CDC Emerging Markets Limited
Annual report and Financial Statements
Year ended 31 December 2020

Company Number: 03830059

Contents

Directors' report

The Directors are pleased to present their report together with the audited financial statements of the Company for the period ended 31 December 2020.

Directors

Jane Earl	Appointed 19 June 2017
Colin Buckley	Appointed 10 September 2019
Carolyn Sims	Appointed 25 September 2020

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

Business and performance review
The Company recorded a net loss of US$4,133,443 for the year ended 31 December 2020 (2019: net gain of US$9,370,091). The net asset value of the Company was US$22,972,651 at 31 December 2020 (2019: US$27,106,094).

Financial statements
The Statement of Directors' Responsibilities is shown separately. Notes 15 and 16 to the financial statements include the Company's policies and processes for managing its financial risk, details of its financial instruments and hedging activities and its exposures to credit and liquidity risk. The Directors believe that the Company is well placed to manage its business risks successfully. The Company has taken advantage of section 414B of the Companies Act 2006 not to produce a strategic report on the grounds that it is a small company.

Principal risks
The Company invests in developing countries. The Company values its portfolio according to the valuation methodology described in note 18 to the accounts. Investments are valued at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

Valuation risks are mitigated by comprehensive reviews of the application of the valuation methodology. For further detail on other risks affecting the entity refer to note 16.

Going Concern
The Directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for at least the next 12 months. There is a loan agreement in place with its parent, CDC Group plc which is repayable on demand. CDC Group plc has issued a letter of support which confirms that CDC Group plc will only request repayment of the loan provided that the Company has sufficient liquid resources to do so. Further to this, the letter of support also confirms that CDC Group plc will cover any ongoing expenses incurred by the Company. Whilst the letter of support is not a legal contract, the Directors have reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

CDC Group plc has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through funding from CDC Group plc, to meet its liabilities as they fall due for that period. CDC Group plc has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. The Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

The coronavirus (COVID-19) pandemic continues to cause extensive disruptions to businesses and economic activities globally. While the impact of the pandemic is now known, uncertainties remain over the effectiveness and speed of the vaccination roll-out, which may continue to cause market volatility on a global scale. In assessing the going concern status for the company, the Directors have closely monitored the impact on the Company's portfolio throughout the year and has considered the cash flow forecasts of the ultimate parent company, CDC Group plc. Current forecasts demonstrate that the Group has sufficient liquid resources available for to maintain planned investment pace until the end of 2023 without needing to draw on the revolving credit facility.

The Directors have also considered the implication of Brexit and have concluded that the primary direct risk of the UK's exit from the EU is not material to the Company given its investment activities are primarily carried out outside of the EU. After taking the above into consideration, the Directors consider the Company has adequate resources to continue in operational existence for at least twelve months form the date of approval of the financial statements.

Subsequent events
There have been no material events since the reporting period that would require adjustment to these financial statements, refer to note 19 for detailed note.

Directors' report

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

Appointment of auditor
In accordance with Section 485 of the Companies Act 2006, a resolution proposing the continuing appointment of Deloitte LLP as the Company's auditor was passed by the members of the Company, following which, in accordance with Section 487, Deloitte will be deemed to be reappointed and will therefore continue in office for the following year.

Approved by the Board of Directors on 2 June 2021 and signed on behalf of the Board on 2 June 2021.

Matthew Purkis
Company Secretary

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- *make an assessment of the company's ability to continue as a going concern.*

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of CDC Emerging Markets Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of financial position;
- the statement of comprehensive expense;
- the statement of cash flows;
- the statement of changes in equity; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law, and IFRS as issued by the IASB.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The other information comprises the information included in the annual accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual accounts. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements
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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area and our specific procedures performed to address it are described below:

- Valuation of investments - with the assistance of our valuation specialists we have assessed significant unobservable inputs by challenging the management around the valuation's key inputs and assumptions, whilst performing selected retrospective analysis on forecasts to assess for management bias.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report;
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report
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.

