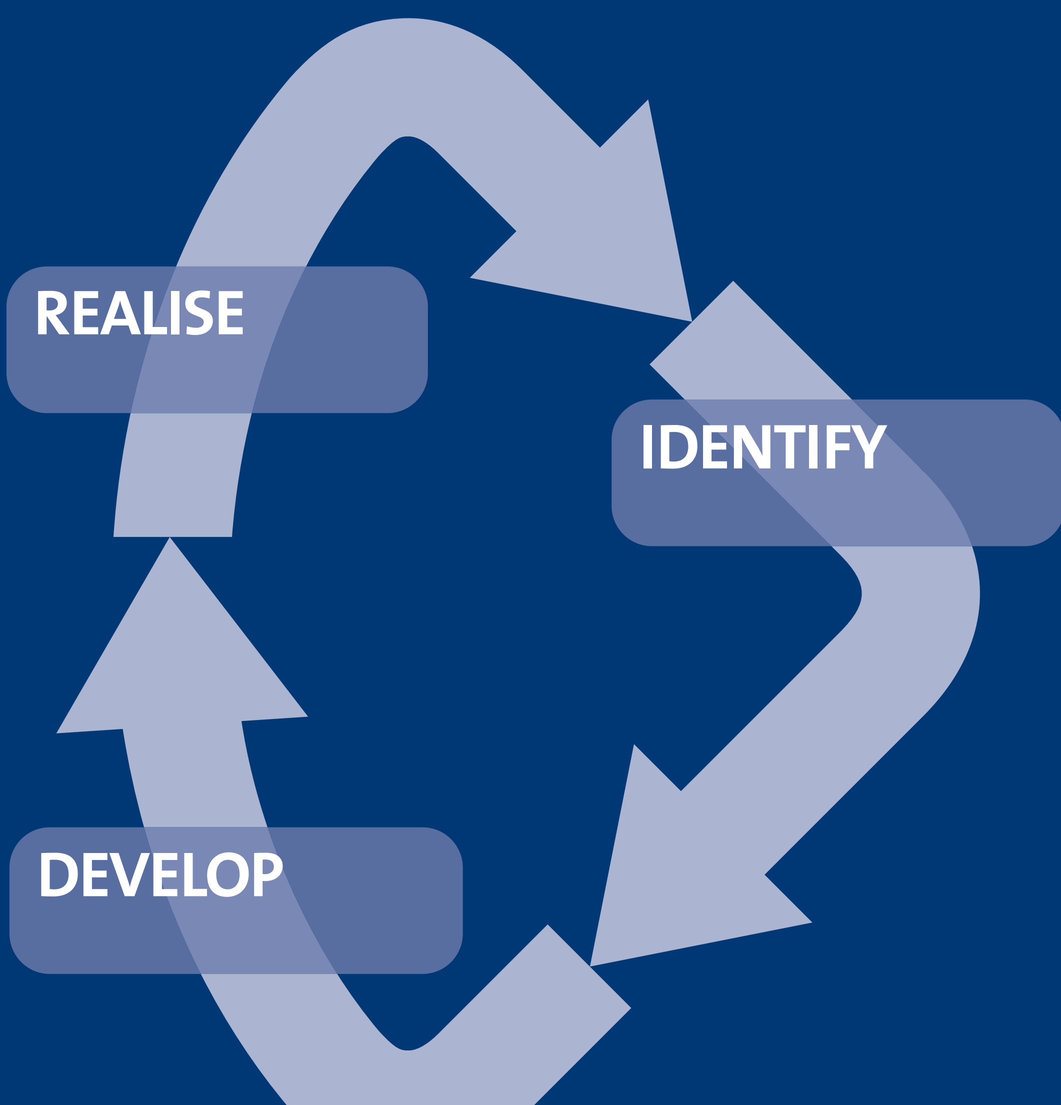
CDC
CAPITAL PARTNERS

CDC Group plc
Financial report 2002



CONTENTS

Operating and financial review

1. Results

CDC's financial results are presented in two ways. Firstly, following UK generally accepted accounting principles, we consolidate all businesses where we have a controlling interest and equity account for associate companies through which we carry on our investment business and exercise significant influence. These audited consolidated accounts are shown on pages 18 to 44. Secondly, in order to explain more fully our investment activities, we have valued all our investments, including subsidiaries and associates, and used the results of this valuation in a statement of total return and a summarised balance sheet. These valuation results are shown on page 2. Ernst and Young LLP have examined these statements and their report is also shown opposite.

2. Highlights

- Portfolio performance, before costs, of 6% (negative 10% in 2001) in a very difficult year for emerging markets.
- Portfolio performance in US$ of 13%, was well ahead of benchmarks (eg MSCI Emerging Markets Free Index: negative 8%).
- Successful and profitable exits across the portfolio.
- £35m (2001: £218m) of unrealised losses.
- £184m of new investments during the year.
- Rolling five year 70% new investment target for poorer countries met but annual 50% aim for sub-Saharan Africa and South Asia not achieved.
- Portfolio generated £243m of cash.
- Costs under control at 2.5% as a percentage of total average assets under management.
- £256m of cash held at year-end.

3. Portfolio

3.1 Summary

We run the portfolio as a number of strategic business units (SBUs) which operate as funds and fund management companies.

These SBUs were chosen as a result of an extensive review of our business carried out with the support of McKinsey during the first half of 2002. They are:

Africa	
South Asia	
Power	
Aureos	Our 50% joint venture with Norfund for small and medium enterprises
CDC Assets	The older, predominantly loan, portfolio: also manages distressed assets for third parties
China	A 50/50 joint venture US$100m fund with Morley
Malaysia	Fund-raising underway for a fund of approximately US$50m

We also hold investments in Latin America and Asia Pacific and continue to manage these for value.

During the year, the portfolio moved as follows:

	Total £m
At start of year	816
New investments	184
Realisations and loan repayments	(160)
Unrealised losses and provisions	(35)
At end of year	805

We continued the strategy outlined last year of unwinding over time the CDC Assets portfolio, and using the cash generated to grow the new risk capital portfolio. CDC Assets generated £174m of cash during 2002 (2001: £237m).

Operating and financial review (continued)

SUMMARY STATEMENT OF TOTAL RETURN (FOR YEAR ENDED 31 DECEMBER)

	2002 Total £m	2001 As restated Total £m
Revenue account		
Revenue	**81.5**	87.7
Operating costs and other items	**(36.5)**	(44.8)
Exceptional items	**(3.4)**	–
Net interest	**6.7**	7.2
Revenue return before tax	**48.3**	50.1
Capital account		
Net realised profits over opening valuation	**13.2**	21.2
Unrealised value movements	**(34.8)**	(218.5)
Capital return before tax	**(21.6)**	(197.3)
Total return before tax	**26.7**	(147.2)
Tax	**(22.5)**	(7.8)
Total return after tax	**4.2**	(155.0)

SUMMARISED BALANCE SHEET ON A VALUATION BASIS (AT 31 DECEMBER)

Equity investments	**475.6**	433.3
Loans	**329.5**	383.0
Total portfolio	**805.1**	816.3
Net cash	**256.3**	207.2
Other net liabilities	**(51.0)**	(17.3)
	1,010.4	1,006.2
Loans from government	**(755.0)**	(755.0)
Total net assets on valuation basis	**255.4**	251.2

ACCOUNTANTS' REPORT TO THE MEMBERS OF CDC GROUP PLC ON THE SUMMARY STATEMENT OF TOTAL RETURN AND SUMMARISED BALANCE SHEET ON A VALUATION BASIS

We have examined the summary statement of total return and summarised balance sheet on a valuation basis for the 12 months ended 31 December 2002 set out on this page, which is the responsibility of, and has been approved by, the directors. In our opinion, the summary statement of total return and summarised balance sheet on a valuation basis, are fairly stated on the basis of the valuation methodology set out in section 5 on page 5.

This report is made solely to the company's members, as a body, in accordance with our engagement letter. Our work has been undertaken so that we might state to the company's members, as a body, those matters we are required to state to them in this report and for no other purpose. To the fullest extent required by the law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH
12 March 2003

3.2 Revenue

The portfolio generated £81.5m (2001: £87.7m) of revenue from dividends, interest and fees, representing 10.1% of the average portfolio. Some of the recently invested portfolio is comparatively low-yielding, as the investments were made with the specific intention of achieving returns through capital gain rather than yield. We are now seeking to increase the number of new investments with ongoing yield, including mezzanine capital.

3.3 New investments

We made 24 new investments, including 17 follow-on investments, totalling £184m. The eight largest represented 65% of the total:

New investments	£m
Southern Cone: a power investment in South America	48
DVI: a global medical diagnostic finance leasing company	18
San Pedro de Macoris: power plant in the Dominican Republic	17
Vancouver Airport Services: an operator/manager of airports globally	15
Digicel: GSM telecoms in Central America	7
Middle East Foods (El-Rashidi El-Mizan): a sesame food business in Egypt	5
Pacific Rim Palm Oil: an add on investment in a 73,000 hectare plantation business	5
Jyothy Laboratories: a consumer products business in India	4

Power remains a cornerstone of CDC's activities with each investment making a beneficial impact in a CDC country. Given the current difficulties in the worldwide power sector, there are a number of opportunities to invest in power generating assets in emerging markets where the existing owners have decided to withdraw. In 2002 we made £69m of new power investments, representing 38% of the total. The largest was a £48m investment in Southern Cone, involving the purchase of some South American power assets, principally located in Peru. We also announced two power investments totalling £76m in Tanzania and South Africa, which we expect to complete in 2003.

Another major investment was in DVI, a company that provides leasing arrangements for medical diagnostic equipment. Our investment was specifically directed towards the expansion of the business into the poorest countries of the world, where the availability of finance for sorely needed medical equipment is at an embryonic stage.

The tough economic environment in Africa meant that good investment opportunities were hard to come by, although our pipeline of prospective investments has recently picked up. We were very encouraged by our first investment in Egypt, El-Rashidi El-Mizan. This was one of the first management buy-outs in the country and involved our purchase, with management, of a sesame food business from Unilever.

In South Asia, although we identified a number of exciting possibilities, the level of new investments was relatively low at £22m, including cash injected into our technology fund, Nandi. We also made a £9m commitment (£4m invested in 2002) in Jyothy Laboratories, a leading manufacturer and distributor of household consumer products. In addition we committed £6m to Glenmark Pharmaceuticals, one of India's fastest growing pharmaceutical companies, with an exciting research and development programme for new products.

A breakdown of new investments can be seen below in figures 1 and 2 respectively.

As we concentrate on larger deals, many of which will take many months from original identification to completion, the level of new investments in any one region will fluctuate significantly year by year. In contrast to 2001 when 69% of new

Figure 1 New investments

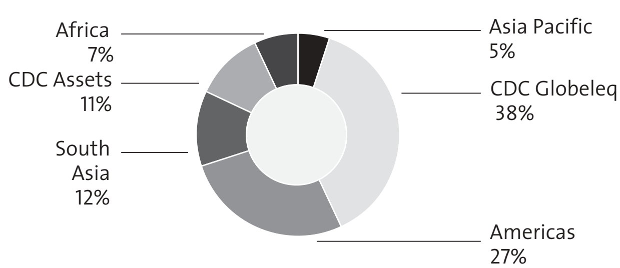
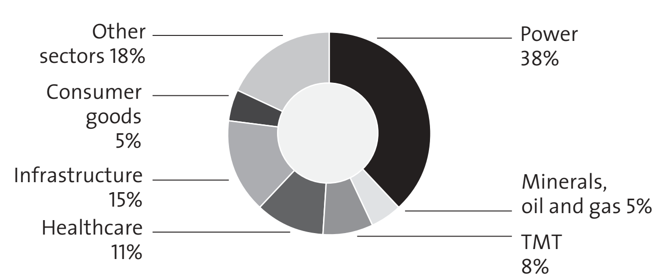


Figure 2 New investments by sector



Operating and financial review (continued)

investments were in sub-Saharan Africa and South Asia, the 2002 figure was 35%, below our annual aim of 50%. The five year rolling percentage for poorer countries was 75%, well above our target of 70%.

3.4 Realisations
We made few realisations in 2002 as our portfolio is still young. In our markets there is a relatively longer average holding time of investments compared with private equity businesses in the more developed markets. Also the economic environment in most of our markets was not conducive to good exits. Nevertheless, realisations of 13% of the opening portfolio, excluding CDC Assets, yielded £61.9m of cash. The two largest realisations, China National Offshore Oil Company (£16.4m) and Engro Chemicals Pakistan (£10.2m), produced cash-to-cash IRRs of 39% and 21% respectively. Overall realisations gave a premium over opening valuations of £13.2m or 35%.

Repayments and realisations from the CDC Assets portfolio produced £118.2m, with loan receipts 20% up on our own internal targets, mainly as a result of acceleration of loan receipts and restructuring. We exited from 36 investments in entirety, leaving a portfolio of 328 investments.

3.5 Valuation gains and losses
We are now into the fourth year of valuing our portfolio according to our valuation methodology, which follows the British Venture Capital Association (BVCA) guidelines. The methodology is described in section 5 and the chart in figure 5 shows the proportion valued on each basis.

