**2017 £m**	2016 £m
Assets			
Non-current assets			
Equity investments	3	**3,596.5**	3,633.3
Loan investments	4	**294.3**	243.0
Plant and equipment	12	**4.2**	3.0
Forward foreign exchange contracts	7	**–**	1.4
Deferred tax asset		**0.1**	–
		3,895.1	3,880.7
Current assets			
Trade and other receivables	13	**73.4**	67.1
Note receivable	21	**696.0**	735.0
Forward foreign exchange contracts	7	**17.4**	5.2
Cash and cash equivalents	5	**402.8**	162.6
		1,189.6	969.9
Total assets		**5,084.7**	4,850.6
Equity and liabilities			
Attributable to the equity holders of the Company			
Issued capital	6	**1,836.0**	1,500.0
Retained earnings		**3,217.5**	3,290.3
Total equity		**5,053.5**	4,790.3
Non-current liabilities			
Forward foreign exchange contracts	7	**–**	0.8
Other payables	14	**–**	24.2
Net pension liability	15	**0.1**	–
		0.1	25.0
Current liabilities			
Trade and other payables	14	**28.2**	25.5
Forward foreign exchange contracts	7	**2.9**	9.8
		31.1	35.3
Total liabilities		**31.2**	60.3
Total equity and liabilities		**5,084.7**	4,850.6

Notes 1 to 23 form part of the financial statements.

The accounts were approved by the members of the Board on 23 April 2018 and were signed on their behalf by:

Graham Wrigley
Chairman

Nick O'Donohoe
Chief Executive

Consolidated Statement of Comprehensive Income

For the 12 months to 31 December

	Notes	**2017 Total £m**	2016 Total £m
Investment income	8	**53.7**	44.0
Fair value (losses)/gains	3	**(132.1)**	654.2
Other income	8	**47.0**	16.5
Administrative and other expenses	9	**(54.2)**	(54.8)
		(139.3)	615.9
(Loss)/profit from operations before tax and finance costs		**(85.6)**	659.9
Finance costs		**(0.1)**	(0.1)
Finance income		**1.8**	2.4
Net foreign exchange differences	10	**12.8**	(55.7)
(Loss)/profit from operations before tax		**(71.1)**	606.5
Income tax expense	11	**(1.2)**	(1.8)
(Loss)/profit for the year		**(72.3)**	604.7
Other comprehensive income			
Items that will never be reclassified to profit and loss:			
Recognised actuarial loss on pensions	15	**(0.5)**	(0.6)
		(0.5)	(0.6)
Total comprehensive (loss)/income for the year		**(72.8)**	604.1

Notes 1 to 23 form part of the financial statements.

Consolidated Statement of Cash Flows

For the 12 months to 31 December

	Notes	**2017 £m**	2016 £m
Cash flows from operating activities			
(Loss)/profit from operations before tax		**(71.1)**	606.5
Depreciation of plant and equipment	12	**0.6**	0.5
Finance income		**(1.8)**	(2.4)
Finance costs		**0.1**	0.1
Impairment of loan investments	4	**1.4**	3.7
Defined benefit pension costs	9	**0.4**	0.2
Change in value of equity investments	3	**132.1**	(654.2)
Exchange and other movements		**25.1**	(35.4)
Profit/(loss) from operations before changes in working capital		**86.8**	(81.0)
Increase in trade and other receivables		**(16.9)**	(10.9)
(Increase)/decrease in derivative financial instruments		**(18.5)**	1.8
(Decrease)/increase in trade and other payables		**(21.5)**	9.2
Cash flows from operations		**29.9**	(80.9)
Defined benefit pension contributions paid	15	**(0.8)**	(0.8)
Bank interest received		**1.8**	2.4
Taxes paid	11	**(1.3)**	(1.8)
Cash flows from operating activities		**29.6**	(81.1)
Cash flows from investing activities			
Proceeds from sale of equity investments	3	**386.4**	554.1
Acquisition of equity investments	3	**(483.9)**	(585.4)
Acquisition of plant and equipment	12	**(1.8)**	–
Loan advances	4	**(108.2)**	(116.4)
Loan repayments	4	**43.1**	17.1
Cash flows from investing activities		**(164.4)**	(130.6)
Cash flows from financing activities			
Proceeds from promissory notes		**375.0**	–
Cash flows from financing activities		**375.0**	–
Net increase/(decrease) in cash and cash equivalents		**240.2**	(211.7)
Cash and cash equivalents at 1 January		**162.6**	374.3
Cash and cash equivalents at 31 December	5	**402.8**	162.6

Notes 1 to 23 form part of the financial statements.

Consolidated Statement of Changes in Equity

	Share capital £m	Retained earnings £m	Total £m
At 1 January 2016	1,215.0	2,686.2	3,901.2
Changes in equity for 2016			
Recognised actuarial gain on pensions	–	(0.6)	(0.6)
Net charge recognised directly in equity	–	(0.6)	(0.6)
Profit for the year	–	604.7	604.7
Total comprehensive income for the year	–	604.1	604.1
Issue of ordinary shares	285.0	–	285.0
At 31 December 2016	1,500.0	3,290.3	4,790.3
Changes in equity for 2017			
Recognised actuarial loss on pensions	**–**	**(0.5)**	**(0.5)**
Net income 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**

Company Statement of Changes in Equity

	Share capital £m	Retained earnings £m	Total £m
At 1 January 2016	1,215.0	2,686.2	3,901.2
Changes in equity for 2016			
Recognised actuarial gain on pensions	–	(0.6)	(0.6)
Net charge recognised directly in equity	–	(0.6)	(0.6)
Profit for the year	–	604.7	604.7
Total comprehensive income for the year	–	604.1	604.1
Issue of ordinary shares	285.0	–	285.0
At 31 December 2016	1,500.0	3,290.3	4,790.3
Changes in equity for 2017			
Recognised actuarial loss on pensions	**–**	**(0.5)**	**(0.5)**
Net income 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**

Company Statement of Financial Position

As at 31 December

	Notes	2017 £m	2016 £m
Assets			
Non-current assets			
Equity investments	3	**3,598.5**	3,634.3
Loan investments	4	**294.3**	243.0
Plant and equipment	12	**4.2**	3.0
Forward foreign exchange contracts	7	–	1.4
		3,897.0	3,881.7
Current assets			
Trade and other receivables	13	**73.0**	67.2
Note receivable	21	**696.0**	735.0
Forward foreign exchange contracts	7	**17.4**	5.2
Cash and cash equivalents	5	**401.3**	161.5
		1,187.7	968.9
Total assets		**5,084.7**	4,850.6
Equity and liabilities			
Issued capital	6	**1,836.0**	1,500.0
Retained earnings		**3,217.5**	3,290.3
Total equity		**5,053.5**	4,790.3
Non-current liabilities			
Forward foreign exchange contracts	7	–	0.8
Other payables	14	–	24.0
Net pension liability	15	**0.1**	–
		0.1	24.8
Current liabilities			
Trade and other payables	14	**28.2**	25.7
Forward foreign exchange contracts	7	**2.9**	9.8
		31.1	35.5
Total liabilities		**31.2**	60.3
Total equity and liabilities		**5,084.7**	4,850.6

Notes 1 to 23 form part of the financial statements.