Yasir Aziz ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
3 June 2021

Statement of Financial Position

At 31 December

	Notes	2020 US$	2019 US$
Assets			
Non-current assets			
Loan investments	2	**119,564,417**	124,264,546
		119,564,417	124,264,546
Current assets			
Cash and cash equivalents	3	**2,735,988**	9,238,836
Other receivables	7	**6,018,551**	4,021,740
		8,754,539	13,260,576
Total assets		**128,318,956**	137,525,122
Equity and liabilities			
Shareholders' equity			
Issued capital	4	**53,850,003**	53,850,003
Accumulated deficit		**(30,877,352)**	(26,743,909)
		22,972,651	27,106,094
Non-current liabilities			
Amounts due to parent company		**-**	-
		-	-
Current liabilities			
Taxation	9	**(81,969)**	-
Amounts due to parent company	12	**103,156,868**	109,668,684
Forward foreign exchange contracts	5	**2,235,330**	727,830
Other payables and provisions	13	**36,076**	22,514
		105,346,305	110,419,028
Total liabilities		**105,346,305**	110,419,028
Total equity and liabilities		**128,318,956**	137,525,122

The Company registration number is 03830059.

The accompanying notes form part of the financial statements.

The accounts were approved by the members of the Board on 2 June 2021 and were signed on their behalf by:

Carolyn Sims
Director

Statement of Comprehensive Expense

For the 12 months to 31 December

	Notes	2020 Total US$	2019 Total US$
Investment income	8	**15,527,903**	16,109,320
Fair value gains/(losses)	2	**1,577,729**	**14,128,400**
Administration fee	14	**(2,485,291)**	**(2,268,527)**
Administrative and other expenses	10	**(26,947)**	**(22,724)**
Income from operations before tax and finance costs		**14,593,934**	27,946,469
Finance Income		**94**	-
Finance costs	11	**(10,433,876)**	**(10,814,392)**
Net foreign exchange differences	6	**(7,582,343)**	**(6,931,950)**
(Expense)/income from operations before tax		**(3,422,731)**	**10,200,127**
Income tax expense	9	**(710,712)**	**(830,036)**
Total comprehensive (expense)/income for the year		**(4,133,443)**	**9,370,091**

All the above items are derived from continuing operations.

The Company has no items of other comprehensive income or expense for the current year or the previous year.

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

For the 12 months to 31 December

	Notes	2020 US$	2019 US$
Cash flows from operating activities			
(Loss)/Profit from operations before tax		**(3,422,731)**	10,200,127
Finance Income		**(94)**	-
Change in value of loan investments	2	**(1,577,729)**	(14,128,400)
Foreign exchange movements		**5,846,197**	3,222,901
Income/(expense) from operations before changes in working capital		**845,643**	(705,372)
Change in amounts due to parent company		**(6,203,788)**	12,025,172
Change in other receivables		**(1,996,811)**	(429,873)
Change in other payables		**13,562**	12,191
Change in derivative financial instruments		**1,507,500**	(8,879,926)
Cash flows from operations		**(5,833,894)**	2,022,192
Loan interest and commitment fees paid		**(10,741,903)**	(10,931,176)
Interest received		**94**	-
Taxes paid		**(792,681)**	(830,036)
Cash flows from operating activities		**(17,368,384)**	(9,739,020)
Cash flows from investing activities			
Loan repayments	2	**668,315**	-
Cash flows from investing activities		**668,315**	-
Cash flows from financing activities			
Finance costs		**10,433,876**	10,814,392
Cash flows from financing activities		**10,433,876**	10,814,392
Net change in cash and cash equivalents		**(6,266,193)**	1,075,372
Cash and cash equivalents at 1 January		**9,238,836**	8,096,767
Effect of exchange rate fluctuations on cash held		**(236,655)**	66,697
Cash and cash equivalents at 31 December		**2,735,988**	9,238,836

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

	Notes	Share capital US$	Accumulated deficit US$	Total US$
At 1 January 2019		53,850,003	(36,114,000)	(17,736,003)
Total comprehensive income for the year		-	9,370,091	9,370,091
At 31 December 2019		53,850,003	(26,743,909)	27,106,094
Changes in equity for 2020				
Total comprehensive expense for the year		-	**(4,133,443)**	**(4,133,443)**
At 31 December 2020		**53,850,003**	**(30,877,352)**	**(22,792,651)**

The accompanying notes form an integral part of these financial statements.