The drop in the portfolio valuation of £34.8m has to be set in the context of very weak commercial and economic conditions in virtually all our markets. We were particularly hit by the weaker dollar which accounted for approximately half of the valuation decline. The returns on quoted investments in many emerging markets were very poor. For example the MSCI Emerging Markets Free Index showed a loss of 8% in 2002 and the S&P/IFCG Total Return Composite for emerging markets also was down 8% in 2002. Against that background, CDC's positive fund performance of 6% in sterling terms and 13% in US dollar terms, based on the opening portfolio, was an excellent result.

For our power portfolio, we mainly apply a discounted cash flow valuation, based on expected cash flows from each project. Most of these cash flows are linked to US dollar currencies and as a result of the 10% fall in the value of the US dollar against sterling during the year, the power assets were hit by an £18m reduction in value.

Other valuation gains and losses were spread across the portfolio. Our telecommunications, media and technology (TMT) investments suffered from the weak investment climate for such activities. We made net gains on our minerals, oil and gas investments.

3.6 Portfolio
We continue to focus on our main sectors: power; financial institutions; telecommunications media and technology; infrastructure; minerals, oil and gas; and consumer goods. In addition we are developing a few regionally-focused sectors, such as healthcare and property, mainly in Africa.

CDC Assets, our older portfolio which is being used to generate cash for other areas, is still the largest element of the portfolio, at 36%. CDC Globeleq, our power investment, is the second largest, and is growing rapidly. The rest of the portfolio is fairly evenly spread across the four regions.

Figures 3 and 4 give further analysis of the portfolio.

Figure 3 Portfolio by sector £m

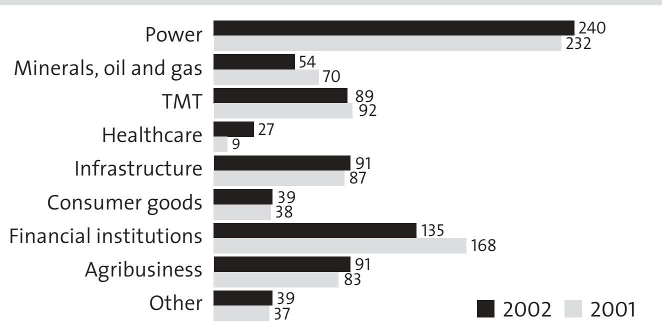
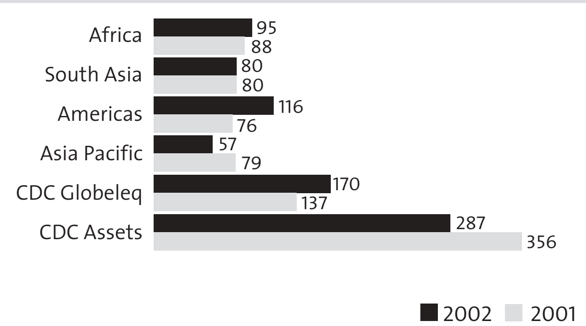


Figure 4 Portfolio £m



4. Operating costs

During the year headcount reduced by 6% and operating costs before exceptional items by 13% from £41.4m to £35.9m. Costs net of fees, expressed as a percentage of total assets under management, including our own balance sheet and third party funds managed by CDC, is 2.5% (2001: 2.8%). Our intention over time is to maintain this at around 2.5%.

5. Valuation methodology

CDC equity valuation guidelines have been developed in accordance with the guidance given by the British Venture Capital Association. The methodology is set out below.

- Quoted equity that is liquid is valued at the quoted market price less a discount. The level of discount reflects the realisability of CDC's larger holdings and the degree of liquidity of the investment's equity. If liquidity is high, no discount is applied.
- New unquoted investments are valued at cost for two years after acquisition. Should the investment fall below expectations within the two year period, a discount against the cost is applied.
- Profitable unquoted equity, or illiquid quoted equity, is valued on an earnings basis using comparative price earnings multiples of quoted companies in similar sectors and emerging markets. Earnings are based on the latest set of audited accounts and are before exceptional items. All unquoted equity investments which are valued at more than £3m are further reviewed for factors which may materially affect their value. The reviews consider, for example:

  - other earnings multiples such as EV/EBITDA (enterprise value to earnings before interest, tax and depreciation)
  - more recent (and reliable) financial information
  - recent third party transactions, and
  - the value of put options held by CDC under which the investments have to be purchased by a third party, at CDC's option, at pre-determined values

  Individual valuations may then be adjusted to reflect the outcome of the reviews and discounts are applied to reflect the illiquidity of unquoted investments.

- Investments for which exit negotiations are at an advanced stage are valued at the prospective sales proceeds less a discount.
- Loss-making unquoted equity is valued at cost less a provision.
- Equities in the power portfolio are valued by discounting cash flows to their net present value.
- Property companies are valued at revalued net asset value.
- Regional and country funds managed by CDC, and other venture capital funds managed by third parties, are valued using a methodology consistent with that used for individual investments.
- Provisions are made against non-performing loans (interest or capital in arrears exceeding 90 days) and against loans where problems have emerged.

The summary statement of total return and the summarised balance sheet on a valuation basis have been prepared based on the financial statements, before the consolidation of any subsidiaries that are not primarily investment holding companies.

The main effects of this have been:

- Deconsolidating non-investment subsidiaries' turnover, costs, assets and liabilities.
- Excluding the share of profits of associated companies.

Figure 5 Portfolio valuation method

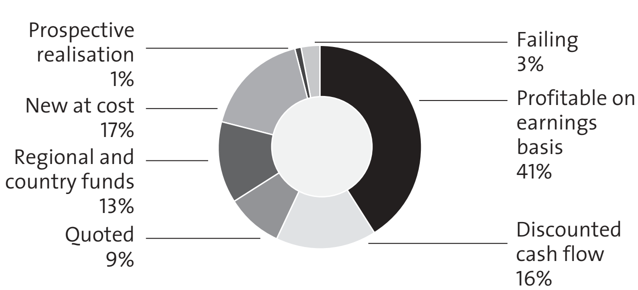
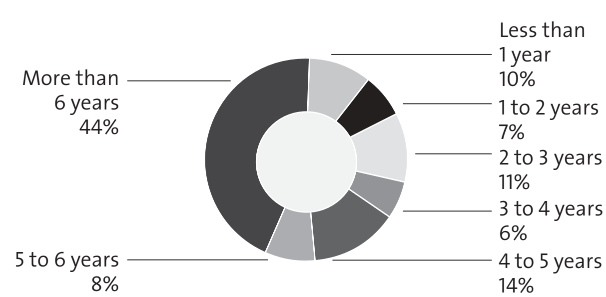


Figure 6 Portfolio by age



Operating and financial review (continued)

- Including dividends and interest from subsidiaries and associated companies.
- Including realised and unrealised valuation gains on all investments.
- Including investments in subsidiaries and associated companies, arising from the valuation procedures described above.

6. Financial statements

6.1 Basis of preparation

The financial statements are prepared on a fully consolidated historical cost basis in accordance with UK generally accepted accounting principles.

6.2 Revenues from managed businesses

Turnover of the consolidated subsidiaries at £163.7m (2001: £228.3m) was substantially lower following the change to equity accounting for Guyana Power & Light (see note 11), and the sale of some subsidiaries, offset by increases in our palm oil business.

6.3 Investment income

The group's investment income of £72.2m was very slightly down on 2001 (£73.7m).

6.4 Profit/loss before tax

Profit before tax of £33.8m compares to the loss of £120.3m for 2001. The better performance mainly reflects the reduced level of investment provisions.

6.5 Exceptional items

A charge of £3.4m from costs of fundamental restructuring compares to a charge last year of £3.3m mostly from loss on disposal of tangible fixed assets.

6.6 Taxation

The tax charge was £26.4m compared with a charge of £8.2m in 2001. The provision in the Commonwealth Development Corporation Act 1999 concerning UK tax exemption for CDC has not been brought into effect. Note 6(b) explains the factors affecting the tax charge.

6.7 Cash flow

Cash inflow before use of liquid resources and financing was £75.3m (2001: £74.7m). The group's net debt at year end was £595.9m (2001: £680.0m), including £755.0m of interest free loans payable to the UK Government.

6.8 Balance sheet

Group net assets decreased from £275.9m to £253.0m net of loans from the UK Government of £755.0m, which are unchanged from 1999.

6.9 Pensions and FRS 17

CDC operates one pension scheme in the UK. The defined benefits section of this scheme was closed to new entrants from 1 April 2000. The scheme is adequately funded and, on the advice of the scheme actuary, CDC does not currently make contributions to the defined benefits section. Disclosures required under FRS 17 show a surplus of assets over liabilities of £2.1m (2001: £27.2m). Further details are in note 25 to the accounts.

6.10 Prior year adjustment

The group has adopted FRS 19 'Deferred Tax' which has resulted in a change in accounting policy (see page 22). This change in accounting policy has necessitated a prior year adjustment which reduces shareholders' funds by £4m (see note 27 to the accounts).

7. Risk management

7.1 Introduction

CDC's operations are managed within limits defined by the board. There are formal maximum exposure limits for each country and sector in which we invest, and also for single investments and single sponsor exposures. Currently all investments above £10m are reviewed and approved by the board; investments below £10m are approved by the investment committee, chaired by the chief investment officer.

7.2 Treasury risk management

The main function of CDC's treasury unit is to manage the group's funds and to minimise group currency exposure. To optimise this function CDC will enter into derivative-type transactions. We do not however, trade in derivatives, nor do we enter into transactions of a speculative nature.

7.3 Commodity risk management

Certain subsidiaries within the group are engaged in the supply of commodities. These subsidiaries choose whether and how to hedge future cash receipts from sales of these commodities following guidelines set out by the parent company. Subsidiaries only sell forward a proportion of the product they expect to physically deliver. In 2002 they have used forward sales and options to hedge their sales price. More details on both commodity and treasury-related derivatives are given in note 19.

7.4 Internal control

Further comments on risk management can be found on page 11 in the section on internal control of the directors' report.

8. Going concern

The directors are satisfied that the CDC Group plc has adequate resources to continue in existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Richard Laing
Finance Director

Board of directors

Lord Cairns (63)
Chairman
Appointed chairman in June 1995. Chairman of the nomination committee and member of the business principles committee. Until recently chairman of the Commonwealth Business Council and of the Overseas Development Institute. Formerly chairman of Allied Zurich plc after a career with SG Warburg Group, where he was chief executive and deputy chairman.

Jayne Almond (45)
Deputy chairman
Appointed deputy chairman in January 1999. Chairman of the remuneration committee and member of the nomination committee. Has held a number of senior roles at Lloyds TSB including managing director of European Internet Banking and group marketing director and is currently a senior adviser. Prior to this she held positions at LEK Partnership and at Royal Dutch Shell in the UK and France.

Paul Fletcher (46)
Chief executive
Appointed to the board in January 2001 and made chief executive in December 2002. Member of the nomination committee. Previously was managing director for CDC's business in Africa, and global sector groups. Joined CDC in May 2000 from Citibank in London where he was latterly responsible for global emerging markets strategy and planning. Previous employers include Cargill, Bankers Trust and Swiss Bank Corporation International.

Jonathan Kydd (51)
Non-executive director
Appointed to the board in 1997. Chairman of the business principles committee and member of the audit and compliance committee. Professor of Agricultural Development Economics at Imperial College, London. Member of the Advisory Council of ECGD.

Richard Laing (49)
Finance director
Joined CDC in January 2000 after 15 years at De La Rue where he held a number of positions both in the UK and overseas, latterly as group finance director. He was a non-executive director of Camelot plc. Prior to this he worked in agribusiness in developing countries and at PricewaterhouseCoopers. Appointed chief executive designate of CDC's investment company.

Lalith de Mel (65)
Non-executive director
Appointed to the board in April 2000. Member of the business principles and the audit and compliance committees. Group director of Reckitt & Colman plc from 1991 to 1999. Non-executive director of a number of international companies, including John Keels Holdings Ltd and Reckitt Benckiser Lanka Ltd.

Tim Parker (47)
Non-executive director
Appointed to the board in December 2001. Member of the remuneration and business principles committees. Chief executive of Kwik-fit Group Limited from 2002. Non-executive director, Legal & General Group plc. Chief executive of C & J Clark Ltd from 1996 to 2002. Started his career as an economist at HM Treasury and went on to lead a management buy-out of Kenwood from Thorn EMI, which was subsequently floated in 1992.

Andrew Reicher (49)
Executive director
Chief investment officer. Appointed to the board in January 2001. Previously managing director, private equity at Credit Suisse First Boston. Began his career with Citicorp and, between spells at CSFB, spent five years with Botts & Co, a privately-owned private equity firm.

Nicholas Selbie (57)
Executive director
Appointed to the board in January 2001. Responsible for managing CDC Assets and CDC's 50% interest in Aureos Capital, a joint venture with Norfund in SME fund management. Previously CDC's director of finance and managing director, CDC Investments. Prior to joining CDC in 1989 he was director, international corporate finance at Kleinwort Benson, following 14 years with BZW/Barclays Merchant Bank in London and New York.

Peter Smitham (60)
Non-executive director
Appointed to the board in March 2001. Chairman of the audit and compliance committee and member of the remuneration committee. A partner and chairman of Permira Advisers (formerly Schroder Ventures) where he has been since 1985. Prior to this, he spent the majority of his career in the electronics industry.