The accounts were approved by the members of the Board on 23 April 2018 and were signed on their behalf by:

Graham Wrigley
Chairman

Nick O'Donohoe
Chief Executive

Company Statement of Comprehensive Income

For the 12 months to 31 December

	Notes	**2017 Total £m**	2016 Total £m
Investment income	8	**53.7**	44.0
Fair value (losses)/gains	3	**(131.8)**	654.7
Other income	8	**47.0**	16.6
Administrative and other expenses	9	**(55.0)**	(55.3)
		(139.8)	616.0
(Loss)/profit from operations before tax and finance costs		**(86.1)**	660.0
Finance costs		**(0.1)**	(0.1)
Finance income		**1.8**	2.4
Net foreign exchange differences	10	**12.9**	(55.8)
(Loss)/profit from operations before tax		**(71.5)**	606.5
Income tax expense	11	**(0.8)**	(1.8)
(Loss)/profit for the year		**(72.3)**	604.7
Other comprehensive income			
Items that will never be reclassified to profit and loss:			
Recognised actuarial loss on pensions	15	**(0.5)**	(0.6)
		(0.5)	(0.6)
Total comprehensive (loss)/income for the year		**(72.8)**	604.1

Notes 1 to 23 form part of the financial statements.

Company Statement of Cash Flows

For the 12 months to 31 December

	Notes	**2017 £m**	2016 £m
Cash flows from operating activities			
(Loss)/profit from operations before tax		**(71.5)**	606.5
Depreciation of plant and equipment	12	**0.6**	0.5
Finance income		**(1.8)**	(2.4)
Finance costs		**0.1**	0.1
Impairment of loan investments	4	**1.4**	3.7
Defined benefit pension costs	9	**0.4**	0.2
Change in value of equity investments	3	**131.8**	(654.7)
Exchange and other movements		**25.1**	(35.4)
Profit/(loss) from operations before changes in working capital		**86.1**	(81.5)
Increase in trade and other receivables		**(16.4)**	(11.0)
(Increase)/decrease in derivative financial instruments		**(18.5)**	1.8
(Decrease)/increase in trade and other payables		**(21.5)**	9.0
Cash flows from operations		**29.7**	(81.7)
Defined benefit pension contributions paid	15	**(0.8)**	(0.8)
Bank interest received		**1.8**	2.4
Taxes paid	11	**(0.8)**	(1.8)
Cash flows from operating activities		**29.9**	(81.9)
Cash flows from investing activities			
Proceeds from sale of equity investments	3	**386.4**	554.1
Acquisition of equity investments	3	**(484.6)**	(585.4)
Acquisition of plant and equipment	12	**(1.8)**	–
Loan advances	4	**(108.2)**	(116.4)
Loan repayments	4	**43.1**	17.1
Cash flows from investing activities		**(165.1)**	(130.6)
Cash flows from financing activities			
Proceeds from promissory notes		**375.0**	–
Cash flows from financing activities		**375.0**	–
Net increase/(decrease) in cash and cash equivalents		**239.8**	(212.5)
Cash and cash equivalents at 1 January		**161.5**	374.0
Cash and cash equivalents at 31 December	5	**401.3**	161.5

Notes 1 to 23 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 2017 were authorised for issue in accordance with a resolution of the Directors on 23 April 2018. 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 is disclosed in note 22.

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 is being treated prospectively and the long-term accrual balance of £8.9m (as shown in note 9 on page 41) has been released to the statement of comprehensive income in 2017. Further details of the LTDPP scheme can be found in the Report of the People Development and Remuneration Committee on pages 16 to 23.

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

Assessment as investment entity

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

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- 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, the Department for International Development ("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 fully commercial capital in time. Whilst CDC's mission statement does not explicitly state that CDC commits to investing for capital return and/or investment income, the nature of the investments made by CDC and its track record in recent years indicates that investments are being made on this basis. The core remit of all investments is that capital appreciation and investment income will be earned, alongside a sustainable return in the countries within which they are investing. Moreover, CDC currently invest in a range of large and mid-market Private Equity houses who are clearly focussed on such capital appreciation. These houses have a diverse range of investors including high net wealth individuals, financial institutions and other fund of fund investors, each of whom is investing for capital appreciation and investment income.

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

1. Corporate information and accounts preparation *(continued)*

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 2016). Whilst CDC has one investor, the nature of the investor, being the UK government, is such that it is in effect investing on behalf of the UK tax payer and therefore a link to multiple unrelated investors can be made.

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

Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries who provide services and are not themselves investment entities (non-investment subsidiaries), for the year ended 31 December 2017. 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

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

Foreign currency translation

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

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

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

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

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

A summary of other significant accounting policies can be found in note 22.

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; intermediated equity 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 believe that this information is the most relevant in evaluating the results of the respective segments.

	Debt 2017 £m	Equity 2017 £m	Intermediated equity 2017 £m	Forward foreign exchange contracts 2017 £m	Total 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**

	2016 £m	2016 £m	2016 £m	2016 £m	2016 £m
Segment portfolio return	66.5	281.1	414.6	(84.8)	677.4
Total segment operating profit/(loss)	66.5	281.1	414.6	(84.8)	677.4
Segment assets – Portfolio value	391.5	1,287.2	2,158.8	1.7	3,839.2

During the year there were no transactions between operating segments.

Portfolio return from one manager of the Group's intermediated equity segment represented approximately £56.8m of the Group's total portfolio loss. The intermediated equity segment portfolio return has been offset by a portfolio gain of approximately £20.8m from one other manager.

Portfolio return from two investments in the Group's equity segment individually represented portfolio losses of approximately £69.6m and £57.2m of the Group's total portfolio return. The Group's equity segment portfolio return has been offset by portfolio gains from three investments of approximately £60.1m, £27.7m and £22.8m.

