

CDC Limited Annual Accounts

Year ended 31 December 2018

Company Number: 03855059

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Directors' report

The Directors are pleased to present their report together with the financial statements of the Company for the period ended 31 December 2018.

Directors

Clive MacTavish
Jane Earl
John Diess

Appointed 28 April 2016
Appointed 19 June 2017
Appointed 1 August 2013, resigned 30 November 2018

Principal activity

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

Business and performance review

The Company recorded total comprehensive income of £144,600 for the year ended 31 December 2018 (2017: £131,925). The net asset value of the Company was £451,244 at 31 December 2018 (2017: £306,644).

Employees

The average monthly number of employees during the year was 6 (2017: 6).

Proposed dividend

The Directors do not recommend payment of a dividend for the year.

Financial instruments

The Company's principal financial assets (as defined in IFRS 7) comprise cash and amounts due from parent company and Financial liabilities comprise amounts due to parent company. Details are provided in note 12 of the financial statements.

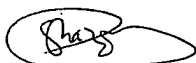
Disclosure of information to auditor

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.

Appointment of auditor

Following an audit tender, the Board recommends that Deloitte be appointed as auditor in succession to KPMG who will be retiring as the Company's auditor at the annual general meeting. In accordance with Section 489 of the Companies Act 2006, a resolution proposing the appointment of Deloitte as the Company's auditor will be put to members at the forthcoming annual general meeting.

On behalf of the Board



Shazia Parviez
Company Secretary
31 May 2019

Statement of Directors' Responsibilities

in respect of the Directors' report and the financial statements

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

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

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

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

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

Independent Auditor's Report to the members of CDC Limited

Opinion

We have audited the financial statements of CDC Limited ("the Company") for the year ended 31 December 2018 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity, and related notes, including the accounting policies in note 15.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to the UK exiting the European Union on our audit

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

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

Going concern

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

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

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

Directors' report

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

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

- we have not identified material misstatements in the Directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements;
- in our opinion that report has been prepared in accordance with the Companies Act 2006; and
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 2, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

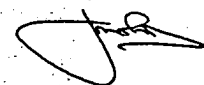
Auditor's responsibilities

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

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

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
E14 5GL
31 May 2019

Statement of Financial Position

At 31 December

	Notes	2018 £	2017 £
Assets			
Non-current assets			
Equity investment	2	404,303	-
Other receivables		2,602	6,760
Deferred tax asset	7	81,767	74,054
		488,672	80,814
Current assets			
Cash and cash equivalents	3	1,206,832	1,329,151
Other receivables	5	58,426	5,327
		1,265,258	1,334,478
Total assets		1,753,930	1,415,292
Equity and liabilities			
Shareholders' equity			
Issued capital	4A	2	2
Foreign currency translation reserve	4B	(55,795)	-
Retained earnings		507,037	306,642
		451,244	306,644
Current liabilities			
Amounts due to parent company	14	640,234	801,269
Taxation payable	6B	40,724	-
Trade and other payables	8	621,728	307,379
		1,302,686	1,108,648
Total liabilities		1,302,686	1,108,648
Total equity and liabilities		1,753,930	1,415,292

Notes 1 to 16 form part of the financial statements.

The accounts were approved by the members of the Board on 31 May 2019 and were signed on their behalf by:



Clive MacTavish
Director

Registered in England No 03855059

Statement of Comprehensive Income

For the 12 months to 31 December

	Notes	2018 £	2017 £
Advisory fee income	11	3,054,696	2,687,403
Fair value losses	2	(14,018)	-
Administrative and other expenses	9	(2,805,489)	(2,336,930)
Profit from operations before tax and finance costs		235,189	350,473
Finance income		1,643	2,087
Finance costs		-	-
Net foreign exchange differences	10	18,252	(74,396)
Profit from operations before tax		255,084	278,164
Income tax charge	6A	(54,689)	(146,239)
Profit for the year		200,395	131,925
<i>Other comprehensive income</i>			
Exchange differences on translation of foreign operations	4B	(55,795)	-
Total comprehensive income for the year		144,600	131,925

Notes 1 to 16 form part of the financial statements.

Statement of Cash Flows

For the 12 months to 31 December

Notes	2018 £	2017 £
Cash flows from operating activities		
Profit from operations before tax	255,084	278,164
Finance income	(1,643)	(2,087)
Fair value losses	14,018	-
Foreign exchange movements	(48,501)	65,670
Profit from operations before changes in working capital	218,958	341,747
(Increase)/decrease in other receivables	(48,940)	2,937
Movements in amounts due from/to parent company	(161,035)	(254,242)
Decrease/(Increase) in trade and other payables	314,349	(68,194)
Cash flows from operations	323,332	22,248
Bank interest received	1,643	2,087
Tax paid	(27,201)	(291,016)
Cash flows from operating activities	297,774	(266,681)
Cash flows from investing activities		
Acquisition of equity investments	(418,321)	-
Cash flows from investing activities	(418,321)	-
Cash flows from financing activities		
Loan advances from the parent company	-	750,000
Cash flows from financing activities	-	750,000
Net increase in cash and cash equivalents	(120,547)	483,319
Cash and cash equivalents at 1 January	1,329,151	911,502
Effect of exchange rate fluctuations on cash held	(1,772)	(65,670)
Cash and cash equivalents at 31 December	1,206,832	1,329,151

Notes 1 to 16 form part of the financial statements.