Notes to the Accounts

Continued

1. Corporate information and accounts preparation

Corporate information

The financial statements of CDC Emerging Markets Limited ("the Company") for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 2 June 2021. The Company is a limited company incorporated in England and Wales, limited by shares. It is a wholly owned subsidiary of CDC Group plc, a public limited company incorporated in England and Wales. CDC Group plc acts as the intermediate parent company of the Company and its financial statements are publicly available. The ultimate parent of the Company is the Secretary of State for Foreign, Commonwealth and Development Affairs with effect on 30 September 2020. Prior to this the ultimate parent was the Development for International Development (DFID) which merged with the Foreign, Commonwealth and Development office in September 2020.

The Company's registered office is located at 123 Victoria Street, London SW1E 6DE, England. The principal activity of the Company is that of an investment company.

Statement of compliance

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

Basis of preparation

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

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

The preparation of financial statements under IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised. The area on which the most significant estimates and judgements are made is on the fair value of equity investments. The Company's fair value methodology for equity investments is disclosed in note 18.

A summary of other significant accounting policies can be found in note 18.

Going Concern

The Directors have a reasonable expectation that the Company has adequate financial resources to continue in operational existence for at least the next 12 months. There is a loan agreement in place with its parent, CDC Group plc which is repayable on demand. CDC Group plc has issued a letter of support which confirms that CDC Group plc will only request repayment of the loan provided that the Company has sufficient liquid resources to do so. Further to this, the letter of support also confirms that CDC Group plc will cover any ongoing expenses incurred by the Company. Whilst the letter of support is not a legal contract, the Directors have reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

CDC Group plc has prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through funding from CDC Group plc, to meet its liabilities as they fall due for that period. CDC Group plc has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. The Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements.

The coronavirus (COVID-19) pandemic continues to cause extensive disruptions to businesses and economic activities globally. While the impact of the pandemic is now known, uncertainties remain over the effectiveness and speed of the vaccination roll-out, which may continue to cause market volatility on a global scale.

Notes to the Accounts

Continued

1. Corporate information and accounts preparation (continued)

In assessing the going concern status for the company, the Directors have closely monitored the impact on the Company's portfolio throughout the year and has considered the cash flow forecasts of the ultimate parent company, CDC Group plc. Current forecasts demonstrate that the Group has sufficient liquid resources available for to maintain planned investment pace until the end of 2023 without needing to draw on the revolving credit facility.

The Directors have also considered the implication of Brexit and have concluded that the primary direct risk of the UK's exit from the EU is not material to the Company given its investment activities are primarily carried out outside of the EU. After taking the above into consideration, the Directors consider the Company has adequate resources to continue in operational existence for at least twelve months form the date of approval of the financial statements.

2. Loan investments

	2020 US$	2019 US$
At 1 January, at fair value	**124,264,546**	113,426,339
Loan repayments	**(668,315)**	-
Fair value gains/(losses)	**1,577,729**	14,128,400
Exchange adjustment	**(5,609,543)**	(3,290,193)
At 31 December, at fair value	**119,564,417**	124,264,546

Loan investments are held at fair value through profit and loss when they are managed, and their performance evaluated, on a fair value basis. Refer to note to 18 for changes in accounting policies and disclosures. The Company classifies loan instruments measured at fair value under the Level 3 hierarchy: inputs that are not based on observable market data.

Level 3 inputs are sensitive to assumptions when ascertaining the fair value. The valuation techniques for debt instruments that require significant unobservable inputs are the net present value of estimated future cash flows.

The most significant unobservable input into the discounted cash flow is the discount rate where management have used a range of 10% to 18% to value the loan investments. This is based on expected yield as at year end. The following sensitivity of the investment fair value in respect of the discount rate:

Description	Fair value at 31 Dec 2020 US$m	Valuation Technique	Unobservable Inputs	Average Discount rate	Change in Valuation US$m
Global Equity Securities	**119.57**	Discount rate	Discounted cashflow	13.0	1.8

The Company reviews the discount rates during the quarterly valuation cycle and will adjust the discount rate to reflect any changes in country and asset specific risks.