2. Operating segments analysis *(continued)*

Reconciliation to Financial Performance Report

Within the management reports, the results of which are shown in the Financial Performance Report on pages 3 to 9, 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 Higher Risk 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 2017 – 2021 Strategic Framework effectively. These investments and the associated grant and operating costs were not included in CDC's management reports prior to the transfer date.

Statement of comprehensive income

			Reconciling items		
	Notes	Primary statements 2017 £m	Reclassify portfolio items 2017 £m	Other items and reclassifications 2017 £m	Management reports 2017 £m
Portfolio return	3, 4 & 8*	**(105.0)**	**76.6**	**–**	**(28.4)**
Administrative expenses/operating costs	9	**(51.7)**	**–**	**(7.4)**	**(59.1)**
Other net income		**82.2**	**(76.6)**	**9.1**	**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)**
		2016 £m	2016 £m	2016 £m	2016 £m
Portfolio return	3, 4 & 8*	729.8	(52.4)	–	677.4
Administrative expenses/operating costs	9	(50.5)	–	2.6	(47.9)
Other net expense		(77.5)	52.4	(0.3)	(25.4)
Finance costs		(0.1)	–	0.1	–
Finance income		2.4	–	(2.4)	–
Total comprehensive income/total return after tax		604.1	–	–	604.1

* 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

			Reconciling items		
	Notes	Primary statements 2017 £m	Reclassify portfolio items 2017 £m	Other items and reclassifications 2017 £m	Management reports 2017 £m
Portfolio value	3, 4 & 13*	**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**
		2016 £m	2016 £m	2016 £m	2016 £m
Portfolio value	3, 4 & 13*	3,921.3	1.7	(83.8)	3,839.2
Net cash and short term deposits	5	162.6	–	57.5	220.1
Other net assets/(liabilities)		706.4	(1.7)	26.3	731.0
Total net assets attributable to equity holders of the Company		4,790.3	–	–	4,790.3

* 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 13.

Statement of cash flows

	Reconciling items			
	Primary statements 2017 £m	Reclassify portfolio items 2017 £m	Other items and reclassifications 2017 £m	Management reports 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)**	**(409.9)**	**(77.8)**
Net increase/(decrease) in cash & cash equivalents	**240.2**	**–**	**(421.8)**	**(181.6)**

	2016 £m	2016 £m	2016 £m	2016 £m
Portfolio drawdowns	(701.8)	–	(57.7)	(759.5)
Portfolio receipts	571.1	53.0	55.0	679.1
Net investment flows	(130.7)	53.0	(2.7)	(80.4)
Other cash flows	(81.0)	(53.0)	(3.3)	(137.3)
Net decrease in cash & cash equivalents	(211.7)	–	(6.0)	(217.7)

Geographic information

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

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

	2016 £m	2016 £m	2016 £m	2016 £m	2016 £m
Segment portfolio return	203.5	122.5	366.2	37.6	729.8

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

3. Equity investments

	Group					
	2017 Listed Shares £m	**2017 Unlisted Shares £m**	**2017 Total £m**	2016 Listed Shares £m	2016 Unlisted Shares £m	2016 Total £m
At 1 January, at fair value	**409.8**	**3,223.5**	**3,633.3**	122.9	2,808.4	2,931.3
Additions	**76.2**	**407.7**	**483.9**	38.2	547.2	585.4
Disposals	**(37.5)**	**(348.9)**	**(386.4)**	–	(554.1)	(554.1)
Transfers	**–**	**(2.2)**	**(2.2)**	105.9	(89.4)	16.5
(Decrease)/increase in fair value for the year	**(44.9)**	**(87.2)**	**(132.1)**	142.8	511.4	654.2
At 31 December, at fair value	**403.6**	**3,192.9**	**3,596.5**	409.8	3,223.5	3,633.3

	Company							
	2017 Listed Shares £m	**2017 Unlisted Shares £m**	**2017 Shares held in Group Companies £m**	**2017 Total £m**	2016 Listed Shares £m	2016 Unlisted Shares £m	2016 Shares held in Group Companies £m	2016 Total £m
At 1 January, at fair value	**409.8**	**3,223.5**	**1.0**	**3,634.3**	122.9	2,808.4	0.5	2,931.8
Additions	**76.2**	**407.7**	**0.7**	**484.6**	38.2	547.2	–	585.4
Disposals	**(37.5)**	**(348.9)**	**–**	**(386.4)**	–	(554.1)	–	(554.1)
Transfers	**–**	**(2.2)**	**–**	**(2.2)**	105.9	(89.4)	–	16.5
(Decrease)/increase in fair value for the year	**(44.9)**	**(87.2)**	**0.3**	**(131.8)**	142.8	511.4	0.5	654.7
At 31 December, at fair value	**403.6**	**3,192.9**	**2.0**	**3,598.5**	409.8	3,223.5	1.0	3,634.3

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 22. The current value of such investments is £51.3m (2016: £100.8m) and they are included within Level 3. 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 3 to Level 1 reflects the listing of investments on a public exchange which is considered to be an active market. There have been no transfers from Level 1 (listed shares) to Level 3 (unlisted shares) during the year. The transfers out of and into Level 3 reflect the conversion between loan investments (note 4) and equity investments.

The different levels have been defined as follows:

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

The Group's fair value methodology for equity investments is disclosed note in 22.

Under Level 3, if the net asset values of the intermediated equity investments change by 10% (the net asset value being the key unobservable input) then the market value would change by £319.3m (2016: £322.4m).

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 £1,495.1m (2016: £1,571.0m). The Group earned investment income of £4.1m (2016: £5.4m) and generated fair value losses of £29.4m (2016: gains of £278.8m) from these entities during the year.

4. Loan investments

	Group and Company	
	2017 £m	2016 £m
At 1 January	**287.2**	172.8
Loan advances	**108.2**	116.4
Loan repayments	**(43.1)**	(17.1)
Transfers	**2.2**	(16.5)
Provision charge for the year	**(1.4)**	(3.7)
Exchange adjustment	**(25.2)**	35.3
At 31 December	**327.9**	287.2
Less: Loan investments due within one year (note 13)	**(33.6)**	(44.2)
At 31 December	**294.3**	243.0

5. Cash and cash equivalents

	Group		Company	
	2017 £m	2016 £m	2017 £m	2016 £m
Cash at bank and in hand	**19.9**	73.1	**18.5**	72.1
Short-term deposits receivable within 90 days	**382.9**	89.5	**382.8**	89.4
Total cash and cash equivalents	**402.8**	162.6	**401.3**	161.5

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 £402.8m (2016: £162.6m).