Management committee

As well as Paul Fletcher, Richard Laing, Andrew Reicher and Nicholas Selbie, CDC Capital Partners' management committee consists of:

Gillian Arthur

Managing director, Operations

CDC's head of Operations, Gillian joined at the beginning of 2001. She had spent the previous 21 years at Citibank, becoming Head of Human Resources for the commercial and investment banks in the developed world. Gillian's responsibilities at CDC include human resources, IT, corporate communications and business principles.

Robert Binyon

Managing director

Joined CDC in 1994, following over 20 years in investment banking, principally with Morgan Grenfell. He is responsible for supporting CDC with key investor relations and other key management activities. Previous positions at CDC include managing director for the Asia Pacific region, responsibility for third party fund raising on a number of CDC's managed regional and country funds, and also debt and equity syndication and corporate finance.

Jonathon Bond

Managing director, Investor Development

Joining CDC in February 2001, Jonathon was previously founder and head of HSBC's private equity business in India, where he spent seven years. Prior to that he was European Director of HRH The Prince of Wales Business Leaders Forum, and also worked for Electra Private Equity Partners in London and Paris for five years.

Chin Bay Chong

Managing director, Asia Pacific

Joining CDC's management committee in October 2002 and based in Singapore, Bay Chong is responsible for CDC's business activities in the Asia Pacific region. Bay Chong has over 11 years of direct private equity experience and prior to that, seven years of investment banking experience in this region. He previously headed up Morgan Stanley's private equity team in Asia and, prior to that, the private equity team at Deutsche Morgan Grenfell. His earlier investment banking career was spent at Deutsche Morgan Grenfell and JP Morgan.

Robert C Hart

Managing director, CDC Globeleq

Joining CDC's management committee in March 2002, and based in Houston, Texas, Robert (Bob) Hart is responsible for the CDC Globeleq portfolio of power investments. Bob has over 25 years' experience in the energy sector, more recently at Coastal Power and then at Hart Energy International, of which he was founding principal and president.

Donald Peck

Managing director, South Asia

Since joining CDC in 1991, Donald has been at the heart of CDC's transformation into a private equity investor. Based in Delhi since 1998, he is responsible for CDC's South Asia Regional Fund as well as for the growing South Asia portfolio. Before joining CDC in 1991, Donald was with IFC in Washington, working on the first South American privatisation fund and the first private sector investment fund to invest in Eastern Europe. He earlier held investment banking positions at Morgan Grenfell and the Lloyds Bank Group.

Directors' report

Principal activities
CDC Group plc ('CDC' or 'the company') is a leading investor in the emerging markets. The principal activities of CDC and its subsidiaries ('the group') include investment in the form of risk capital, management of funds for third party investors and provision of corporate management expertise.

CDC's mandate (as set out in its investment policy) is to maximise the creation and long-term growth of viable businesses in developing countries, especially poorer countries; to achieve attractive returns for shareholders; and to implement social, environmental, health and safety and ethical best practice in the conduct of CDC's business and that of its subsidiary undertakings. Pursuant to the investment policy, at least 70% of CDC's investments (by cost) over any five consecutive financial periods are to be made in poorer countries (as defined in the policy) and CDC aims to ensure that at least 50% of its new investments (by cost) in any financial period are in sub-Saharan Africa and South Asia. CDC's record of compliance with the policy is set out in the operating and financial review on page 1.

In pursuit of this mandate, CDC applies certain business principles in the conduct of its business. The report of the business principles committee can be found on page 16.

Company status
CDC was incorporated as a statutory corporation, the Colonial Development Corporation, in 1948. It was renamed the Commonwealth Development Corporation in 1963 and was authorised to operate in developing countries outside the Commonwealth in 1969. On 8 December 1999 CDC transformed from a statutory corporation into a public company limited by shares under the name CDC Group plc.

Business review
The operating and financial review on pages 1 to 6 reports on the performance of the business for the year, and the position as at 31 December 2002. A business review for 2002, including a statement from the chairman and the chief executive's review, is available in a separate document. This document also explains current plans for the future of CDC, including CDC's investment company.

Results
Gross income, consisting of turnover plus investment income, in the group accounts for 2002 was £235.9m (2001: £302.0m). There was a profit of £8.5m (2001: loss of £118.4m) transferred to reserves. The directors submit their annual report together with the audited financial statements for the year ended 31 December 2002, which were approved by the board on 12 March 2003. The directors do not recommend payment of a dividend for the year.

Major interests in shares
The Secretary of State for International Development (the Secretary of State) holds 99,999,999 ordinary shares of 10p and one special rights preference share of £1 in the capital of the company. The remaining one issued ordinary share of 10p is held by the Solicitor for the affairs of HM Treasury.

Directors and their interests
The names of the present directors of CDC are set out on page 7. In addition, Alan Gillespie resigned as an executive director (and as chief executive) in November 2002.

None of the directors at any time during the year ended 31 December 2002, or in the period between that date and 12 March 2003, was interested in any shares or debentures of the company or its subsidiaries. The executive directors are, however, entitled to participate in the long term incentive plan, details of which are set out in the directors' remuneration report on page 13.

None of the directors at any time during the aforesaid period had any material interest in any contracts with the company or its subsidiaries.

Directors' service agreements
Details of directors' service agreements are set out in the directors' remuneration report on page 14.

Corporate governance
CDC supports established best practice in corporate governance and has complied fully with the Combined Code on corporate governance, throughout 2002, as far as is practicable for a company which is wholly owned by HM Government. In addition, there is a commitment to competence and integrity, and in pursuit of its mandate, CDC aspires to apply the highest ethical standards in the conduct of its business (see the report of the business principles committee on page 16).

Statement of directors' responsibilities
Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates which are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

Directors' report (continued)

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Role of the board and processes

The role of the board is to determine the direction and strategy of CDC in accordance with its investment policy; monitor the achievement of business objectives; ensure responsibilities to shareholders are met; ensure that the company is adequately protected against the risks it faces; and ensure that employees apply appropriate ethical standards in the performance of their duties, in accordance with CDC's business principles.

The board meets eight times a year and additionally as required. The chairman and chief executive agree the agenda for board meetings, but all board members are entitled to raise other issues. The chairman ensures that the board is properly briefed on all issues arising at board meetings. The executive directors supply the board with information, on time, and of a quality which enables it to carry out its duties.

Training is provided to all CDC directors and they regularly attend presentations from senior employees on different aspects of CDC's business.

All directors have access to the advice and services of the group secretary, and they can take independent professional advice at CDC's expense, if necessary.

Board membership

The non-executive directors are regarded as independent. From varied business and other backgrounds, they exercise judgement and carry substantial weight in board decisions. They contribute to strategy and policy formation, and monitor CDC's performance and executive management.

The board structure ensures that no one individual or group dominates. Certain matters are reserved for decision/approval by the board, and there is clear delegation of authority to the chief executive and other senior executives within the company for other specified matters. A procedure exists for dealing with matters arising between scheduled board meetings. There are procedures for planning and capital expenditure, for the making of investments, and for information and reporting systems for CDC's businesses and performance.

The articles of association provide for one third of the directors to retire by rotation at each annual general meeting (excluding the two non-executive directors nominated by the Secretary of State – currently Jonathan Kydd and Lalith de Mel). The directors retiring by rotation at the forthcoming annual general meeting are Andrew Reicher and Nicholas Selbie. Being eligible, they offer themselves for re-election.

Role of chairman and chief executive

There is a clear division of responsibility and authority between the chairman and the chief executive. The chairman is responsible for leading the board in determining its strategy and objectives, but he does not participate in the day-to-day business of the company. The chief executive is responsible for the management of the company on a day-to-day basis and is accountable to the board as such.

The chief executive is supported in his role by two committees comprising the executive directors and certain other senior executives:

Management committee
Chaired by the chief executive, it meets weekly to deal with operational issues and to improve communication and co-ordination throughout CDC.

Investment committee
Chaired by the chief investment officer, it meets weekly to consider investment and divestment proposals, with strict delegated authorities from the board which allow it to make certain decisions. All major investment decisions are, however, referred to board for approval.

There are a number of additional executive working groups which support both the operational and investment functions.

Board committees

The board has four principal standing committees to assist it in fulfilling its responsibilities:

Audit and compliance committee
Comprises three non-executive directors: Peter Smitham (chair), Lalith de Mel and Jonathan Kydd. The chief executive and finance director attend by invitation. The committee meets no fewer than three times a year and additionally as required.

The committee's main duties are to oversee the affairs of CDC; review the financial statements; review the findings of the external auditors; direct the internal audit function; monitor the management accounting and valuations procedures and policies; investigate any irregularities; oversee the company's regulated activities and compliance function; monitor the company's risk management function; and make recommendations to the board on remuneration for the external auditors. The committee also reviews CDC's system of internal control, further details of which are set out below.

Business principles committee

Comprises four non-executive directors (including the directors nominated by the Secretary of State): Jonathan Kydd (chair), Lalith de Mel, Lord Cairns and Tim Parker. The chief executive attends by invitation. The committee meets no fewer than three times a year and additionally as required.

The committee ensures that CDC's business principles are embedded in its operations. It also reviews and reports to the board on the continued appropriateness of or change to the business principles. An executive business principles team supports the committee. The report of the business principles committee is on page 16.

Remuneration committee

Comprises three non-executive directors: Jayne Almond (chair), Peter Smitham and Tim Parker. The chairman and chief executive attend by invitation. The committee meets no fewer than twice a year and additionally as required. The committee's remit includes determining remuneration packages for the executive directors and making recommendations to the board on the company's policy on executive remuneration. Details are set out in the directors' remuneration report on page 13.

Nomination committee

Comprises three directors, two of whom are non-executives: Lord Cairns (chair), Jayne Almond and Paul Fletcher. It meets on an ad hoc basis, as required. Its responsibilities include reviewing the board's structure, size and composition, and succession planning (having regard to the rights of the Secretary of State as holder of the special share).

Litigation/legal affairs

Litigation and other legal affairs are managed by the General Counsel's office.

Internal control

The board is ultimately responsible for CDC's internal control system and reviewing its effectiveness. The design and operation of the system is delegated to the executive directors. Its effectiveness is regularly reviewed by the audit and compliance committee. The system described below has not been applied to CDC Group plc's associates and joint ventures.

CDC's internal control system provides the board with reasonable assurance that potential problems will normally be prevented, or will be detected early and appropriate action taken. Material breaches are reported to the audit and compliance committee and are properly actioned. As with any system of internal control, CDC's system is designed to manage, rather than eliminate, the risk of failure and therefore cannot provide absolute assurance against material mis-statement or loss. The audit committee has conducted, in accordance with the Turnbull guidance, a review of effectiveness of the group's internal controls and is satisfied with the internal control system throughout 2002.

The key elements of the system include:

- Detailed business planning and control systems, including annual budgeting, business planning and monthly reporting against financial and business targets.
- Regular reviews by the chief executive of corporate strategies, business principles and commercial objectives.
- Appropriate management authorisation, approval and control levels, from the chief executive down. The board must specifically approve transactions above these levels.
- A regular portfolio valuation process. The greatest single risk to CDC is a significant reduction in the value of its portfolio. This can be considerably affected by external factors beyond CDC's control. The board is, however, satisfied that the valuation process, described in section 5 on page 5 of the operating and financial review, is rigorous and effective.

CDC has an executive internal audit function, which operates to a programme approved by the audit and compliance committee, concentrating on areas of higher risk. In addition, CDC's external auditors review the system of internal controls and the information on them contained in CDC's annual report and accounts to the extent necessary in forming their opinion.

CDC's executive risk management team operates a continuous process, agreed with the audit and compliance committee, of identifying, evaluating and managing any significant risk, financial or non-financial, faced by the company. This process also ensures that appropriate internal control mechanisms are in place. The team provides regular reports to the audit and compliance committee.

Directors' report (continued)

Investment management and voting

In making investments, CDC aims to add value to investee businesses. The basis for assessing added value has included augmenting capital flows, improving project structure, initiating and developing new enterprises and, sometimes, providing technical and professional support.

CDC nominates third parties, as well as its own employees, to serve on the boards of investee companies and managed funds. CDC's policy is full corporate participation, including voting on all resolutions raised at investee company meetings.

Employees

CDC's policy on employment is one of equal opportunity in the recruitment, training, career development and promotion of employees, whether disabled or otherwise.

Formal employee appraisals and informal discussions are the group's principal means of keeping up to date with the views and opinions of its employees. In addition, managers throughout CDC are responsible for keeping their employees up to date with developments and performance of the business, which is achieved via regular feedback meetings.

Policy for paying creditors

CDC's policy is to pay its creditors promptly, as encouraged by UK Government initiatives. At 31 December 2002 the company had an average of 14 days' purchases outstanding in trade creditors (2001: 17 days).

Political and charitable contributions

No political or charitable donations were made by the company during the period.

Auditors

A resolution to re-appoint Ernst & Young LLP as the company's auditors will be put to the forthcoming Annual General Meeting.

Paul Owers
Secretary, CDC Group plc
On behalf of the board of directors
12 March 2003

Directors' remuneration report

Remuneration committee and advisers

The company's remuneration committee is chaired by Jayne Almond and its other members are Tim Parker and Peter Smitham. The committee makes recommendations to the board on the overall remuneration package for executive directors and other senior executives.