3. Cash and cash equivalents

	2020 US$	2019 US$
Cash at bank and in hand	**2,735,988**	9,238,836
Total cash and cash equivalents	**2,735,988**	9,238,836

Cash at bank and in hand earns no interest. The fair value of cash and cash equivalents is US$2,735,988 (2019: US$9,238,836).

Notes to the Accounts

Continued

4. Issued capital

	2020 No. of shares	2019 No. of shares
Authorised		
Ordinary shares of US$1.60 each	**2**	2
Class A ordinary shares of US$10,000 each	**9,000**	9,000

	2020 No. of shares	2020 US$	2019 No. of shares	2019 US$
Allotted, called up and fully paid Ordinary shares				
At 1 January, Ordinary shares of US$1.60 each	**2**	**3**	2	3
Issued Ordinary shares of US$1.60 each	**-**	**-**	-	-
At 31 December, Ordinary shares of US$1.60 each	**2**	**3**	2	3

	2020 No. of shares	2020 US$	2019 No. of shares	2019 US$
Allotted, called up and fully paid Class A ordinary shares				
At 1 January, Class A ordinary shares of US$10,000 each	**5,385**	**53,850,000**	5,385	53,850,000
Issued Class A ordinary shares of US$10,000 each	**-**	**-**	-	-
At 31 December, Class A ordinary shares of US$10,000 each	**5,385**	**53,850,000**	5,385	53,850,000

5. Forward foreign exchange contract ('FFEC')

The Company held FFECs which were not designated for the purposes of hedge accounting, but were used to mitigate the currency effects on the Company's Indian rupee denominated debt investments and cash balances.

	2020 US$	2019 US$
Gross foreign exchange contracts in profit	**-**	-
Gross foreign exchange contracts in loss	**(2,235,330)**	(727,830)
Total forward foreign exchange contracts	**(2,235,330)**	(727,830)

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

	2020 US$	2019 US$
Current assets	**-**	-
Current liabilities	**(2,235,330)**	(727,830)
Total forward foreign exchange contracts	**(2,235,330)**	(727,830)

In accordance with the fair value hierarchy described in note 1, forward foreign exchange contracts are measured using Level 2 inputs.

The Company's US Dollar denominated contract comprise:

Foreign currency	2020 Foreign currency in millions	2020 Weighted Average spot price	2020 US$	2019 Foreign currency in millions	2019 Weighted Average spot price	2019 US$
Indian rupee	**1,200.0**	**73.86**	**16,246,954**	1,200.0	73.13	16,870,519

Notes to the Accounts

Continued

5. Forward foreign exchange contract ('FFEC') (continued)

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

Foreign currency	2020 Foreign currency in millions	2020 Weighted Average spot price	2020 US$	2019 Foreign currency in millions	2019 Weighted Average spot price	2019 US$
Indian rupee	**10,149.6**	**73.70**	**137,711,210**	10,955.0	71.12	154,038,484

The tables above have been updated in the current year to present a truer reflection by using the weighted average spot price instead of the average spot price.

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

6. Net foreign exchange differences

	2020 US$	2019 US$
Exchange losses arising on loan investments	**(5,609,543)**	(3,289,598)
Exchange (losses) arising on forward foreign exchange contracts	**(1,735,632)**	(3,708,882)
Exchange gains/(losses) arising on cash and cash equivalents	**(236,653)**	66,697
Other exchange differences	**(515)**	(167)
Total net foreign exchange differences	**(7,582,343)**	(6,931,950)

7. Other receivables

	2020 US$	2019 US$
Loan investment interest receivables	**6,018,551**	4,021,387
Other receivables	**-**	353
Other receivables	**6,018,551**	4,021,740

Refer to note 16 for maximum exposure to credit risk.