6. Issued capital

	2017 Number	2017 £m	2016 Number	2016 £m
Allotted, called up and fully paid				
At 1 January, Ordinary shares of £1 each	**1,500,000,000**	**1,500.0**	1,215,036,043	1,215.0
Issued, Ordinary shares of £1 each	**336,000,000**	**336.0**	284,963,957	285.0
At 31 December, Ordinary shares of £1 each	**1,836,000,000**	**1,836.0**	1,500,000,000	1,500.0

Ordinary shares

During the year ended 31 December 2017, the Company issued 336,000,000 ordinary shares (2016: 284,963,957 ordinary shares) to a related party, see note 21 for further details.

The number of ordinary shares reserved for issue under a subscription agreement is nil shares (2016: 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 ('FFECs')

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

	Group and Company	
	2017 £m	2016 £m
Gross foreign exchange contracts in profit	**17.4**	6.6
Gross foreign exchange contracts in loss	**(2.9)**	(10.6)
Net total	**14.5**	(4.0)

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

	Group and Company	
	2017 £m	2016 £m
Non-current assets	**–**	1.4
Current assets	**17.4**	5.2
Non-current liabilities	**–**	(0.8)
Current liabilities	**(2.9)**	(9.8)
Total	**14.5**	(4.0)

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

Contracts not designated for hedge accounting

At 31 December 2017, the Group held 60 FFECs (2016: 61 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	**2017 Foreign currency in millions**	**2017 Average spot price**	**2017 £m**	2016 Foreign currency in millions	2016 Average spot price	2016 £m
US dollar	**727.9**	**1.3231**	**550.1**	615.5	1.2507	492.1
South African rand	**3.0**	**18.1775**	**0.2**	5.8	17.4610	0.3
Euro	**39.1**	**1.1288**	**34.6**	32.5	1.1422	28.5
Indian rupee	**11,136.9**	**87.2728**	**127.6**	14,440.2	87.8742	164.3

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

Foreign currency	**2017 Foreign currency in millions**	**2017 Average spot price**	**2017 US$m**	2016 Foreign currency in millions	2016 Average spot price	2016 US$m
Indian rupee	**16,146.0**	**63.7623**	**253.2**	18,232.0	65.1849	279.7

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

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments in managing the risks of the Group can be found in the Financial Performance review on page 3 to 9.

8. Income

	Group		Company	
	2017 Total £m	2016 Total £m	**2017 Total £m**	2016 Total £m
Investment income				
Interest income	**38.1**	25.1	**38.1**	25.1
Loan and guarantee fee income	**4.5**	1.5	**4.5**	1.5
Dividend income	**11.1**	17.4	**11.1**	17.4
Total investment income	**53.7**	44.0	**53.7**	44.0
Other income				
Management fee income	**11.0**	10.0	**11.0**	10.0
Other operating income^	**36.0**	6.5	**36.0**	6.6
Total other income	**47.0**	16.5	**47.0**	16.6

^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	
	2017 Total £m	2016 Total £m	**2017 Total £m**	2016 Total £m
Wages and salaries	**(23.8)**	(18.3)	**(21.4)**	(17.2)
Social security costs	**(3.4)**	(2.7)	**(3.4)**	(2.7)
Pension costs – defined benefit	**(0.4)**	(0.2)	**(0.4)**	(0.2)
Pension costs – defined contribution	**(2.1)**	(1.5)	**(1.9)**	(1.4)
Long-term Development Performance Plan (LTDPP) accrual	**(4.7)**	(3.6)	**(4.2)**	(3.4)
Release of prior years' LTDPP accrual*	**8.9**	–	**8.8**	–
Total employee benefits expense	**(25.5)**	(26.3)	**(22.5)**	(24.9)
Professional services	**(3.3)**	(3.4)	**(3.3)**	(3.3)
Auditor remuneration (see below)	**(0.8)**	(0.7)	**(0.7)**	(0.7)
Operating leases expense	**(2.5)**	(2.0)	**(2.5)**	(2.0)
Other administrative expenses	**(19.6)**	(18.1)	**(23.4)**	(20.1)
Total administrative expenses	**(51.7)**	(50.5)	**(52.4)**	(51.0)
Depreciation of plant and equipment	**(0.6)**	(0.5)	**(0.6)**	(0.5)
Other expenses	**(1.9)**	(3.8)	**(2.0)**	(3.8)
Total administrative and other expenses	**(54.2)**	(54.8)	**(55.0)**	(55.3)

*Refer to Note 1 for further details.

The average monthly number of Group employees during the year was 245 (2016: 197).

The aggregate of Directors' remuneration in 2017 was £1.1m (2016: £0.7m). Refer to pages 21 to 23 for the Annual Report on Remuneration which gives more details on remuneration and Long-term Development Performance Plan.

	Group		Company	
	2017 Total £m	2016 Total £m	**2017 Total £m**	2016 Total £m
Audit of the financial statements	**(0.4)**	(0.3)	**(0.3)**	(0.3)
Other services	**(0.4)**	(0.4)	**(0.4)**	(0.4)
Total auditor remuneration	**(0.8)**	(0.7)	**(0.7)**	(0.7)

Notes to the Accounts
– continued

10. Net foreign exchange differences

	Group		Company	
	2017 Total £m	2016 Total £m	**2017 Total £m**	2016 Total £m
Exchange (losses)/gains arising on loan investments	**(25.2)**	35.3	**(25.2)**	35.3
Exchange gains/(losses) arising on forward foreign exchange contracts	**57.9**	(163.4)	**57.9**	(163.4)
Exchange (losses)/gains arising on cash and cash equivalents	**(19.9)**	72.4	**(19.8)**	72.3
Total net foreign exchange differences	**12.8**	(55.7)	**12.9**	(55.8)

11. Income Tax

	Group		Company	
	2017 Total £m	2016 Total £m	**2017 Total £m**	2016 Total £m
Current tax				
Withholding tax expense	**0.8**	1.8	**0.8**	1.8
Current UK tax charge	**0.1**	–	**–**	–
Current overseas tax charge	**0.4**	–	**–**	–
Total current tax	**1.3**	1.8	**0.8**	1.8
Foreign deferred tax				
Attributable to timing difference arising in the current year	**(0.1)**	–	**–**	–
Total income tax expense	**1.2**	1.8	**0.8**	1.8

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

	Group		Company	
	2017 %	2016 %	**2017 %**	2016 %
UK Corporation tax rate	**20.0**	20.0	**20.0**	20.0
Effect of overseas taxation	**(0.2)**	–	**0.3**	–
Effect of UK tax exemption	**(21.5)**	(19.7)	**(21.4)**	(19.7)
Effective tax rate for the year	**(1.7)**	0.3	**(1.1)**	0.3

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 £nil in 2017 (2016: £118.9m). The exemption does not apply to both the Company in jurisdictions outside the UK and the Company's subsidiaries which pay tax in the jurisdictions where they operate.