The board has appointed Towers Perrin, a leading firm of executive remuneration consultants, to assess comparability to the marketplace; Simmons & Simmons have advised on procedural and employment law matters; Watson Wyatt LLP have advised on retirement and other benefits; Sacker & Partners have advised on the legal aspects of retirement benefits and Ernst & Young LLP have provided tax advice on employee benefits.

Remuneration policy for executive directors and senior executives

CDC needs to be able to attract, develop and retain high quality staff at all levels. The remuneration policy has an important part to play in achieving this objective. CDC aims to offer staff remuneration packages which are competitive in the relevant market-places and which reflect individual performance and experience.

Elements of remuneration

Base salary

Individual base salaries reflect job responsibilities, market rate and the sustained level of individual performance. CDC sets base salaries taking account of the mid-market data derived from appropriate surveys of private equity providers. All salaries are reviewed annually.

Annual bonus

In addition to salary, all employees are eligible for an annual performance-related bonus, which is non-pensionable. The board believes that it is important that executives have an element of their annual remuneration 'at risk' and based on individual contribution. The plan is a short term reward which reflects the individual's performance in the context of the overall performance of CDC, taking account of the adherence to the investment policy and statement of business principles.

Long-term incentive plan

This plan provides all employees with the opportunity to share in the growth of the company over the longer term. The plan incorporates two award types, formula and discretionary. For the latter, awards are determined annually with the quantum of awards and the recipients changing from year to year. For 2002 the executive directors were awarded notional investments at the rate of three and half times their base salary. Notional investments (ie the awards) are held within the plan for a period of three years. Payments are based on the 'gain' generated on the award, calculated on the Net Asset Value (NAV) growth of the company over the plan period, subject to a minimum average growth hurdle of 5% and adherence to the investment policy and statement of business principles. Payments are made in equal instalments over the two years following the plan term and are subject to an annual payment limit. This plan has now been closed and details of a replacement plan are under discussion. Any commitments under existing plans will be honoured.

Since the establishment of the plan, NAV growth has been -3.8% (2000), -13.4% (2001) and +0.4% (2002). There will, therefore, be no financial benefit for the participants in respect of the 2000 plan and it is unlikely that there will be any financial benefit for participants in the 2001 plan.

The table below gives an example of the theoretical level of 'gain' of the 2002 plan for the executive directors if NAV growth averages 10% per annum over the three year life of the plan.

Executive directors	Example total payout at 10% NAV growth £	Total payout at current NAV growth levels £
Alan Gillespie	66,961	-
Richard Laing	54,063	-
Paul Fletcher	53,175	-
Andrew Reicher	53,175	-
Nicholas Selbie	57,114	-

A performance graph as required by the Companies Act has not been provided as the shares of CDC are not traded.

Benefits in kind

Each executive director is provided with life assurance cover which will pay a lump sum equivalent to four times the executive director's salary in the event of the death of the executive director. In addition, permanent health insurance is provided to each executive director in the event that they are unable, through ill-health, to continue to work for the company, and private medical insurance is made available through Private Patients Plan to executive directors and their families.

Pension arrangements

Alan Gillespie received a contribution equal to 17.5% of his base pay towards a personal pension plan while Paul Fletcher and Andrew Reicher received a contribution of 15% of their base pay. Paul Fletcher's contribution increased to 17.5% on his appointment as chief executive on 1 December 2002. Richard Laing and Nicholas Selbie are members of CDC's non-contributory Pensions Scheme (Final Salary section). Richard Laing also receives a contribution to a funded unapproved retirement benefit scheme. Details of pension contributions are shown in the table on page 15.

Directors' remuneration report (continued)

Service agreements

The executive directors have service agreements terminable on both sides by twelve months' notice or if earlier on reaching age 60.

The non-executive directors do not have service agreements. The appointments of non-executive directors have no contractual termination date, but each non-executive director (excluding the non-executive directors nominated by the Secretary of State for International Development) will be subject to re-election at an annual general meeting in accordance with the provisions for retirement of directors by rotation contained in the company's articles of association.

The remuneration of the non-executive directors takes the form solely of fees. The executive directors make recommendations to the chairman of the board in respect of non-executive directors' fees for all the services normally expected of them as members of the board and its committees. The remuneration of the non-executive directors was reviewed in August 2001 and the basic fee for all non-executive directors (except for the chairman and deputy chairman) is £15,000 per annum. The basic fee for the chairman is £45,000 per annum and for the deputy chairman is £20,000 per annum. Non-executive directors receive an additional £1,000 per annum for each committee membership. The fees paid to non-executive directors in 2002 are set out in the table below. The non-executive directors do not participate in any of the incentive or benefit schemes of the company.

Service agreements with executive directors contain no specific termination provisions; however, any compensation claims from departing directors would be scrutinised by the remuneration committee. Alan Gillespie resigned with due notice and no compensation payments were made.

The service agreements and letters of appointment of the directors are as follows:

Outside directorships

The company believes that it can benefit from executive directors holding non-executive appointments; it also believes that such appointments provide a valuable opportunity for personal and professional development. Such appointments are subject to the approval of the board and it is CDC's practice that fees derived from such appointments are normally returned to CDC. Alan Gillespie gave up his appointment as Chairman of the Northern Ireland Industrial Development Board on 31 March 2002 and continued with his non-executive appointment at Elan Corporation plc and as Chairman of Ulster Bank Limited. Alan Gillespie took a reduction in salary to offset the fees from his Ulster Bank appointment. Andrew Reicher is a director of Tree Court Advisers Ltd. Richard Laing, Paul Fletcher and Nicholas Selbie did not hold any external non-executive appointments.

	Date of Contract
Executive directors: (all 12 month notice period)	
Alan Gillespie	8 December 1999
Paul Fletcher	17 January 2001
Richard Laing	24 January 2000
Andrew Reicher	17 January 2001
Nicholas Selbie	17 January 2001
Non-executive directors: (no notice period)	
Lord Cairns	8 December 1999
Jayne Almond	8 December 1999
Jonathan Kydd	8 December 1999
Lalith de Mel	13 April 2000
Tim Parker	18 December 2001
Peter Smitham	15 March 2001

Information subject to audit
Directors' remuneration
The remuneration of the directors is as follows:

	Base salary and fees £	Benefits £	Performance related bonuses £	**Total 2002 £**	Total 2001 £
Non-executive directors					
Chairman Lord Cairns	48,000	-	-	**48,000**	37,500
Deputy chairman Jayne Almond	22,432	-	-	**22,432**	16,333
Jonathan Kydd	16,568	-	-	**16,568**	10,833
Lalith de Mel	17,000	-	-	**17,000**	10,916
Pen Kent (to 1 December 2001)	-	-	-	-	10,250
Russell Seal (to 2 May 2001)	-	-	-	-	4,375
Peter Smitham (from 15 March 2001)	17,000	-	-	**17,000**	8,637
Tim Parker (from 1 December 2001)	17,000	-	-	**17,000**	1,416
Executive directors					
Alan Gillespie (to 30 November 2002)	143,055	9,173	40,000	**192,228**	221,894
Paul Fletcher (from 17 January 2001)	141,225	1,340	90,000	**232,565**	172,562
Richard Laing	139,425	1,406	75,000	**215,831**	171,009
Andrew Reicher (from 17 January 2001)	137,700	1,774	90,000	**229,474**	162,256
Nicholas Selbie (from 17 January 2001)	147,900	1,057	67,500	**216,457**	171,339

Pension entitlements
The pension entitlements for the executive directors are as follows:

	2002 £	2001 £
Contribution to personal pension plan		
Alan Gillespie	**25,035**	29,750
Paul Fletcher	**23,687**	24,781
Andrew Reicher	**21,515**	24,237
Contribution to funded unapproved retirement benefit scheme:		
Richard Laing	**15,230**	12,960

	Accumulated total accrued pension at 31 December 2002 £	Accumulated total accrued pension at 31 December 2001 £	Increase in accrued pension during the year £	**Transfer value at 31 December 2002 £**	Transfer value at 31 December 2001 £	Increase in transfer value during the year* £
Nicholas Selbie	**66,966**	60,819	6,147	**1,173,344**	1,088,595	84,749
Richard Laing	**7,088**	4,571	2,517	**63,856**	49,943	13,913

*Transfer value represents a liability of the company, not a sum paid or due to the individual.

Business principles report

CDC's business principles were formalised in 1998, based on international good practice in business integrity, health and safety, environmental and social issues. We have been working hard since then to apply these in a manner which is both effective and affordable. Both for our own internal purposes, and to provide useful information to external stakeholders, we decided to obtain an independent view of our progress in this regard.

The business principles committee commissioned Ashridge Centre for Business and Society to independently review the application of CDC's Business Principles throughout CDC's investment activities for the 2001 financial year and has retained them to do the same for the 2002 financial year. Their work is ongoing, but they have prepared an interim statement reflecting their views of the progress made during 2002 against the recommendations they put forward in March 2002.

Interim statement from the Ashridge Centre for Business and Society: CDC's progress in implementing its business principles
Ashridge is conducting an objective review of how CDC's business principles influence the way investments are selected, monitored and managed. The review is limited to examining the effectiveness of CDC's health and safety, environmental and social (HSES) systems over 2002 – that is, the HSES performance of individual investee companies is not considered.

This year's review is in progress. Nevertheless, Ashridge's investigation to date suggests that CDC has made improvements to its management systems, although there is still work to be done in ensuring that good practice is applied consistently across its portfolio. CDC is also demonstrating its continuing commitment by developing procedures with the potential to take its HSES risk and performance assessment to the next level of sophistication.

Ashridge Centre for Business and Society (February 2003)

Ashridge's full and definitive statement will be made available by June 2003 on CDC's website:
http://www.cdcgroup.com/publications/ashridge2002.pdf

We will continue to improve the practical application of our business principles throughout 2003 and beyond.

Jonathan Kydd
On behalf of the business principles committee

Auditors' report

Independent auditors' report to the members of CDC Group plc

We have audited the Group's financial statements for the year ended 31 December 2002 which comprise group profit and loss account, group balance sheet, company balance sheet, group cash flow statement, group statement of total recognised gains and losses, reconciliation of consolidated shareholders' funds, accounting policies and the related notes 1 to 28. These financial statements have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements, and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code as far as is practicable, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the directors' report, operating and financial review, business principles report and the unaudited part of the directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- The financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2002 and the profit of the group for the year then ended; and
- The financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London
12 March 2003

Group profit and loss account

For the year ended 31 December

	Note	**2002** £m	2001 As restated £m
Turnover	2	**163.7**	228.3
Investment income	2	**72.2**	73.7
Group operating profit	2	**28.4**	14.2
Share of operating profit in associates and joint ventures		**4.0**	4.2
Total operating profit		**32.4**	18.4
Profit on sale of investments		**31.9**	19.0
Exceptional items	3	**(3.4)**	(3.3)
Interest receivable and similar income		**9.7**	9.4
Interest payable and similar charges	5	**(13.4)**	(13.7)
Investment and other provisions		**(21.0)**	(149.8)
Exchange gains and losses		**(2.4)**	(0.3)
Profit/(loss) before taxation		**33.8**	(120.3)
Taxation (charge)	6	**(26.4)**	(8.2)
Share of associates' and joint ventures' taxation	6	**(0.4)**	(0.4)
Profit/(loss) after taxation		**7.0**	(128.9)
Minority interest		**1.5**	10.5
Profit/(loss) for the year transferred to reserves		**8.5**	(118.4)
Profit/(loss) per share	8	**8.5p**	(118.4p)

Group statement of total recognised gains and losses

Profit/(loss) for the year	**8.5**	(118.4)
Exchange difference on retranslation of net assets in subsidiaries	**(27.8)**	6.8
Total recognised gains and losses for the year	**(19.3)**	(111.6)
Prior year adjustment (note 27)	**(4.0)**	–
Total recognised gains and losses since last annual report	**(23.3)**	(111.6)

Reconciliation of consolidated shareholders' funds

Total recognised gains and losses for the year		**(19.3)**	(111.6)
Shareholders' funds at 1 January as restated		**246.3**	357.9
Shareholders' funds at 31 December	21	**227.0**	246.3

Group balance sheet

At 31 December

	Note	2002 £m	2001 As restated £m
Intangible assets	9	**18.4**	21.4
Tangible assets	10	**138.7**	232.6
Investments	11a	**707.9**	677.9
Fixed assets		**865.0**	931.9
Stocks	12	**21.7**	33.8
Debtors	13	**67.5**	99.3
Cash at bank and in hand		**294.4**	227.4
Current assets		**383.6**	360.5
Creditors – amounts falling due within one year			
Short term borrowings	14	**(38.5)**	(188.9)
Other creditors	14	**(90.6)**	(77.3)
Net current assets		**254.5**	94.3
Total assets less current liabilities		**1,119.5**	1,026.2
Creditors – amounts falling due after one year			
Long term borrowings	15	**(851.8)**	(718.5)
Other creditors	15	**(6.0)**	(17.0)
Provisions for liabilities and charges	18	**(8.7)**	(14.8)
Net assets		**253.0**	275.9
Represented by:			
Called up share capital	20	**10.0**	10.0
Profit and loss account	21	**217.0**	236.3
Total equity shareholders' funds		**227.0**	246.3
Minority interest		**26.0**	29.6
		253.0	275.9

The accounts were approved by the members of the Board on 12 March 2003 and were signed on their behalf by:

Lord Cairns
Chairman

Richard Laing
Finance director

The accounting policies and notes on pages 22 to 44 form part of the accounts.