Statement of Changes in Equity

	Share capital £	Foreign currency translation Reserve £	Retained earnings £	Total £
At 1 January 2017	2	-	174,717	174,719
Changes in equity for 2017				
Total comprehensive income for the year	-	-	131,925	131,925
At 31 December 2017	2	-	306,642	306,644
Changes in equity for 2018				
Exchange differences on translation of foreign operations	-	(55,795)	-	(55,795)
Net income recognised directly in equity	-	(55,795)	-	(55,795)
Profit for the year	-	-	200,395	200,395
Total comprehensive profit for the year	-	(55,795)	200,395	144,600
At 31 December 2018	2	(55,795)	507,037	451,244

Notes 1 to 16 form part of the financial statements.

Notes to the Accounts

1. Corporate information and accounts preparation

Corporate information

The financial statements of CDC Limited ("the Company") for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 31 May 2019. The Company is a limited company incorporated in England and Wales. It is a wholly owned subsidiary of CDC Group plc, a public limited company incorporated in England and Wales. The Company's registered office is located at 123 Victoria Street, London SW1E 6DE, England.

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

Notwithstanding net current liabilities of £15,843 as at 31 December 2018, the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The parent company 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 its immediate parent Company, CDC Group plc, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on CDC Group plc not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £640,234, and providing additional financial support during 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. As with any company placing reliance on other group entities for financial support, 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.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

The financial statements are presented Pounds Sterling, 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.

CDC Limited is a wholly-owned subsidiary of its parent company, CDC Group plc, incorporated inside the EEA. CDC Group plc's registered office is located at 123 Victoria Street, London SW1E 6DE, England. The Company was included in the consolidated audited accounts of CDC Group plc for the year ended 31 December 2018. In accordance with Section 400 of the Companies Act 2006, CDC Limited is therefore not required to produce, and has not published, consolidated accounts.

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. A summary of the significant accounting policies can be found in note 15.

The Company has applied IFRS 9 Financial Instruments for the first time. The nature and effect of the changes as a result of adoption of this new accounting standards are described in note 16.

Notes to the Accounts

2. Equity investments

	Unlisted Shares 2018 £	Unlisted Shares 2017 £
At 1 January, at fair value	-	-
Additions	418,321	-
Disposals	-	-
Decrease in fair value for the year	(14,018)	-
At 31 December, at fair value	404,303	-

3. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	1,206,832	1,329,151
Total cash and cash equivalents	1,206,832	1,329,151

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £1,206,832 (2017: £1,329,151).

4. Capital and reserves

A. Issued capital

	2018 No. of shares	2017 No. of shares
Authorised		
Ordinary shares of £1 each	2	2

	2018 No. of shares	2018 £	2017 No. of shares	2017 £
Allotted, called up and fully paid Ordinary shares				
At 1 January, Ordinary shares of £1 each	2	2	2	2
Issued Ordinary shares of £1 each	-	-	-	-
At 31 December, Ordinary shares of £1 each	2	2	2	2

B. Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency difference arising from the translation of the financial statements of foreign operations.

5. Other receivables

	2018 £	2017 £
Amounts owed to subsidiaries	28,816	-
VAT recoverable	18,521	-
Other receivables	11,089	5,327
Other receivables	58,426	5,327

Notes to the Accounts

6. Taxation

A. Corporation tax

	2018 £	2017 £
Current tax		
Current UK tax charge	40,724	-
Prior year over provision on UK tax charge	-	(8,650)
Current overseas tax charge	25,994	149,481
Prior year under provision on overseas tax charge	-	32,854
Withholding tax charge	1,207	-
Deferred tax		
Reduction in tax rate	163	250
Attributable to timing difference arising in the current year	(3,985)	(3,630)
Foreign deferred tax		
Attributable to timing difference arising in the current year	(9,414)	(24,066)
Total	54,689	146,239

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

	2018 %	2017 %
UK Corporation tax small profits rate	19.0	19.3
Effect of:		
Effect of current year losses for which no deferred tax assets has been recognised	-	9.8
Overseas taxation	1.9	14.7
Reduction in tax rate	0.1	0.1
Prior year over provision on UK tax charge	-	(3.1)
Prior year under provision on overseas tax charge	0.4	11.8
Effective tax rate for the year	21.4	52.6

B. Taxation payable

	2018 £	2017 £
Current UK taxation payable	40,724	-
Taxation payable	40,724	-

7. Deferred tax asset

The balance of the deferred tax is made up as follows:

	Balance at 31/12/2017 £	Amount processed through profit £	Foreign currency translation difference £	Balance at 31/12/2018 £
Provisions	74,054	13,237	(5,524)	81,767
Deferred tax asset	74,054	13,237	(5,524)	81,767