12. Plant and equipment

	Group and Company	
	2017 £m	2016 £m
At 1 January	**3.0**	3.5
Additions	**1.8**	–
Depreciation charge for the year	**(0.6)**	(0.5)
At 31 December	**4.2**	3.0

13. Trade and other receivables

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Loan investments due from third parties (note 4)	**33.6**	44.2	**33.6**	44.2
Guarantees	**3.9**	0.8	**3.9**	0.8
Amounts owed by investment entities	**14.4**	6.6	**14.4**	6.6
Amounts owed by non-investment subsidiaries	**–**	–	**–**	0.4
Prepayments	**1.6**	1.2	**1.5**	1.0
VAT recoverable	**0.8**	0.7	**0.8**	0.7
Other receivables	**19.1**	13.6	**18.8**	13.5
Total trade and other receivables	**73.4**	67.1	**73.0**	67.2

14. Trade and other payables (current and non-current)

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Trade payables	**0.5**	0.4	**0.5**	0.4
Amounts owed to investment entities	**17.8**	17.7	**17.8**	17.7
Amounts owed to non-investment subsidiaries	**–**	–	**0.7**	0.4
Other taxes and social security	**–**	0.1	**–**	–
LTDPP accrual	**5.3**	2.6	**4.8**	2.6
Other accruals and deferred income	**4.6**	4.7	**4.4**	4.6
Total trade and other payables (current)	**28.2**	25.5	**28.2**	25.7
Payable to DFID	**–**	15.5	**–**	15.5
LTDPP accrual	**–**	8.7	**–**	8.5
Total other payables (non-current)	**–**	24.2	**–**	24.0

15. Pension commitments

The Company and Group operate one funded pension scheme in the UK called the CDC Pensions Scheme. This provides benefits on a defined benefit basis for staff who entered service prior to 1 April 2000. Subsequent entrants are eligible for membership of a separate defined contribution scheme. The 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%, scheme liabilities would increase by 5.0% but this would be largely offset by an increase in scheme assets of 4.9%. Similarly, if life expectancy at age 60 was to increase by one year, scheme liabilities would increase by 3.5% but assets would increase by slightly less than 3.4%. The 31 March 2015 actuarial valuation showed that after the buy-in, Technical Provisions were £13.2m and the scheme assets were £13.0m, giving a funding deficit of £0.2m. The agreed contributions payable by the Company from 2017 are £0.8m per year, such contributions being expected to be sufficient to remove the deficit by 31 March 2018, as well as covering the cost of benefit accrual for the one remaining active member. 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 20 years.

Main assumptions:	**2017 %**	2016 %
Discount rate	**2.4**	2.6
Inflation assumption	**3.5**	3.6
Pre 1 May 1996 joiners (for pensions accrued before 1 April 2000) increases	**5.0**	5.0
Pre 1 May 1996 joiners (for pensions accrued after 31 March 2000) increases and post 30 April 1996 joiners	**3.5**	3.6
Rate of increase for deferred pensions	**3.5**	3.6

Life expectancy of a pensioner reaching age 60	Male	Female
In 2017	30.4	31.6
In 2016	30.2	31.5
In 2027	31.7	32.9
In 2026	31.6	32.8

Assets and liabilities of the scheme at 31 December	**2017 £m**	2016 £m
Buy-in contract with Rothesay Life	**462.5**	453.9
Net current assets	**13.1**	12.9
Fair value of assets	**475.6**	466.8
Defined benefit obligation	**(470.0)**	(461.1)
Surplus	**5.6**	5.7
Restriction due to asset ceiling	**(5.7)**	(5.7)
Net pension liability	**(0.1)**	–

Reconciliation of the asset/(liability):	**Defined benefit obligation £m**	**Fair value of assets £m**	**Asset ceiling £m**	**Asset/ (liability) £m**
At 31 December 2016	(461.1)	466.8	(5.7)	–
Administration costs incurred during the year	**–**	**(0.4)**	**–**	**(0.4)**
Interest cost	**(11.8)**	**11.9**	**(0.1)**	**–**
Past service cost – plan amendments	**–**	**–**	**–**	**–**
Cost recognised in administrative expenses	**(11.8)**	**11.5**	**(0.1)**	**(0.4)**
Actuarial loss due to liability experience	**(0.4)**	**–**	**–**	**(0.4)**
Actuarial loss due to liability assumptions	**(15.1)**	**–**	**–**	**(15.1)**
Actuarial gain on assets	**–**	**14.9**	**–**	**14.9**
Change in effect of asset ceiling	**–**	**–**	**0.1**	**0.1**
Remeasurement effects recognised in the Group's statement of comprehensive income	**(15.5)**	**14.9**	**0.1**	**(0.5)**
Employer contributions to the CDC Pensions Scheme	**–**	**0.8**	**–**	**0.8**
Benefits paid (including administration costs)	**18.4**	**(18.4)**	**–**	**–**
Cashflows	**18.4**	**(17.6)**	**–**	**0.8**
At 31 December 2017	**(470.0)**	**475.6**	**(5.7)**	**(0.1)**

16. Financial instruments

The Group's principal financial assets (as defined in IFRS 7) comprise cash, short-term deposits, amounts receivable under finance leases, foreign exchange contracts, trade receivables, 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							
2017	**–**	**18.5**	**1.4**	**19.9**	**–**	**–**	*****
2016	–	42.2	30.9	73.1	–	–	*
Financial assets: Short-term deposits receivable within 90 days							
2017	**382.9**	**–**	**–**	**382.9**	**0.9%**	**1.0**	**–**
2016	89.5	–	–	89.5	0.8%	1.0	–
Financial assets: Loan investments							
2017	**68.2**	**259.7**	**–**	**327.9**	**10.1%**	**7.4**	**–**
2016	22.2	265.0	–	287.2	12.6%	6.1	–

* 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							
2017	**–**	**17.1**	**1.4**	**18.5**	**–**	**–**	*****
2016	–	41.3	30.8	72.1	–	–	*
Financial assets: Short term deposits receivable within 90 days							
2017	**382.8**	**–**	**–**	**382.8**	**0.9%**	**1.0**	**–**
2016	89.4	–	–	89.4	0.8%	1.0	–
Financial assets: Loan investments							
2017	**68.2**	**259.7**	**–**	**327.9**	**10.1%**	**7.4**	**–**
2016	22.2	265.0	–	287.2	12.6%	6.1	–