Group cash flow statement

For the year ended 31 December

	Note	**2002 £m**	2001 £m
Cash inflow from operating activities	22a	**103.4**	64.7
Dividends from associates and joint ventures		**2.1**	3.2
Returns on investments and servicing of finance	22b	**(1.1)**	(5.8)
Corporation tax paid		**(5.2)**	(1.5)
Capital expenditure and financial investment	22c	**21.6**	(15.0)
Acquisitions and disposals	22d	**(45.5)**	29.1
Cash inflow before use of liquid resources and financing		**75.3**	74.7
Management of liquid resources		**(60.5)**	(112.7)
Financing	22e	**8.6**	34.3
Increase/(decrease) in cash in the year		**23.4**	(3.7)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year		**23.4**	(3.7)
Cash outflow from increase in liquid resources		**60.5**	112.7
Cash inflow from increase in net debt		**(11.4)**	(32.1)
Decrease in net debt resulting from cash flows		**72.5**	76.9
Loans and finance leases acquired with subsidiaries		**(28.8)**	(2.7)
Loans in disposed subsidiaries		**32.7**	10.4
Translation difference		**7.7**	1.6
Decrease in net debt in the year		**84.1**	86.2
Net debt at start of year	22f	**(680.0)**	(766.2)
Net debt at end of year	22f	**(595.9)**	(680.0)

Company balance sheet

At 31 December

	Note	**2002** £m	2001 As restated £m
Tangible assets	10	**23.1**	26.1
Investments	11e	**733.5**	741.9
Fixed assets		**756.6**	768.0
Debtors	13	**20.0**	32.3
Cash at bank and in hand		**224.4**	143.8
Current assets		**244.4**	176.1
Creditors – amounts falling due within one year			
Short term borrowings	14	**(1.1)**	(125.5)
Other creditors	14	**(110.1)**	(82.5)
Net current assets/(liabilities)		**133.2**	(31.9)
Total assets less current liabilities		**889.8**	736.1
Creditors – amounts falling due after one year			
Long term borrowings	15	**(757.6)**	(632.8)
Other creditors	15	**(0.1)**	(0.4)
Provisions for liabilities and charges	18	**(2.8)**	(9.5)
Net assets		**129.3**	93.4
Represented by:			
Called up share capital	20	**10.0**	10.0
Profit and loss account	21	**119.3**	83.4
Shareholders' funds		**129.3**	93.4

The accounts were approved by the members of the Board on 12 March 2003 and were signed on their behalf by:

Lord Cairns
Chairman

Richard Laing
Finance director

The accounting policies and notes on pages 22 to 44 form part of the accounts.

Accounting policies

Basis of preparation and change in accounting policy
The financial statements are prepared under the historical cost convention and are prepared in accordance with UK generally applicable accounting standards.

The group has adopted FRS 19 'Deferred Tax', which has resulted in a change in accounting policy. Deferred tax is recognised on a full provision basis in accordance with the revised policy described below. Previously, deferred tax was provided for on a partial provision basis, with provision being made on all timing differences to the extent that they were expected to reverse in the foreseeable future. In addition, deferred tax is not now provided in full on the undistributed earnings of overseas subsidiaries.

Basis of consolidation
The group accounts consolidate the accounts of CDC Group plc and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

CDC treats most of its investments as part of an investment portfolio, even where it owns between 20% and 50% in such an investment. It therefore accounts for these at cost less any provisions, rather than equity accounting them, even though it may exercise significant influence over them. Whilst this treatment is in accordance with FRS 9 (Associates and Joint Ventures), certain of these companies fall within the definition of associated undertakings under the Companies Act 1985. In the opinion of the directors, to equity account these investments would fail to reflect the nature of these portfolio investments and would therefore fail to give a true and fair view. The effect of equity accounting these companies would be an increase in group net assets of £76m. It is impracticable to quantify the effect on the results for the year.

Those investments where CDC holds between 20% and 50% and are used to carry out CDC's investment management business are treated as associates and accounted for under the equity method of accounting.

Joint ventures
Entities which are jointly controlled under a contractual agreement by the group and one or more third parties are treated as joint ventures. These joint ventures are accounted for using the gross equity method of accounting.

Income recognition
Dividend income is recognised on a received basis. Interest income is recognised on an accruals basis. Where interest on loans is more than 90 days overdue, all interest is excluded.

Fees and commission income are either recognised as income when received or are apportioned over the life of the related transactions as they are deemed to be earned.

Provisions
Investment provisions are set in conjunction with review of investment valuations, as detailed on page 5. Specific provisions are maintained against those investments and current assets that, in the opinion of the board, have an impairment in value.

Provisions for country risk are held against loan investments and are established on the portfolio based on a methodology that considers the business and economic conditions in a particular country, past credit losses and other relevant factors.

Foreign currencies
On consolidation, assets and liabilities of subsidiary undertakings are translated into sterling at closing exchange rates. The profit and loss account and the cash flow statement are translated at average exchange rates.

Exchange differences arising from the retranslation of net investments in subsidiary and associated undertakings and differences between profit and loss accounts translated at average rates and at closing rates are dealt with in reserves. Other equity investments are shown at original sterling cost. Exchange gains and losses arising in the normal course of trade are included in the profit and loss account.

Derivative financial instruments
CDC is a party to forward foreign exchange contracts in order to manage currency exposure on some foreign currency loans by determining the sterling value of future receipts of loan repayments and interest income. Discounts or premia on these contracts are included in income over the life of the contract. Foreign currency loans and the corresponding forward foreign exchange cover are included in the balance sheet at the year end rate.

Intangible assets
Intangible assets acquired separately from a business or as part of an acquisition of a business, are capitalised at cost. Intangible assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred. Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years.

Goodwill
Goodwill is the excess of purchase consideration over the fair value of net assets acquired. It is capitalised and amortised over its estimated useful economic life, which is limited to the lower of the expected life of the investment or 20 years. All intangible assets are also reviewed for impairment on an annual basis and written down if circumstances indicate that the carrying value may not be recoverable.

Financial fixed assets
Loan and equity investments, together with interests in joint ventures and associated undertakings, are regarded as financial fixed assets as they are held for medium to long-term investment purposes. Loans due for repayment in the next financial year are also classified as fixed financial assets. The net book value of these is disclosed in note 19.

Tangible fixed assets
Fixed assets in use by the group are depreciated on a straight line basis over their estimated useful lives, with the exception of freehold land, which is not depreciated. The following useful lives apply:

Leasehold land and buildings	Tenure of lease
Other buildings	10-40 years
Other fixed assets	2-20 years

Finance costs are capitalised as permitted by FRS 15. The amount of interest capitalised in the year was £ nil (2001: £0.1m). The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Stocks
Stocks and stores are valued at the lower of cost and net realisable value.

Pensions
The cost of providing defined benefit pensions is charged to the profit and loss account on a systematic basis over the expected average remaining service lives of current employees. The costs of providing defined contribution pensions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The group has implemented FRS 17, in so far as the standard requires disclosures in accordance with the transitional rules. These disclosures can be seen in note 25 to the accounts.

Deferred tax
Deferred tax is recognised as a liability or asset if the transactions or events that give rise to an obligation to pay more, or a right to pay less, tax in the future have occurred by the balance sheet date.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the accounts

1. Segmental analysis	**CDC Assets £m**	**CDC Capital Partners £m**	**Total 2002 £m**	Total 2001 As restated £m
Turnover				
Africa	**26.0**	**8.8**	**34.8**	59.7
Latin America	**36.4**	**29.9**	**66.3**	125.8
Asia Pacific	**2.3**	**58.5**	**60.8**	36.3
South Asia	**-**	**1.8**	**1.8**	6.5
	64.7	**99.0**	**163.7**	228.3
Investment income				
Africa	**14.0**	**4.6**	**18.6**	19.5
Latin America	**6.5**	**10.4**	**16.9**	25.1
Asia Pacific	**7.1**	**5.3**	**12.4**	13.8
South Asia	**19.7**	**4.6**	**24.3**	15.3
	47.3	**24.9**	**72.2**	73.7
Total income				
Africa	**40.0**	**13.4**	**53.4**	79.2
Latin America	**42.9**	**40.3**	**83.2**	150.9
Asia Pacific	**9.4**	**63.8**	**73.2**	50.1
South Asia	**19.7**	**6.4**	**26.1**	21.8
	112.0	**123.9**	**235.9**	302.0
Profit/(loss) before interest and taxation				
Africa	**3.6**	**12.0**	**15.6**	(41.6)
Latin America	**27.4**	**(22.1)**	**5.3**	(40.5)
Asia Pacific	**8.4**	**(25.8)**	**(17.4)**	(37.0)
South Asia	**32.5**	**1.5**	**34.0**	3.1
	71.9	**(34.4)**	**37.5**	(116.0)
Interest receivable			**9.7**	9.4
Interest payable			**(13.4)**	(13.7)
Profit/(loss) before taxation			**33.8**	(120.3)
Net assets				
Africa	**95.5**	**93.4**	**188.9**	242.9
Latin America	**84.4**	**306.8**	**391.2**	350.1
Asia Pacific	**37.7**	**111.2**	**148.9**	203.2
South Asia	**88.8**	**81.9**	**170.7**	197.5
	306.4	**593.3**	**899.7**	993.7
Net debt			**(595.9)**	(680.0)
Taxation and provisions for liabilities and charges			**(50.8)**	(37.8)
Net assets per balance sheet			**253.0**	275.9

2. Group operating profit	**2002 £m**	2001 £m
Turnover	**163.7**	228.3
Investment income	**72.2**	73.7
Income	**235.9**	302.0
Cost of sales	**(102.4)**	(157.9)
Gross profit	**133.5**	144.1
Administration expenses		
Auditors' remuneration – UK	**(0.2)**	(0.2)
Auditors' remuneration – overseas	**(0.1)**	(0.1)
Non-audit services – UK	**(0.3)**	(0.3)
Non-audit services – overseas	**(0.1)**	-
Depreciation of owned assets	**(28.3)**	(45.5)
Write off and amortisation of goodwill and brands	**(19.0)**	(5.8)
Other operating expenses	**(61.7)**	(84.4)
Other operating income	**4.6**	6.4
Group operating profit	**28.4**	14.2

3. Exceptional items	**2002 £m**	2001 £m
Loss on disposal of tangible fixed assets	**-**	(2.3)
Costs of fundamental restructuring	**(3.4)**	(0.8)
Loss on closure of operations	**-**	(0.2)
	(3.4)	(3.3)

The effect of the exceptional items on the tax charge for the year is £1.0m (2001: £0.3m).

Fundamental restructuring costs incorporate costs of repositioning CDC Group plc within the market place. For 2002, these costs included staff redundancy costs and professional advisors' costs and for 2001 the charge relates to redundancy costs. Of the payments to advisors, £nil (2001: £nil) was paid to the CDC Group plc auditors for non-audit services.

4. Staff costs	**2002 £m**	2001 £m
Wages and salaries	**30.9**	34.5
Social security costs	**1.7**	2.1
Other pension costs (defined contribution section)	**0.3**	0.6
	32.9	37.2

The average monthly number of employees during the year was made up as follows:

London office	**145**	172
Overseas offices	**92**	129
Subsidiaries	**20,803**	29,854
	21,040	30,155

Details for each director of remuneration and pension entitlements are set out on pages 13 to 15.

5. Interest payable and similar charges	**2002 £m**	2001 £m
Bank loans and overdrafts	**6.6**	11.3
Interest payable on other loans	**6.6**	1.9
Finance charges payable under finance leases	**0.2**	0.5
Interest payable and similar charges	**13.4**	13.7

Notes to the accounts (continued)

6. (a) Tax on profit on ordinary activities
The tax charge is made up as follows:

	2002 **£m**	2001 As restated £m
United Kingdom corporation tax at 30% (2001: 30%)	**(28.2)**	(2.8)
Tax overprovided in previous years	**1.9**	(4.9)
	(26.3)	(7.7)
Double taxation relief	**4.2**	-
	(22.1)	(7.7)
Overseas tax	**(1.3)**	(0.5)
Group current tax	**(23.4)**	(8.2)
Share of associates' current tax	**(0.4)**	(0.4)
Total current tax	**(23.8)**	(8.6)
Deferred tax	**(3.0)**	-
Tax on profit on ordinary activities	**(26.8)**	(8.6)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are reconciled below:

	2002 **£m**	2001 £m
Profit/(loss) on ordinary activities before tax	**33.8**	(120.3)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	**(10.1)**	36.1
(Increase)/decrease in charge due to:		
Provisions not deductible for tax purposes	**(10.9)**	(28.0)
Expenses not deductible for tax purposes (principally goodwill amortisation)	**(7.3)**	0.2
Losses arising in year not relievable against current tax	**(3.0)**	(23.0)
Effect of overseas taxation	**1.5**	8.1
Tax overprovided in previous years	**1.9**	(0.4)
Consolidation adjustments with no tax effect	**6.3**	3.1
Other	**(2.2)**	(4.7)
Total current tax charge	**(23.8)**	(8.6)

(c) Factors that may affect future tax charges

The CDC Act 1999 provides that CDC Group plc will be exempt from UK taxation from a date to be announced by the Secretary of State for International Development. No such announcement has yet been made. This will not affect overseas taxation of the company or of its overseas subsidiaries and associates.