8. Investment income

	2020 US$	2019 US$
Loan interest income	**15,527,903**	16,046,016
Loan fee income	**-**	63,304
Total investment income	**15,527,903**	16,109,320

9. Income tax expense

	2020 US$	2019 US$
Current tax		
Current UK tax charge/(credit)	**710,712**	830,036
Prior year charge/(credit)	**-**	-
Deferred tax		
Overseas deferred tax charge/(credit)	**-**	-
Total	**710,712**	830,036

Notes to the Accounts

Continued

9. Income tax expense (continued)
The UK Corporation tax is reconciled as follows:

	2020 US$	2019 US$
Income/(Expense) before tax	**(3,422,729)**	10,200,127
Corporation tax @ 19%	**(650,319)**	1,938,024
Effects of:		
Group relief (received)/surrendered for nil consideration	**116,941**	(3,025,181)
Other permanent differences	**(135,035)**	(431,020)
Transfer pricing adjustment	**893,989**	430,561
Overseas tax	**710,712**	830,036
Effect of IFRS 9 movement	**(225,576)**	225,576
Total tax	**710,712**	830,036

We note that The Chancellor announced in the recent UK Budget an increase in the UK corporation tax rate from 19 to 25 percent which is due to take effect from 1 April 2023. This change is currently drafted in section 6 of Finance (No.2) Bill 2021. However as of the date of filing, this legislative change has not been substantively enacted and therefore not reflected in our income tax balances for the period ended 31 December 2020.

10. Administrative and other expenses

	2020 US$	2019 US$
Auditor's remuneration	**11,196**	10,619
Professional services	**12,672**	11,920
Other expenses	**3,079**	185
Total administrative and other expenses	**26,947**	22,724

Audit remuneration is for the statutory audit of financial statements. The Company has no employees and no related staff costs. Directors did not receive emoluments in respect of services for this company.

11. Finance costs

	2020 US$	2019 US$
Loan interest payable to CDC Group plc	**9,912,852**	10,316,319
Loan commitment fee payable to CDC Group plc	**521,024**	498,073
Total finance costs	**10,433,876**	10,814,392

12. Amounts due to/(from) parent company

	2020 US$	2019 US$
Loan due to CDC Group plc	**95,406,184**	101,750,000
Current account payable to/ (receivable from) CDC Group plc	**2,607,073**	2,467,045
Loan interest and commitment fees due to CDC Group plc	**5,143,611**	5,451,639
Total amounts due to parent company	**103,156,868**	109,668,684

The loan from CDC Group plc is subject to 10% interest rate semi-annually and is repayable on demand. CDC Group plc have provided a letter of support stating they will not demand repayment without the Company having sufficient liquid assets to meet such demand.

13. Other payables and provisions

	2020 US$	2019 US$
Auditor's remuneration	**11,483**	10,595
Other payables	**24,593**	11,919
Total other payables and provisions	**36,076**	22,514

Notes to the Accounts

Continued

14. Related party transactions

During the year, the Company entered into transactions with its parent company, all of which were carried out on an arm's length basis. The transactions entered into and trading balances outstanding at 31 December were as follows:

	2020 US$	2019 US$
Statement of comprehensive income		
Finance cost	**(10,433,876)**	(10,814,392)
Administration fee	**(2,485,291)**	(2,268,527)
Statement of financial position		
Forward foreign exchange contracts	**(2,235,330)**	(650,245)
Amounts due to parent company	**103,156,868**	109,668,684

Included in the amounts due to the parent company was an inter-group loan of US$95,406,184 (2019: US$101,750,000) which attracts a 10% interest rate charge due semi-annually to the parent company. The total size of the inter-group loan facility is US$200,000,000 (2019: US$200,000,000).

The company does not have the ability to hedge, the exchange rate risk is hedged by its parent company, CDC Group plc. The agreement allows proceeds to be received and paid between the company and its parent. The forward foreign exchange contracts amount represents the outstanding loan balances including the accrued interest and any future interest expected to be received based on the current loan balance position through to the end of the loan's life.