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

16. Financial instruments *(continued)*

Currency exposures – Group

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

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

Functional currency	2017 US dollars £m	2017 Other £m	2017 Total £m	2016 US dollars £m	2016 Other £m	2016 Total £m
Sterling	140.0	2.1	142.1	149.4	6.5	155.9
Total	140.0	2.1	142.1	149.4	6.5	155.9

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

Functional currency	2017 Listed equity at valuation £m	2017 Unlisted equity at valuation £m	2017 Total £m	2016 Listed equity at valuation £m	2016 Unlisted equity at valuation £m	2016 Total £m
US dollar	38.2	2,693.8	2,732.0	29.8	2,856.8	2,886.6
Indian rupee	263.7	271.2	534.9	199.9	183.3	383.2
Pakistani rupee	82.2	–	82.2	155.5	–	155.5
Euro	–	166.4	166.4	–	121.2	121.2
Chinese yuan	–	34.2	34.2	–	34.4	34.4
Sterling	–	22.3	22.3	–	24.4	24.4
Ugandan shilling	10.3	–	10.3	12.9	–	12.9
South African rand	5.7	1.1	6.8	5.5	2.1	7.6
Tanzanian shilling	3.5	–	3.5	6.2	–	6.2
Other	–	3.9	3.9	–	1.3	1.3
Total	403.6	3,192.9	3,596.5	409.8	3,223.5	3,633.3

Currency exposures – Company

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

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

Functional currency	**2017 US dollars £m**	**2017 Other £m**	**2017 Total £m**	2016 US dollars £m	2016 Other £m	2016 Total £m
Sterling	**140.0**	**1.6**	**141.6**	149.1	6.1	155.2
Total	**140.0**	**1.6**	**141.6**	149.1	6.1	155.2

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

Functional currency	**2017 Listed equity at valuation £m**	**2017 Unlisted equity at valuation £m**	**2017 Total £m**	2016 Listed equity at valuation £m	2016 Unlisted equity at valuation £m	2016 Total £m
US dollar	**38.2**	**2,693.8**	**2,732.0**	29.8	2,856.8	2,886.6
Indian rupee	**263.7**	**272.0**	**535.7**	199.9	184.0	383.9
Pakistani rupee	**82.2**	**–**	**82.2**	155.5	–	155.5
Euro	**–**	**166.4**	**166.4**	–	121.2	121.2
Chinese yuan	**–**	**34.2**	**34.2**	–	34.4	34.4
Sterling	**–**	**23.5**	**23.5**	–	24.7	24.7
Ugandan shilling	**10.3**	**–**	**10.3**	12.9	–	12.9
South African rand	**5.7**	**1.1**	**6.8**	5.5	2.1	7.6
Tanzanian shilling	**3.5**	**–**	**3.5**	6.2	–	6.2
Other	**–**	**3.9**	**3.9**	–	1.3	1.3
Total	**403.6**	**3,194.9**	**3,598.5**	409.8	3,224.5	3,634.3

16. Financial instruments *(continued)*

Liquidity risk – Group

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

2017 Financial assets: Maturity profile	Short-term deposits £m	Loan investments £m	Forward foreign exchange contracts £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

2016 Financial assets: Maturity profile	Short-term deposits £m	Loan investments £m	Forward foreign exchange contracts £m
Due within one year, but not on demand	89.5	44.2	5.2
Due within one to two years	–	39.1	1.4
Due within two to three years	–	40.2	–
Due within three to four years	–	40.3	–
Due within four to five years	–	35.7	–
Due after five years	–	87.7	–
Total	89.5	287.2	6.6

2017 Financial liabilities: Maturity profile	Forward foreign exchange contracts £m
Due within one year, but not on demand	2.9
Due within one to two years	–
Total	2.9

2016 Financial liabilities: Maturity profile	Forward foreign exchange contracts £m
Due within one year, but not on demand	9.8
Due within one to two years	0.8
Total	10.6

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:

2017 Financial assets: Maturity profile	Short-term deposits £m	Loan investments £m	Forward foreign exchange contracts £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**

2016 Financial assets: Maturity profile	Short-term deposits £m	Loan investments £m	Forward foreign exchange contracts £m
Due within one year, but not on demand	89.4	44.2	5.2
Due within one to two years	–	39.1	1.4
Due within two to three years	–	40.2	–
Due within three to four years	–	40.3	–
Due within four to five years	–	35.7	–
Due after five years	–	87.7	–
Total	89.4	287.2	6.6

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

2016 Financial liabilities: Maturity profile	Forward foreign exchange contracts £m
Due within one year, but not on demand	9.8
Due within one to two years	0.8
Total	10.6

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.

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

Liquidity risk
The Group's and Company's policy on liquidity risk is to ensure that they always have sufficient funding to meet all short to medium-term funding requirements. CDC targets having cash availability in excess of 80% of aggregate undrawn contractual investment commitments as well as a cash balance within CDC's desired range of 0% to 10% of its net asset value in cash. The Group's cash balance at 31 December 2017 was £402.8m (2016: £162.6m) and its capital commitments including long-term commitments were £1,979.8m (2016: £1,839.3m).

	Group		Company	
Analysis of total cash balance	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Cash at bank and in hand	**19.9**	73.1	**18.5**	72.1
Short-term deposits receivable within 90 days	**382.9**	89.5	**382.8**	89.4
Total	**402.8**	162.6	**401.3**	161.5

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

Investment commitments: maturity profile
Intermediated equity 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:

	2017 £m	2016 £m
2009 and prior	**243.7**	279.6
2010	**45.0**	52.9
2011	**43.8**	76.9
2012	**64.3**	70.1
2013	**186.4**	264.6
2014	**104.6**	133.0
2015	**213.5**	269.4
2016	**484.0**	692.8
2017	**594.5**	–
Total	**1,979.8**	1,839.3

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	
		2017	2016	**2017**	2016
	Notes	**£m**	£m	**£m**	£m
Equity investments	3	**3,596.5**	3,633.3	**3,598.5**	3,634.3
Loan investments	4	**327.9**	287.2	**327.9**	287.2
Forward foreign exchange contracts in profit	7	**17.4**	6.6	**17.4**	6.6
Trade and other receivables (excluding loans)	13	**39.8**	22.9	**39.4**	23.0
Notes receivable	21	**696.0**	735.0	**696.0**	735.0
Short-term deposits	5	**382.9**	89.5	**382.8**	89.4
Cash and cash equivalents	5	**19.9**	73.1	**18.5**	72.1
Total		**5,080.4**	4,847.6	**5,080.5**	4,847.6