(d) Deferred tax change in accounting policy

The change in accounting policy has resulted in a prior year adjustment for both the group and the parent company. For the group, shareholders' funds at 1 January 2002 have been reduced by £4.0m and the tax charge for the year ended 31 December 2001 has been reduced by £0.6m. The provision for deferred tax has reduced by £20.4m as at 31 December 2001.

For the company, shareholders' funds at 1 January 2002 have increased by £0.6m and the tax charge for the year ended 31 December 2001 reduced by £0.6m. In addition, the provision for deferred taxation reduced by £25.0m at 31 December 2001.

The directors do not consider it practicable to calculate the effect on profit for the current year as a result of the adoption of FRS 19.

7. Profit or loss attributable to members of the parent company

The profit attributable to the members of the parent company was £34.9m (2001: loss of £158.2m).

No profit and loss account is presented for the parent company as permitted by section 230 of the Companies Act 1985.

8. Earnings per share

	2002	2001 As restated
Profit/(loss) per share	**8.5p**	(118.4p)

The calculation of basic and diluted earnings per share is based on a profit of £8.5m for the year and on 100,000,000 ordinary shares.

9. Intangible fixed assets

	Goodwill £m	Brands £m	Total £m
Cost			
At 1 January 2002	21.3	4.8	26.1
Acquisition of subsidiary undertakings (note 11)	14.1	0.2	14.3
Additions	-	2.7	2.7
Disposals	(13.8)	(1.5)	(15.3)
Exchange differences	-	0.5	0.5
At 31 December 2002	**21.6**	**6.7**	**28.3**
Amortisation			
At 1 January 2002	4.2	0.5	4.7
Provided during the year	17.8	1.2	19.0
Disposals	(13.8)	-	(13.8)
At 31 December 2002	**8.2**	**1.7**	**9.9**
Net book value at 31 December 2002	**13.4**	**5.0**	**18.4**
Net book value at 1 January 2002	17.1	4.3	21.4

10. Tangible fixed assets

	Land and buildings £m	Other fixed assets £m	**Group** Total £m	Land and buildings £m	Other fixed assets £m	**Company** Total £m
Cost						
At 1 January 2002	125.8	324.6	450.4	24.8	11.5	36.3
Additions	4.6	21.3	25.9	-	0.7	0.7
Acquisition of subsidiary undertakings	-	0.6	0.6	-	-	-
Disposal of subsidiary undertakings	(22.1)	(85.8)	(107.9)	-	-	-
Disposals	(1.6)	(7.7)	(9.3)	(1.1)	(0.6)	(1.7)
Transfers and write offs	(6.8)	5.2	(1.6)	-	-	-
Exchange differences	(8.2)	(27.9)	(36.1)	(0.2)	(0.3)	(0.5)
At 31 December 2002	**91.7**	**230.3**	**322.0**	**23.5**	**11.3**	**34.8**
Depreciation						
At 1 January 2002	34.9	182.9	217.8	2.3	7.9	10.2
Provided in the year	3.5	24.8	28.3	0.2	1.7	1.9
Disposal of subsidiary undertakings	(3.1)	(40.8)	(43.9)	-	-	-
Disposals	(0.1)	(3.6)	(3.7)	-	(0.3)	(0.3)
Transfers and write offs	(2.2)	0.6	(1.6)	-	-	-
Exchange differences	(3.0)	(10.6)	(13.6)	-	(0.1)	(0.1)
At 31 December 2002	**30.0**	**153.3**	**183.3**	**2.5**	**9.2**	**11.7**
Net book value at 31 December 2002	**61.7**	**77.0**	**138.7**	**21.0**	**2.1**	**23.1**
Net book value at 1 January 2002	90.9	141.7	232.6	22.5	3.6	26.1

Included in other fixed assets were £31.7m of capitalised plantation establishment costs (2001: £39.3m).

The net book value of land and buildings comprises:	**Group** 2002 £m	2001 £m	**Company** 2002 £m	2001 £m
Freehold	**28.3**	35.1	**0.7**	2.0
Long leasehold	**33.4**	55.8	**20.3**	20.5
Total	**61.7**	90.9	**21.0**	22.5

Included under other fixed assets were £0.2m (2001: £19.8m) of assets held under finance leases and hire purchase contracts.

Notes to the accounts (continued)

11. Investments

(a) Group fixed asset investments	2002 £m	2001 £m
Associated undertakings and joint ventures	**11.1**	31.1
Other fixed asset investments	**696.8**	646.8
At 31 December 2002	**707.9**	677.9

Associated undertakings and joint ventures	Share of net assets £m	Loans £m	Total £m
At 1 January 2002	28.5	2.6	31.1
Additions	13.2	-	13.2
Disposals, repayments and transfers to investments	(17.1)	(4.2)	(21.3)
Provisions (charge)/release	(9.1)	2.7	(6.4)
Share of profits net of tax	2.4	-	2.4
Exchange differences	(7.8)	(0.1)	(7.9)
At 31 December 2002	**10.1**	**1.0**	**11.1**

Other fixed asset investments	Listed equity £m	Unlisted equity £m	Loans £m	Total £m
Cost				
At 1 January 2002	86.9	400.9	608.7	1,096.5
Additions	9.5	52.0	41.3	102.8
Realisations and repayments	(19.2)	(15.8)	(117.6)	(152.6)
Investments acquired in subsidiaries	85.1	6.8	-	91.9
Investments made by disposed subsidiaries	(2.4)	(13.5)	1.1	(14.8)
Conversions and transfers in from associates	6.6	43.2	(18.5)	31.3
Write downs	-	(1.3)	(15.0)	(16.3)
Exchange differences	(7.7)	(6.0)	(4.4)	(18.1)
At 31 December 2002	**158.8**	**466.3**	**495.6**	**1,120.7**
Provisions				
At 1 January 2002	39.7	171.2	238.8	449.7
Provisions charge/(release)	1.4	29.0	(15.8)	14.6
Realisations and repayments	(3.7)	(8.6)	-	(12.3)
Conversions	(0.6)	0.4	0.2	-
Write downs	-	(1.3)	(15.0)	(16.3)
Exchange differences	(0.7)	(1.1)	(10.0)	(11.8)
At 31 December 2002	**36.1**	**189.6**	**198.2**	**423.9**
Net book value at 31 December 2002	**122.7**	**276.7**	**297.4**	**696.8**
Net book value at 1 January 2002	47.2	229.7	369.9	646.8

The market value of listed investments at 31 December 2002 was £148.2m (2001: £81.5m).

11. Investments (continued)

(b) Joint ventures and associated undertakings

CDC's share of other joint ventures and associated undertakings' turnover, and other relevant disclosures were as follows:

	Associated undertakings		Aureos		Joint ventures CGU - CDC China Capital Partners		CGU - CDC China Investment company	
	2002 £m	2001 £m	**2002 £m**	2001 £m	**2002 £m**	2001 £m	**2002 £m**	2001 £m
CDC share of turnover	**22.4**	25.0	**1.7**	0.8	**0.8**	0.9	**0.2**	0.4
CDC share of operating profit			**(0.4)**	(0.1)	**0.2**	0.3	**(0.6)**	(0.5)
Gross assets			**6.2**	3.9	**1.5**	1.2	**12.9**	14.2
Liabilities			**(4.8)**	(1.3)	**(0.4)**	(0.4)	**(0.8)**	(0.1)
Net assets			**1.4**	2.6	**1.1**	0.8	**12.1**	14.1
CDC share of net assets			**0.7**	1.3	**0.5**	0.4	**6.0**	7.1

CDC acquired a 51% stake in Tatepa Tea in June 2002. CDC holds two out of nine board seats and does not exercise dominant influence; the investment has therefore been equity accounted as an associated undertaking.

In addition, two subsidiaries have been transferred from group undertakings to associated undertakings in the year, since the minority shareholder has been exercising its right of veto, leading to a loss of control by CDC. CDC owns 80% of Americas and Caribbean Power which in turn holds a 50% stake in Guyana Power and Light.

CDC's share of operating results and net assets of these companies for 2002 was as follows:

	Tatepa Tea £m	Americas and Caribbean Power/ Guyana Power and Light £m
Share of turnover	1.8	17.5
Share of operating profit	0.2	(0.1)
Share of net assets	1.2	12.0

(c) Acquisitions

During the year, the group acquired the following companies which were accounted for as acquisitions:

	Country/region	Date	Consideration £m	Percentage acquired
Southern Cone Power	South America	22 March 2002	£48.3m	67.9%
Betterware	Mexico	12 November 2002	£1.6m	70.0%
PT Harapan Sawit Lestari	Indonesia	25 June 2002	£4.6m	35% (65% already held)

	Southern Cone Power	Better-ware	Harapan	Total £m
The net assets acquired were as follows:				
Intangible fixed assets	-	0.2		0.2
Tangible fixed assets	-	0.6		0.6
Fixed asset investments	91.9	-		91.9
Current assets	30.4	2.9		33.3
Cash	0.6	0.3		0.9
Current liabilities	(66.2)	(1.3)		(67.5)
Total net assets	56.7	2.7		59.4
Minority interest	(18.2)	(0.8)		(19.0)
Net assets acquired	38.5	1.9	-	40.4
Cash consideration	48.3	1.6	4.6	54.5
Goodwill	9.8	(0.3)	4.6	14.1

Notes to the accounts (continued)

11. Investments (continued)

The following table sets out the book values of the identifiable assets and liabilities acquired in Southern Cone Power and their fair value to the group:

	Book value £m	Accounting policy alignment £m	Other significant items £m	Fair value to group £m
Fixed assets:				
Investments	109.0	(17.1)	-	91.9
Current assets:				
Debtors	30.4	-	-	30.4
Cash	0.6	-	-	0.6
Total assets	**140.0**	**(17.1)**	**-**	**122.9**
Liabilities:				
Loans	-	-	(28.8)	(28.8)
Trade creditors	(0.9)	-	-	(0.9)
Taxation	(0.2)	-	-	(0.2)
Other creditors	(36.3)	-	-	(36.3)
Total liabilities	**(37.4)**	**-**	**(28.8)**	**(66.2)**
Net assets	**102.6**	**(17.1)**	**(28.8)**	**56.7**
Minority interest				(18.2)
Goodwill				9.8
				48.3
Satisfied by:				
Cash				**48.3**

Fair value adjustments consist of the removal of inflation adjustments in the Peruvian subsidiary and the recognition of liabilities arising at the acquisition date as a result of the deal structure. These fair values are provisional owing to the valuation exercise at the date of acquisition being ongoing.

Southern Cone Power earned a profit after taxation and minority interests of £5.9m in the year ended 31 December 2002 (2001: £7.1m under US GAAP), of which £3.3m (US GAAP basis) arose in the period from 1 January 2002 to 22 March 2002. Southern Cone Power contributed £5.1m to group revenue in 2002. The summarised profit and loss account for the period from 1 January 2002 to 22 March 2002, shown on the basis of Southern Cone Power's accounting policies prior to the acquisition, is as follows:

	£m
Profit and loss account	
Investment income	3.6
Operating expenses	(0.2)
Operating profit	**3.4**
Profit before taxation	**3.4**
Taxation	(0.1)
Profit after taxation	**3.3**

11. Investments (continued)

(d) Disposals

During 2002, CDC Group disposed of its interest in several agribusiness subsidiaries. The group profit on these disposals was £5.3m. All goodwill arising on the original purchases had been charged to the profit and loss account prior to disposal.

Apart from the cash consideration received for these sales, the only material effect on the cashflow statement of these transactions was the disposal of £4.0m of cash and £2.5m of overdrafts.

	Aquaculture £m	Belize juice £m	Africa agribusiness £m	Total £m
Share of net assets/(liabilities) at date of disposal	4.9	(6.6)	0.3	(1.4)
Cash consideration	0.8	-	3.1	3.9
Profit/(loss) on disposal	(4.1)	6.6	2.8	5.3

(e) Company fixed asset investments	Subsidiary undertakings £m	Associated undertakings £m	Listed equity £m	Unlisted equity £m	Loans £m	Total £m
Cost						
At 1 January 2002	620.9	20.1	43.7	143.7	478.0	1,306.4
Additions	79.7	-	2.2	0.3	11.8	94.0
Realisations and repayments	(46.4)	(1.6)	(9.1)	(3.3)	(86.0)	(146.4)
Transfers and conversions	-	(8.0)	-	8.7	(0.7)	-
Write (downs)/backs	1.7	-	-	(1.2)	(15.0)	(14.5)
Exchange differences	(7.4)	(0.1)	-	-	2.2	(5.3)
At 31 December 2002	**648.5**	**10.4**	**36.8**	**148.2**	**390.3**	**1,234.2**
Provisions						
At 1 January 2002	274.6	8.1	26.1	72.4	183.3	564.5
Provisions charge/(release)	(8.3)	(2.7)	1.8	2.6	(4.2)	(10.8)
Realisations	(24.9)	(0.1)	(3.6)	(1.3)	-	(29.9)
Transfers and conversions	-	-	0.1	0.4	(0.5)	-
Write (downs)/backs	1.7	-	-	(1.2)	(15.0)	(14.5)
Exchange differences	(0.2)	-	-	(0.1)	(8.3)	(8.6)
At 31 December 2002	**242.9**	**5.3**	**24.4**	**72.8**	**155.3**	**500.7**
Net book value at 31 December 2002	**405.6**	**5.1**	**12.4**	**75.4**	**235.0**	**733.5**
Net book value at 1 January 2002	346.3	12.0	17.6	71.3	294.7	741.9

Details of principal subsidiaries and associates are disclosed on page 44.