15. Financial instruments

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

Interest rate exposures

	Fixed rate US$	Floating rate US$	No interest US$	Total US$	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
Financial assets: Cash							
2020	**-**	**-**	**2,735,988**	**2,735,988**	**-**	**-**	**-**
2019	-	-	9,238,836	9,238,836	-	-	-
Financial assets: Loan investments							
2020	**119,564,417**	**-**	**-**	**119,564,417**	**12.1%**	**3**	**-**
2019	124,264,546	-	-	124,264,546	12.2%	4	-

Currency exposures

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

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

Functional currency	2020 US$	2019 US$
Indian rupee	**2,704,897**	9,211,151
Total	**2,704,897**	9,211,151

Notes to the Accounts

Continued

15. Financial instruments (continued)

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

Functional currency	2020 US$	2019 US$
Indian rupee	**119,564,417**	124,264,546
Total	**119,564,417**	124,264,546

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

Financial assets: Maturity profile	2020 Amounts owed from parent company US$	2020 Forward foreign exchange contract US$	2020 Loan investments US$
Due within one year, but not on demand	-	-	-
Due between two and five years	-	-	**119,564,417**
Total	-	-	**119,564,417**

Financial liabilities: Maturity profile	2020 Forward foreign exchange contract US$	2020 Amounts owed to parent company US$
Due within one year, but not on demand	**2,235,330**	**103,156,868**
Due between two and five years	-	-
Total	**2,235,330**	**103,156,868**

Financial assets: Maturity profile	2019 Amounts owed from parent company US$	2019 Forward foreign exchange contract US$	2019 Loan investments US$
Due within one year, but not on demand	-	-	-
Due between two and five years	-	-	124,264,546
Total	-	-	124,264,546

Financial liabilities: Maturity profile	2019 Forward foreign exchange contract US$	2019 Amounts owed to parent company US$
Due within one year, but not on demand	727,830	109,668,684
Due between two and five years	-	-
Total	727,830	109,668,684

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

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

Notes to the Accounts

Continued

15. Financial instruments (continued)

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

16. Financial risk management

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

Liquidity risk
The Company's policy on liquidity risk is to ensure that they always have sufficient funding to meet all short to medium-term funding requirements. The Company's cash balance at 31 December 2020 was US$2,735,988 (2019: US$9,238,836) and its capital commitments including long-term commitments were nil (2019: nil).

The Company's contractual maturity of the forward foreign exchange contract is disclosed in note 15 Financial instruments.

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

The maximum exposure to credit risk as at 31 December was:

	Notes	2020 US$	2019 US$
Loan investments	2	**119,564,417**	124,264,546
Cash and cash equivalents	3	**2,735,988**	9,238,836
Total		**122,300,405**	133,503,382

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

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

Market risk
Foreign currency risk
Exposure to currency risk arises in the normal course of the Company's investment business. The Company has exposure to the Indian rupee. As at 31 December 2020 and 2019, all equity and loan investments held by the Company, were denominated in Indian rupee. In order to protect the Company's US dollar statement of financial position and reduce cash flow risk, the Company uses forward foreign exchange contracts to hedge foreign exposures.

In preparing the sensitivity analysis a movement of 10% has been used as it represents a reasonable and realistic potential change in value. The sensitivity analysis is based on the assumption that all other variables remain constant, a 10% movement in the closing exchange rate for the Indian rupee against US dollar with all other variables held constant would impact profit by US$3,686,038 (2019: 10% movement, impact: US$5,172,530).

Valuation risk
The Company values its portfolio according to CDC valuation methodology. CDC valuation guidelines have been developed in accordance with the International Private Equity and Venture Capital Valuation Guidelines. Investments are valued at fair value, which is the price that would be received to sell an asset in an orderly transaction between market participants given current market conditions at the measurement date. The detailed valuation methodology sets out best practice with respect to valuing investments. Valuation risks are mitigated by comprehensive reviews of underlying investments in the private equity funds and direct investments carried out by the managers of the private equity funds at least twice a year. These valuations are reviewed by CDC management and then considered by the Audit, Compliance and Risk Committee. The details of the valuation methodology are given in note 18 to the accounts under the Investments heading.