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

	Group and Company	
	2017	2016
	£m	£m
Not past due	**327.9**	287.2
Past due	**–**	–
Total	**327.9**	287.2

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

	Group and Company	
	2017	2016
	£m	£m
Balance at 1 January	**4.1**	0.4
Impairment loss recognised	**1.4**	3.7
Balance at 31 December	**5.5**	4.1

The ageing of loan investments impaired during the year was:

	Group and Company	
	2017	2016
	£m	£m
Not past due	**5.5**	4.1
Total	**5.5**	4.1

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

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

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

17. Financial risk management (*continued)*

Market risk

Interest rate risk

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

As at 31 December 2017, the average interest rate earned on the Group's and Company's bank deposit was 0.9% (2016: 0.8%). A 1.0% (2016: 2.0%) change in all interest rates, with all other variables held constant, would have a 0.4%, £0.3m impact on the Group's loss before tax (2016: 0.1%, £0.1m 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 2017, £2,732.0m, 76.0% of the investments of the Group and Company, are denominated in US dollars (2016: £2,886.6m, 79.4%). 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 14 cent, 10% movement in the average exchange rate for the US dollar against Sterling with all other variables held constant would impact loss by £243.7m (2016: 12 cent (10%) movement, impact profit by £265.3m).

Equity price risk

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

As at the 31 December 2017, the Group and Company had an investment in an investment entity with a value of £1,020.3m which represented 28.4% of the Group's equity investments (2016: £1,108.7m, 30.5%).

A 10% change in the fair value of the Group's equity investments would impact the Group's profit by £359.7m (2016: 10% change, impact £363.3m).

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 2016). 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 22 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.

18. Capital commitments

Amounts contracted for but not provided for in the accounts amounted to £1,979.8m (2016: £1,839.3m) for investment commitments (see note 17 for further details).

19. Operating leases

Group and Company as lessee

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

	Group and Company	
	2017 £m	2016 £m
Within one year	**2.7**	2.2
After one year but not more than five years	**11.0**	8.7
More than five years	**11.1**	10.0
Total	**24.8**	20.9

20. Contingent liabilities

The Group and the Company had the following contingent liabilities as at the 31 December 2017:

- in respect of risk participation agreements with a value of £189.1m (2016: £104.7m); and
- in respect of undertakings to power distributors and governments in connection with the operation of power generating subsidiaries with a maximum legal liability of £8.5m (2016: £9.3m).

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

21. Related party transactions

Parent entity

During 2016 and 2017, 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 £336.0m in 2017 (2016: £285.0m).

During the year the Company received £375.0m from its parent entity in settlement of a portion of the promissory notes receivable.

As at 31 December 2017, the Company has promissory notes of £696.0m (2016: £735.0m promissory note receivable) 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:

	2017 £m	2016 £m
Statement of comprehensive income		
Interest income	**11.6**	6.2
Dividend income	**–**	2.3
Management fee income	**11.0**	10.0
Management fee expense	**(5.1)**	(2.3)
Interest payable	**(0.1)**	(0.1)
Statement of financial position		
Equity investments	**1,225.1**	1,311.1
Trade and other receivables	**14.4**	7.0
Trade and other payables	**(18.5)**	(17.7)

22. Summary of significant accounting policies

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

Non-current assets

Investments

The Group and Company classify their equity investments, including investments in investment entities 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; 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. 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; and
- in exceptional cases, where fair value cannot be reliably measured, the investment is valued at the previous carrying value unless there is evidence of value impairment, in which case value is reduced to reflect the extent of estimated impairment.

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

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

Loans and receivables

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

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 performance related compensation programme (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.

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.

22. Summary of significant accounting policies *(continued)*
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;
- IFRS 9: Financial Instruments;
- IFRIC 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

23. 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 Ltd *Level 4, Dynasty Business Park, Andheri-Kurla Road, Andheri (East), Mumbai 400059, Maharashtra, India*	Ordinary	100.0	Investment advisory
CDC Limited *123 Victoria Street, London, England, SW1E 6DE*	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	54.3	90.3
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	–	–
Ayana Renewables Power Private Limited *Prestige Blue Chip, Block 2, 9 Hosur Road, GF Near Dairy Circle, Opp. Christ C, India*	Ordinary	100.0	Operating company	INR	∞	∞
CDC Africa Cement Limited *1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL*	Ordinary	100.0	Investment holding	USD	(68.2)	(108.1)
CDC Africa Power Limited *c/o Abax Corporate Services Ltd, 6th Floor, Tower A1, Cybercity, Ebene, Mauritius*	Ordinary	100.0	Investment holding	USD	15.5	75.5
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 Capital Partners 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	(12.7)	34.1
CDC Financial Services (Mauritius) Limited ^ *Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius*	Ordinary	100.0	Investment holding	GBP	0.1	13.3
CDC Funds Management Limited ^ *123 Victoria Street, London, England, SW1E 6DE*	Ordinary	100.0	Dormant company	GBP	–	–
CDC Holdings Guernsey Limited ^ × *1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL*	Ordinary	100.0	Investment holding	USD	(1.8)	330.2
CDC India Opportunities Limited ^ *123 Victoria Street, London, England, SW1E 6DE*	Ordinary	100.0	Investment holding	USD	(5.7)	24.0
CDC Investment Holdings Limited ^ *Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius*	Ordinary	100.0	Investment holding	GBP	(0.1)	3.7
CDC Overseas Holdings Limited ^ *123 Victoria Street, London, England, SW1E 6DE*	Ordinary	100.0	Dormant company	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	0.2	0.2

Notes to the Accounts
– continued

23. 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 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	0.4	16.0
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	3.3	5.1
CFAM Limited ^ *123 Victoria Street, London, England, SW1E 6DE*	Ordinary	100.0	Operating company	USD	–	–
Feronia Inc.^ ° *181 Bay Street, Suite 1800, Toronto, Ontario, Canada M5J 2T9*	Ordinary	67.6	Operating company	GBP	(8.4)	27.5
Globeleq Limited *Second Floor, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 1WW*	Ordinary	70.0	Operating holding company	USD	–	0.5
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
Pan African Holdings Limited ^ *Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius*	Ordinary	100.0	Investment holding	GBP	–	3.2
Sinndar Holdings Limited *1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey, GY1 2HL*	Ordinary	100.0	Investment holding	USD	14.5	14.5

* - 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.
° - Principle place of business is the Democratic Republic of Congo. Profit/(loss) for the year and aggregate capital and reserves are based on the latest available published information dated 30 September 2017.
ˣ - CDC Holdings Guernsey Limited is the borrower of record for the committed standby US$1,200m 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 2017.