12. Stocks	**2002** £m	**Group** 2001 £m
Raw materials	**8.1**	9.8
Work in progress	**4.3**	7.8
Finished goods	**9.3**	16.2
	21.7	33.8

Notes to the accounts (continued)

13. Debtors	**Group** 2002 £m	Group 2001 As restated £m	**Company** 2002 £m	Company 2001 As restated £m
Trade debtors	**41.4**	70.0	**-**	-
Amounts owed by group undertakings	**-**	-	**15.8**	17.6
Amounts owed by associated undertakings	**0.5**	0.9	**0.5**	0.5
Other debtors	**14.6**	9.8	**1.3**	4.9
Prepayments and accrued income	**10.1**	18.6	**2.4**	9.3
Taxation recoverable	**0.9**	-	**-**	-
	67.5	99.3	**20.0**	32.3
Amounts falling due after one year included above are:				
Other debtors	**6.9**	2.0	**0.1**	0.1
Prepayments and accrued income	**0.7**	0.8	**-**	-
	7.6	2.8	**0.1**	0.1

14. Creditors: amounts due within one year	**Group** 2002 £m	Group 2001 As restated £m	**Company** 2002 £m	Company 2001 As restated £m
Short term borrowings				
Loans from UK Government	**-**	124.8	**-**	124.8
Other loans	**26.5**	37.0	**-**	-
Total loans	**26.5**	161.8	**-**	124.8
Bank overdrafts	**11.9**	24.4	**1.1**	0.7
Obligations under finance leases and hire purchase contracts	**0.1**	2.7	**-**	-
	38.5	188.9	**1.1**	125.5
Other creditors				
Trade creditors	**10.8**	18.0	**0.1**	0.2
Amounts owed to group companies	**-**	-	**53.9**	46.2
Amount owed to associated undertakings	**0.3**	1.4	**-**	-
Corporation tax	**43.0**	23.0	**42.6**	23.0
Other taxes and social security	**1.1**	0.8	**0.3**	0.3
Other creditors	**16.4**	15.7	**2.3**	0.5
Accruals and deferred income	**19.0**	18.4	**10.9**	12.3
	90.6	77.3	**110.1**	82.5

15. Creditors: amounts falling due after more than one year	**Group** 2002 £m	Group 2001 £m	**Company** 2002 £m	Company 2001 £m
Long term borrowings				
Loans from UK Government	**755.0**	630.2	**755.0**	630.2
Other loans	**96.8**	86.8	**2.6**	2.6
Total loans due after one year (note 16)	**851.8**	717.0	**757.6**	632.8
Obligations under finance leases and hire purchase contracts	**-**	1.5	**-**	-
Total long term borrowings	**851.8**	718.5	**757.6**	632.8
Other creditors				
Accruals and deferred income	**0.8**	3.0	**-**	0.2
Other creditors	**5.2**	14.0	**0.1**	0.2
	6.0	17.0	**0.1**	0.4

16. Loans	Group 2002 £m	Group 2001 £m	Company 2002 £m	Company 2001 £m
Amounts falling due:				
In one year or less on demand	**26.5**	161.8	**-**	124.8
Between one and two years	**239.0**	69.1	**214.4**	44.8
Between two and five years	**173.1**	175.8	**136.3**	135.3
In more than five years	**439.7**	472.1	**406.9**	452.7
	878.3	878.8	**757.6**	757.6
Less: included in creditors: amounts falling due within one year	**(26.5)**	(161.8)	**-**	(124.8)
Total loans due after one year	**851.8**	717.0	**757.6**	632.8
Details of loans not wholly repayable within five years are as follows:				
Department for International Development (UK Government) 0% unsecured, payable in half-yearly instalments with final payment due 2023	**404.3**	450.1	**404.3**	450.1
8.75% bonds of US$50m repayable in half-yearly instalments with final payment due August 2012	**14.6**	-	**-**	-
European Investment Bank 3% secured by guarantee payable in half-yearly instalments with final payment due 2009	**5.7**	11.0	**-**	-
Barclays, 10% secured, repayable monthly ending 2012	**3.5**	-	**-**	-
DEG, unsecured variable rate, payable half-yearly from 2004 to 2010	**3.1**	-	**-**	-
European Investment Bank 0% unsecured debt with repayment linked to realisation of the underlying equity	**2.6**	2.6	**2.6**	2.6
Basic Energy BVI 9% secured payable in half-yearly instalments beginning in 2002 and ending in 2010	**2.4**	3.1	**-**	-
Primary Corporate Holdings Ltd, 0% unsecured	**1.8**	-	**-**	-
Independent state of Papua New Guinea, debenture secured by property over company and group payable in half-yearly instalments with final repayment due 2011	**0.6**	1.2	**-**	-
Republic Bank of Trinidad & National Bank of Industry & Commerce of Guyana 10% secured, payable in monthly instalments ending 2013	**-**	3.6	**-**	-
Others (all of which are under £0.6m individually)	**1.1**	0.5	**-**	-
	439.7	472.1	**406.9**	452.7
Total loan due to Department for International Development				
Included in note 14 creditors due within one year	**-**	124.8	**-**	124.8
Included in note 15 creditors due after one year	**755.0**	630.2	**755.0**	630.2
	755.0	755.0	**755.0**	755.0

17. Obligations under finance leases and hire purchase contracts	Group 2002 £m	Group 2001 £m
Amounts due under finance leases and hire purchase contracts (net of finance charges):		
Within one year	**0.1**	2.7
Within one to two years	**-**	0.8
Within two to five years	**-**	0.7
	0.1	4.2
Annual commitments under non-cancellable operating leases are as follows:		
Land and buildings operating leases which expire:		
Within one year	**0.9**	0.3
Within one to two years	**0.2**	0.2
In two to five years	**0.8**	0.6
In more than five years	**1.0**	0.8
	2.9	1.9
Other operating leases which expire:		
Within one year	**0.3**	2.3
Within one to two years	**0.1**	0.1
In two to five years	**0.2**	1.0
In more than five years	**-**	0.1
	0.6	3.5

Notes to the accounts (continued)

18. Provisions for liabilities and charges	Pensions £m	Deferred taxation £m	Other £m	**Group** Total £m
At 1 January 2002	0.8	25.2	9.2	35.2
Prior year adjustment (note 27)	-	(20.4)	-	(20.4)
At 1 January 2002 as restated	0.8	4.8	9.2	14.8
Arising in the year	0.3	3.0	-	3.3
Utilised	(0.6)	(0.8)	(6.6)	(8.0)
Disposed subsidiary	(0.1)	(0.4)	-	(0.5)
Exchange differences	(0.1)	(0.7)	(0.1)	(0.9)
At 31 December 2002	**0.3**	**5.9**	**2.5**	**8.7**

	Pensions £m	Deferred taxation £m	Other £m	**Company** Total £m
At 1 January 2002	0.3	25.0	9.2	34.5
Prior year adjustment (note 27)	-	(25.0)	-	(25.0)
At 1 January 2002 as restated	0.3	-	9.2	9.5
Arising in the year	0.3	-	-	0.3
Utilised	(0.3)	-	(6.7)	(7.0)
At 31 December 2002	**0.3**	**-**	**2.5**	**2.8**

Other provisions relate to guarantees given by CDC Group plc against subsidiaries and warranties given on disposals in prior years.
The pension provision relates to a small overseas scheme.

The deferred tax balance in the group is made up of:	**2002** **£m**	**Group** 2001 £m
Accelerated capital allowances	**2.6**	1.8
Other timing differences	**3.3**	3.0
	5.9	4.8

The company has an unrecognised deferred tax asset made up of:	**2002** **£m**	**Company** 2001 £m
Accelerated capital allowances	**(0.5)**	(0.4)
Other timing differences	**(2.6)**	(2.1)
	(3.1)	(2.5)

The timing differences giving rise to this deferred tax asset are expected to reverse over a protracted period.
The asset would be recoverable if the company was sufficiently profitable over that period.

19. Financial instruments

An explanation of the group's objectives, policies and strategies for the role of derivatives and other financial instruments in managing the risks of the group can be found in the Operating and financial review on page 6. The following information is provided in accordance with FRS 13 'Derivatives and Other Financial Instruments: Disclosures'. The disclosures below exclude short term debtors and creditors, except for the currency exposure table.

CDC's financial assets (as defined in FRS 13) comprise cash, short term deposits and loan and equity investments. For the purposes of this note, the disclosure on financial assets has been split between these asset classes in order to give more meaningful information. Financial liabilities comprise overdrafts and loans. The benchmark rate for floating rate assets and liabilities is based on one week to six month LIBOR rates.

Interest rate exposures

	Floating rate £m	No interest* £m	Total £m
2002 Financial assets: Cash and short term deposits			
Sterling	**242.6**	**0.1**	**242.7**
US dollars	**36.9**	**0.4**	**37.3**
Other currencies	**11.5**	**2.9**	**14.4**
Total	**291.0**	**3.4**	**294.4**
2001 Financial assets: Cash and short term deposits			
Sterling	106.4	0.3	106.7
US dollars	112.9	1.0	113.9
Other currencies	5.2	1.6	6.8
Total	224.5	2.9	227.4

*The group's no interest cash and short term deposits are repayable on demand.

	Floating rate £m	Fixed rate £m	No interest £m	Total £m	Fixed rate weighted average interest rate %	Fixed rate weighted period to full maturity Years	No interest maximum period to full maturity Years
2002 Financial assets: Loan portfolio							
Sterling	**1.9**	**94.5**	**-**	**96.4**	**10.8**	**2.5**	**-**
US dollars	**34.3**	**307.0**	**23.3**	**364.6**	**9.9**	**3.8**	**3.9**
Other currencies	**2.8**	**13.1**	**20.2**	**36.1**	**6.0**	**4.0**	**3.7**
Total	**39.0**	**414.6**	**43.5**	**497.1**	**10.1**	**3.0**	**3.8**
2001 Financial assets: Loan portfolio							
Sterling	1.9	139.0	-	140.9	10.8	4.1	-
US dollars	87.2	333.6	18.2	439.0	11.4	4.3	4.7
Other currencies	2.3	6.3	25.9	34.5	9.6	4.4	4.3
Total	91.4	478.9	44.1	614.4	11.2	4.3	4.5
2002 Financial liabilities							
Sterling	**3.3**	**18.8**	**757.7**	**779.8**	**3.6**	**7.0**	**7.0**
US dollars	**41.3**	**42.3**	**1.8**	**85.4**	**8.1**	**8.7**	**24.9**
Euros	**7.8**	**2.0**	**-**	**9.8**	**6.7**	**7.9**	**-**
Other currencies	**4.0**	**9.2**	**2.1**	**15.3**	**9.3**	**9.3**	**6.0**
Total	**56.4**	**72.3**	**761.6**	**890.3**	**7.0**	**8.3**	**7.0**
2001 Financial liabilities							
Sterling	-	21.1	757.6	778.7	3.6	8.0	23.0
US dollars	70.1	18.8	-	88.9	9.5	7.5	-
Euros	5.6	3.4	-	9.0	3.6	11.2	-
Belize dollars	10.9	1.6	-	12.5	11.5	1.6	-
Other currencies	4.1	9.6	4.6	18.3	8.7	5.3	3.0
Total	90.7	54.5	762.2	907.4	6.8	7.3	22.9

Notes to the accounts (continued)

19. Financial instruments (continued)

Currency exposures

The table below shows the group's currency exposures that give rise to exchange gains and losses that are recognised in the profit and loss account. Such exposures comprise those monetary assets and liabilities of group companies that are not denominated in their functional currency, after taking into account the effect of forward foreign exchange contracts.