Notes to the Accounts

Continued

16. Financial risk management (continued)

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

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns and benefits for stakeholders;
- to maintain a strong capital base to support the development of the Company's businesses; and
- the entity is not subject to any externally imposed capital requirements.

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

17. Capital commitments and contingencies

Amounts contracted for but not provided for in the accounts amounted nil (2019: nil).

There are no contingencies as at the reporting date (2019: nil).

18. Summary of significant accounting policies

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

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

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

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

Valuation methodologies used are as follows:

- investments where fair value derives mainly from the underlying assets, such as funds managed by fund managers, are valued at net asset value using appropriate valuation measures for the underlying assets and liabilities;
- quoted equity is normally valued at the quoted share price. However, in certain circumstances the quoted price may be considered to not represent fair value for example: shares are closely held by related parties; the shares are very thinly traded and small trades lead to excessive volatility in quoted price; or substantial transactions occur at a price that is not the quoted price. Where this is considered the situation, an appropriate alternative methodology is used;
- realisations in process are valued at the expected realisation proceeds, although discounts are applied to reflect the level of certainty of the transaction completion;

Notes to the Accounts

Continued

18. Summary of significant accounting policies (continued)

- if there has been a recent investment in the company, the price of the recent investment, less any impairment charge, is considered to determine fair value;
- early stage companies without positive cash flow or profit are valued using an appropriate industry benchmark if that gives a reliable estimate of fair value;
- companies with maintainable profits or cash flows are valued on an earnings basis using an appropriate earnings multiple from companies in similar sectors and markets;
- companies in industries with specific valuation metrics are valued using those specific valuation metrics where they provide the most reliable estimate of fair value;
- companies with no maintainable profits or cash flows at present, but whose cash flows can be forecast with confidence, are valued using future cash flows discounted at the appropriate risk-adjusted discount rate; and
- in exceptional cases, where fair value cannot be reliably measured, the investment is valued at the previous carrying value unless there is evidence of value impairment, in which case value is reduced to reflect the extent of estimated impairment.

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

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

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

Loans are recognised at amortised cost; initially, this is measured as the fair value of the cash given to originate the loan. They are subsequently measured at amortised cost if both the following conditions are met:

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

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

Forward foreign exchange contracts ('FFECs')
The Company use FFECs as part of their asset management activities to manage exposures to foreign currency risk. The Company does not use FFECs for speculative purposes.

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

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

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

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

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

Notes to the Accounts

Continued

18. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Critical accounting judgments
The preparation of financial statements in accordance with IFRS requires management to exercise judgment in applying relevant accounting policies. The key areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the individual financial statements, is the going concern assessment.

Sources of estimation uncertainty
The preparation of financial statements in accordance with IFRS requires the use of estimates. The key accounting estimates are the carrying value of our loan investments, which are stated at fair value. Asset valuations for unquoted investments are inherently subjective, as they are made on the basis of assumptions which may not prove to be accurate such as discount rates and assumptions in expected cash flows. A sensitivity analysis is provided in note 2.

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

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

Notes to the Accounts

Continued

18. Summary of significant accounting policies (continued)

- IFRS 17 Insurance Contracts. IFRS 17 applies to all types of insurance contracts regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard is currently effective from 1 January 2021. The Company will assess the expected impact of adopting this standard and it is expected not to have any material impact.
- Amendments to IFRS 3 Reference to the Conceptual Framework.
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IAS 1 Classification of liabilities as Current or Non-Current.
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- Annual Improvements to IFRS Standards 2018-2020 Cycle

19. Subsequent Events

There have been no material events since the reporting period that would require adjustment to these financial statements. Events after the reporting period that would require adjustment to these financial statements are those that provide evidence of conditions that existed at 31 December 2020. Events after the reporting period that are indicative of conditions that arose after the reporting period do not lead to adjustment of the financial statements, but are disclosed in the event that they are material.

In accordance with the requirements of IFRS the fair valuations at the date of the statement of financial position reflect the economic conditions in existence at that date. Any future gains or losses associated with the quarterly valuation will be recognised in the 2021 financial statements. At present the extent of these potential gains or losses cannot be reliably estimated.

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