8. Trade and other payables

	2018 £	2017 £
Trade payables	5,525	9,519
Amounts owed to subsidiaries	246,414	-
Accruals	369,789	297,860
Total trade and other payables	621,728	307,379

Notes to the Accounts

9. Administrative and other expenses

	2018 £	2017 £
Wages and salaries	974,062	1,116,915
Social security costs	2,592	2,643
Pension costs – defined contribution	119,428	132,736
Long-term Development Performance Plan accrual	331,812	234,549
Total employee benefits expense	1,427,894	1,486,843
Professional services	36,988	12,302
Auditors' remuneration	15,932	10,000
Advisory fees	375,001	-
Other administrative expenses	949,674	827,785
Total administrative and other expenses	2,805,489	2,336,930

10. Net foreign exchange differences

	2018 £	2017 £
Exchange (losses)/gains arising on cash and current accounts	20,912	73,396
Other exchange differences	(2,660)	-
Total net foreign exchange differences	18,252	(74,396)

11. Related party transactions

During the year, the Company entered into transactions with its parent company and subsidiaries, 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:

	2018 £	2017 £
Statement of comprehensive income		
Advisory fee income	3,054,696	2,687,403
Advisory fees	375,001	-
Statement of financial position		
Amounts owed by subsidiaries	28,816	-
Amounts owed to subsidiaries	(246,414)	-
Amounts due to parent company	(640,234)	(801,269)

12. Financial instruments

The Company's principal financial assets (as defined in IFRS 7) comprise of cash and amounts due from subsidiaries. Financial liabilities comprise amounts due to parent company and subsidiaries.

Interest rate exposures

	Fixed rate £	Floating rate £	No interest £	Total £	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
Financial assets: Cash							
2018	-	1,206,832	-	1,206,832	-	-	*
2017	-	1,329,151	-	1,329,151	-	-	*

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

Notes to the Accounts

12. Financial instruments (continued)

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.

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

Functional currency	2018 £	2017 £
US dollar	26,684	41,556
South African rand	670,114	319,739
Total	696,798	361,295

Liquidity risk

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

Financial assets: Maturity profile	2018 Amounts owed by subsidiaries £	2017 Amounts owed by subsidiaries £
Due within one year, but not on demand	28,816	-
Due after five years	-	-
Total	28,816	-

Financial liabilities: Maturity profile	2018 Amounts owed to parent company £	2018 Amounts owed to subsidiaries £	2017 Amounts owed to parent company £	2017 Amounts owed to subsidiaries £
Due within one year, but not on demand	640,234	246,414	801,269	-
Due after five years	-	-	-	-
Total	640,234	246,414	801,269	-

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

Fair value of financial assets and liabilities

Financial assets

There is no material difference between the fair value and the book value of the Company's cash and amounts receivable from parent company.

Financial liabilities

There is no material difference between the fair value and the book value of the Company's amounts payable to parent company.

Notes to the Accounts

13. 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 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 2018 was £1,206,832 (2017: £1,329,151) and its capital commitments including long-term commitments were nil (2017: nil).

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	2018 £	2017 £
Cash and cash equivalents	3	1,206,832	1,329,151
Total		1,206,832	1,329,151

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 is mitigated as the Company transacts 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 activities. The Company has exposure to the US dollar and South African rand.

Capital management

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

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

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

14. Amounts due to parent company

	2018 £	2017 £
Loan due to CDC Group plc	750,000	750,000
Current account (receivable from)/payable to CDC Group plc	(109,766)	51,265
Total amounts due to parent company	640,234	801,269

Notes to the Accounts

15. Summary of significant accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

Financial liabilities

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

Provisions, contingent liabilities and contingent assets

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

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

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

Notes to the Accounts

15. Summary of significant accounting policies (continued)

Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and can be reliably

measured. Interest is recognised as earned on an accruals basis, but is excluded if it becomes more than ninety days overdue. Advisory fee income is accounted for on an accruals basis unless collectability is in doubt.

Income tax

Income tax expense comprises current and deferred 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's 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.

IFRSs issued but not yet effective

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

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

- Amendments to IFRS 9: Prepayment features with Negative Compensation;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to References to Conceptual Framework in IFRS Standards; and
- Annual improvements to IFRSs 2015-2017 Cycle.

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

- Amendments to IAS 28: Long-term interests in Associates and Joint Ventures;
- Amendments to IFRS 3: Definition of a Business;
- IFRS 17: Insurance Contracts;
- IFRS 16: Leases; and
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement.

16. Changes in accounting policies and disclosures

The Company has applied IFRS 9 for the first time.

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

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

The adoption of IFRS 9 has had no impact on the recognition, measurement and classification of the Company's financial assets and liabilities.

CDC Limited Annual Accounts 2018

CDC Limited

123 Victoria Street
London SW1E 6DE

T +44 (0)20 7963 4700

F +44 (0)20 7963 4750

Registered in England No 03855059