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% 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	3.4	23.4
Actis Africa Real Estate Fund LP *2 More London Riverside, London, SE1 2JT*	Partnership interest	100.0	USD	(2.5)	4.4
Actis Energy 3C Sub-Feeder LP *2 More London Riverside, London, SE1 2JT*	Partnership interest	100.0	USD	12.7	58.9
Advent Latin America Private Equity Fund IV LP *75 State Street, Boston, MA 02109*	Partnership interest	100.0	USD	1.8	7.4
TRG Africa Fund LP *94 Solaris Avenue, Camana Bay, P.O. Box 1348, Grand Cayman KY1-1108, Cayman Islands*	Partnership interest	100.0	USD	(1.8)	2.1
Pragati India Fund Limited *4th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius*	Ordinary shares	99.0	USD	(1.0)	16.4
Qiming Venture Partners II LP *PO Box 309GT, Ugland House, George Town, Grand Cayman, Cayman Islands*	Partnership interest	98.9	USD	42.8	185.8
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	–	–
Actis South Asia Fund 2 LP *2 More London Riverside, London, SE1 2JT*	Partnership interest	90.7	USD	–	0.3
Actis Infrastructure 2 LP *2 More London Riverside, London, SE1 2JT*	Partnership interest	83.8	USD	(7.6)	1.4
Actis Latin America 3 LP *2 More London Riverside, London, SE1 2JT*	Partnership interest	75.5	USD	1.7	38.0
Kotak India Private Equity Fund III *10th Floor, Raffles Tower, 19 Cybercity, Ebene, Mauritius*	Ordinary shares	75.0	USD	3.8	24.0
Faering Capital Fund III *95, Maker Chambers III, Nariman Point, Mumbai 400 021*	Ordinary shares	75.8	USD	∞	∞
Actis ASEAN Fund LP *2 More London Riverside, London, SE1 2JT*	Partnership interest	69.2	USD	–	0.2
MicroVest GMG Local Credit Fund Limited *PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands*	Ordinary shares	58.7	USD	1.4	45.4
Aureos China Fund LLC *Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius*	Ordinary shares	54.8	USD	–	–
Aavishkaar Emerging India Fund *GFin Corporate Services Ltd, Level 6, GFin Tower, 42 Hotel Street, Cybercity, Ebène 72201, Mauritius*	Ordinary shares	54.5	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	(1.2)	22.8
Actis China 3 LP *2 More London Riverside, London, SE1 2JT*	Partnership interest	51.0	USD	(0.4)	10.4

23. 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
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 *P.O. 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, Republic of 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	^	^
APF-II India Holdings Private Limited *Unit 2, 4B, 4th Floor, Raffles Tower, 19 Cybercity, Ebene, Republic of Mauritius*	Ordinary shares	45.8	USD	^	^
Insitor Impact Asia Fund Private Limited *6 Temasek Boulevard, #09-05, Suntec Tower Four, Singapore 038986*	Partnership interest	45.3	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*	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	^	^
ShoreCap III *c/o SGG Fund Services (Mauritius) Ltd, 33 Edith Cavell Street, Port Louis, Mauritius*	Partnership interest	40.0	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	^	^
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	^	^

Company *Registered address*	Class of share	Percentage held by CDC	Currency	Profit/ (loss) for the year LCY'000	Aggregate capital and reserves LCY'000
VenturEast Proactive Fund II LLC *St Louis Business Centre, Cnr Desroches & St. Louis Streets, Port Louis, Republic of Mauritius*	Ordinary shares	44.4	USD	^	^
Actis Sunrise Development Limited *c/o International Management (Mauritius) Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius*	Ordinary shares	36.0	USD	^	^
GEF Africa Sustainable Forestry Fund LP *5471 Wisconsin Avenue, Suite 300, Chevy Chase, MD, 20815*	Partnership interest	35.6	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	^	^
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, Bengaluru 560103*	Partnership interest	32.1	USD	^	^
Rainbow Children's Medicare Private Limited *22, Road No 4, Banjara Hills, Hyderabad 500 034*	Ordinary shares and compulsory convertible preference shares	31.4	INR	^	^
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	^	^
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	^	^
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	^	^
Growth Catalyst Partners LLC *33 Edith Cavell Street, Port Louis, Mauritius*	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	^	^
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	^	^

Notes to the Accounts
– continued

23. 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
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	^	^
Abraaj Pakistan Fund I LP *Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman,* KY1-1104	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, Republic of 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*	Units	27.0	USD	^	^
Veritas Finance Private Limited *S15, 2nd Floor, Economist House, Thiru Vi Ka Industrial Estate, Guindy, Chennai 600032, Tamil Nadu, India*	Ordinary shares	26.9	INR	^	^
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	^	^
Aureos West Africa Fund LLC *Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius*	Ordinary shares	26.0	USD	^	^
Frontier Energy II Alpha K/S *c/o Bech-Bruun law firm, Lungelinie Alle 35, 2100 Copenhagen, Denmark*	Partnership interest	25.9	USD	^	^
Myanmar Opportunities Fund II *c/o P.O. Box 309, Ugland House, South Chruch Street George Town, Grand Cayman KY1-1104, Cayman Islands*	Partnership interest	25.4	USD	^	^
Aureos Southern Africa Fund LLC *Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius*	Ordinary shares	25.1	USD	^	^
Solon Capital Holdings *c/o Trident Trust Company (Mauritius) Limited, 5th Floor, Barkly Wharf, Le Caudan Waterfront, Port Louis, Mauritius*	Ordinary shares	25.1	USD	^	^
African Infrastructure Investment Fund III *Colinton House,1 Oakdale Road, Newlands, 7700, Cape Town, South Africa*	Partnership interest	25.0	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	^	^
Utkarsh Microfinance *S-2/639-56, Varuna Vihar Colony, J.P. Mehta Road, Cantt., Varanasi, 221002*	Ordinary shares & Compulsory Convertible Debentures	24.7	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
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	^	^
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	^	^
Catalyst Fund II LP *6th Floor, Tower A, 1 CyberCity, Ebene, Mauritius*	Partnership interest	23.3	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	^	^
Blue Sapphire Healthcares Private Limited *152, Mandakini Enclave, Alaknanda, Dehli - 110019, India*	Ordinary shares	21.0	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	20.1	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	^	^

* - 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% and undertaking's financial information is not published.
∞ - First relevant financial year falls after 31 December 2017.

CDC
Investment works

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