	Net foreign currency monetary assets/ (liabilities)				Net foreign currency monetary assets/ (liabilities)			
Functional Currency	**2002 Sterling £m**	**2002 Dollar £m**	**2002 Other £m**	**2002 Total £m**	2001 Sterling £m	2001 Dollar £m	2001 Other £m	2001 Total £m
Sterling	**-**	**(9.4)**	**(0.4)**	**(9.8)**	-	(29.5)	-	(29.5)
US dollars	**(0.3)**	**-**	**(10.3)**	**(10.6)**	0.5	-	(37.0)	(36.5)
Peruvian new soles	**-**	**(31.5)**	**-**	**(31.5)**	-	-	-	-
Guyanese dollars	**-**	**-**	**-**	**-**	-	(8.3)	-	(8.3)
Singapore dollars	**-**	**6.8**	**-**	**6.8**	-	0.3	-	0.3
Malaysian ringgit	**17.9**	**0.4**	**-**	**18.3**	-	0.4	-	0.4
Other currencies	**0.9**	**(1.5)**	**(1.5)**	**(2.1)**	-	(1.4)	1.9	0.5
	18.5	**(35.2)**	**(12.2)**	**(28.9)**	0.5	(38.5)	(35.1)	(73.1)

The following table shows the functional currency of the companies holding CDC's equity investments:

	Unlisted equity at cost 2002 £m	**Listed equity at cost 2002 £m**	**Investments in associates at cost 2002 £m**	**Total 2002 £m**	Unlisted equity at cost 2001 £m	Listed equity at cost 2001 £m	Investments in associates at cost 2001 £m	Total 2001 £m
Sterling	**417.2**	**59.1**	**28.0**	**504.3**	371.5	73.5	22.0	467.0
Peruvian new soles	**-**	**74.7**	**-**	**74.7**	-	-	-	-
US dollars	**36.8**	**2.8**	**-**	**39.6**	18.8	-	-	18.8
Malaysian ringgit	**0.9**	**20.1**	**-**	**21.0**	1.0	13.6	-	14.6
Other currencies	**11.4**	**2.1**	**-**	**13.5**	5.9	3.4	-	9.3
	466.3	**158.8**	**28.0**	**653.1**	397.2	90.5	22.0	509.7

	2002 Total loan investments £m	2001 Total loan investments £m
Maturity profile of financial assets – loan portfolio		
Due within one year	**185.4**	185.3
Due within one to two years	**74.1**	109.5
Due within two to five years	**106.0**	161.3
Due after five years	**131.6**	158.3
	497.1	614.4

Total loan investments consist of loans to associates at cost of £1.5m (2001: £5.7m) and other loans at cost of £495.6m (2001: £608.7m).

	2002 Government loan £m	**2002 Other financial liabilities £m**	**2002 Total financial liabilities £m**	2001 Government loan £m	2001 Other financial liabilities £m	2001 Total financial liabilities £m
Maturity profile of financial liabilities						
Due within one year	**-**	**38.5**	**38.5**	124.8	65.6	190.4
Due within one to two years	**214.4**	**24.6**	**239.0**	44.8	24.3	69.1
Due within two to five years	**136.3**	**36.8**	**173.1**	135.3	40.5	175.8
Due after five years	**404.3**	**35.4**	**439.7**	450.1	22.0	472.1
	755.0	**135.3**	**890.3**	755.0	152.4	907.4

19. Financial instruments (continued)

Borrowing facilities

The group's borrowing limit at 31 December 2002 in accordance with the Articles of Association was £2,000m.

Committed but undrawn borrowing facilities

	2002 £m	2001 £m
Expiring within one year	**95.9**	97.1
Expiring within one to two years	**-**	1.6
Expiring after two years	**4.8**	-
	100.7	98.7

Fair value of financial assets and liabilities

Financial assets

Quoted and unquoted equity investments are included in the balance sheet at cost less provisions. The market value of quoted investments is disclosed in Note 11 and the fair value of equity on a portfolio basis is included in the summary statement of total return on page 2. Due to the nature of the group's loans and since no liquid market exists for these loans, it has not been possible to estimate a reliable fair value for them. There is no material difference between the fair value and book value of the group's cash and short term deposits.

Financial liabilities

The group's borrowings consist primarily of a Government loan repayable in instalments, with the final instalment falling due in 2023. A comparison by category of the fair values and book values of the group's financial liabilities at 31 December was as follows:

	Book value 2002 £m	**Fair value 2002 £m**	Book value 2001 £m	Fair value 2001 £m
Sterling	**(779.8)**	**(605.1)**	(778.7)	(523.8)
US dollars	**(85.4)**	**(91.9)**	(88.9)	(91.3)
Other currencies	**(25.1)**	**(23.7)**	(39.8)	(39.9)
Total	**(890.3)**	**(720.7)**	(907.4)	(655.0)

The fair value of the fixed rate borrowings has been calculated by discounting cash flows at prevailing market rates of interest.

Derivative financial instruments held to manage foreign currency exposure

The activities of the group are limited to holding forward foreign exchange contracts ("FFECs") to hedge currency exposures. These FFECs have maturities designed to match the exposures they are hedging and the group holds them to maturity. Exchange gains and losses on the non-sterling loans are offset where appropriate with opposing gains or losses on applicable FFECs. As stated in the accounting policies, discounts and premia on the FFECs are included in income over the life of the contract with the amortised balance included within debtors or creditors. Unrealised gains and losses on FFECs which are attributed to future interest receivable are unrecognised, being deferred until the transaction occurs.

The table below shows the fair value of unrealised FFECs when marked to market. This is split between the profits and losses relating to FFEC hedging activities that have been recognised, and those that remain unrecognised in the accounts.

	2002 £m	**Total unrecognised gains/(losses) £m**	2001 £m	Total unrecognised gains/(losses) £m
Recognised loss on revaluation of FFECs	**-**		(32.9)	
Recognised premia on FFECs	**1.1**		6.2	
Recognised profits/(losses) relating to FFECs	**1.1**		(26.7)	
Unrecognised profit/(loss) on revaluation of FFECs at year end exchange rates	**2.3**	**2.3**	(3.2)	(3.2)
Unrecognised discounts on FFECs	**(4.4)**	**(4.4)**	(4.4)	(4.4)
Total value to business of FFECs	**(1.0)**	**(2.1)**	(34.3)	(7.6)
Fair value of FFECs	**(9.9)**		(42.5)	
(Loss) on calculation of fair value of FFECs	**(8.9)**	**(8.9)**	(8.2)	(8.2)
Total unrecognised loss		**(11.0)**		**(15.8)**

Notes to the accounts (continued)

19. Financial instruments (continued)

An analysis of unrecognised gains and losses on the FFECs is as follows:

	Unrecognised profit/(loss) on revaluation of FFECs at year end exchange rate £m	Unrecognised premia/ (discounts) on all FFEC contracts £m	Gain on calculation of fair value £m	Total £m
Unrecognised losses at 1 January 2002	(3.2)	(4.4)	(8.2)	(15.8)
Previously unrecognised (gains)/losses relating to hedges recognised in the year	(0.8)	0.2	-	(0.6)
Revaluation of gain/(loss)	6.3	-	(0.7)	5.6
Losses in new contracts	-	(0.2)	-	(0.2)
Gains/(losses) at 31 December 2002	2.3	(4.4)	(8.9)	(11.0)
of which				
Gains/(losses) expected to be included in 2003 income	0.2	(0.2)	(2.2)	(2.2)
Gains/(losses) expected to be included in 2004 income or later	2.1	(4.2)	(6.7)	(8.8)
	2.3	(4.4)	(8.9)	(11.0)

Fair values of FFECs have been calculated by comparing contracted forward rates to market forward rates taken as at the year end.

Derivative financial instruments held to manage commodity sales price risk

	Book value 2002 £m	**Fair value 2002 £m**	Book value 2001 £m	Fair value 2001 £m
Forwards and options	**-**	**(0.8)**	-	0.8

The fair value of the commodity derivatives is calculated based on the market price available for the same contracts at the balance sheet date.

20. Share capital	**2002 £m**	2001 £m
Authorised ordinary shares		
100,000,000 ordinary shares of 10p each	**10.0**	10.0
Allotted, called up and fully paid ordinary shares		
100,000,000 ordinary shares of 10p each	**10.0**	10.0

Special preference share

One special preference share of £1 is authorised, issued and fully paid. The ownership of the special preference share is restricted to the agents of the Crown. It has special rights to restrict changes to the company's memorandum and articles of association, and changes to the company's capital structure. The share otherwise carries no voting rights and no rights to share in the capital or profits of CDC.

21. Reconciliation of movements in shareholders' funds	Share capital £m	P&L reserves £m	**Group** Total reserves £m	Share capital £m	P&L reserves £m	**Company** Total reserves £m
At 1 January 2002	10.0	240.3	250.3	10.0	82.8	92.8
Prior year adjustment (note 27)	-	(4.0)	(4.0)	-	0.6	0.6
At 1 January 2002 as restated	10.0	236.3	246.3	10.0	83.4	93.4
Profit for the year	-	8.5	8.5	-	34.9	34.9
Exchange gains and losses	-	(27.8)	(27.8)	-	1.0	1.0
At 31 December 2002	**10.0**	**217.0**	**227.0**	**10.0**	**119.3**	**129.3**

22. Notes to the statement of cash flows	2002 £m	2001 £m
(a) Reconciliation of operating profit to net cash inflow from operating activities		
Group operating profit	**28.4**	14.2
Depreciation	**28.3**	45.5
Amortisation and write off of goodwill and other intangibles	**19.0**	5.8
(Increase) in stocks	**(5.5)**	(1.8)
Decrease in debtors	**46.4**	32.0
Increase/(decrease) in creditors and provisions	**4.6**	(7.4)
Fundamental restructuring	**(1.3)**	(6.5)
Closure of business segment	**-**	(0.2)
Exchange and other movements	**(16.5)**	(16.9)
Net cash inflow from operating activities	**103.4**	64.7
(b) Returns on investments and servicing of finance		
Interest received	**9.6**	10.4
Interest paid	**(9.1)**	(14.5)
Dividends paid to minority interests	**(1.6)**	(1.7)
Net cash (outflow) from returns on investments and servicing of finance	**(1.1)**	(5.8)
(c) Capital expenditure and financial investment		
Loan redemptions	**119.0**	102.2
Proceeds from equity realisations	**27.1**	42.3
Payments to acquire fixed assets	**(25.9)**	(45.3)
Payments to acquire intangible fixed assets	**(2.7)**	(0.7)
Proceeds from disposal of fixed assets	**5.3**	10.8
New loan and equity investments	**(101.2)**	(124.3)
Net cash inflow/(outflow) from capital expenditure and financial investment	**21.6**	(15.0)
(d) Acquisitions and disposals		
Purchase of subsidiary undertakings	**(56.8)**	-
Cash acquired in subsidiaries	**0.5**	0.4
Purchase of interest in joint venture	**(4.7)**	(5.3)
Sale of subsidiary undertakings	**15.5**	37.5
Deferred consideration on Guyana Power & Light	**-**	(3.5)
Net cash (outflow)/inflow from acquisitions and disposals	**(45.5)**	29.1
(e) Financing		
Issue of share capital to minority interest	**2.3**	2.5
Redemption of shares by minority interest	**(5.0)**	(0.3)
Capital element of finance lease payments	**(0.1)**	(1.5)
Debt due within one year:		
Increase in short term borrowings	**2.1**	12.9
Repayment of short term borrowings	**(40.5)**	(11.3)
Debt due after one year:		
Increase in long term borrowings	**59.9**	35.6
Repayment of long term borrowings	**(10.1)**	(3.6)
Net cash (outflow)/inflow from financing	**8.6**	34.3

Notes to the accounts (continued)

22. Notes to the statement of cash flows (continued)

	At 31 December 2001 £m	Cash flow £m	Acquisitions £m	Disposals £m	Other movements £m	Exchange £m	**At 31 December 2002 £m**
(f) Analysis of net debt							
Cash at bank and in hand	227.4	71.4				(4.4)	**294.4**
Less liquid resources	(208.3)	(60.5)				5.0	**(263.8)**
Overdrafts	(24.4)	12.5				-	**(11.9)**
Cash per group cash flow statement	(5.3)	23.4				0.6	**18.7**
Liquid resources	208.3	60.5	-	-	-	(5.0)	**263.8**
Debt due within one year excluding overdrafts	(164.5)	38.4	(28.8)	9.9	114.7	3.7	**(26.6)**
Debt due after one year	(718.5)	(49.8)	-	22.8	(114.7)	8.4	**(851.8)**
Net debt	(680.0)	72.5	(28.8)	32.7	-	7.7	**(595.9)**

23. Capital commitments

Amounts contracted for but not provided in the accounts amounted to £231.7m (2001: £259.8m) for subscriptions to debentures, loans and shares, including commitments of £98.9m (2001: £26.2m) to subsidiaries.

Subsidiaries had capital commitments of £5.5m (2001: £2.5m).

24. Contingent liabilities

The company has guaranteed the performance of contracts by certain subsidiaries to the extent of £26.3m (2001: £49.8m) and of other companies to the extent of £116.0m (2001: £91.3m).

25. Pension commitments

The company operates one funded pension scheme in the UK, called the CDC Pensions Scheme. This provides benefits on a defined benefit basis for staff who entered service prior to 1 April 2000. Subsequent entrants are eligible for membership of a separate, defined contribution section of the scheme. In accordance with statutory requirements, membership of the scheme is voluntary. The pension scheme is funded by the payment of contributions to a separately administered trust fund.

An actuarial valuation of the scheme was carried out at 31 March 2001 by independent consulting actuaries, using the projected unit method. Under the projected unit method, the current service cost will increase as the members of the scheme approach retirement. The next periodical valuation of the scheme is planned for 31 March 2003.

The results of the 31 March 2001 valuation are as follows:

Main assumptions	**% per annum**
Rate of return of investments	5.8
Salary increases	4.5
Pension increases	
Pre 1 May 1996 joiners (for pension accrued before 1 April 2000)	5.0
Pre 1 May 1996 joiners (for pension accrued after 31 March 2000) and post 30 April 1996 joiners	2.5
Rate of price inflation	2.5

	£m
Market value of scheme's assets	205.0

The value of the scheme's assets was calculated to be 125% of the amount needed to cover the benefits that had accrued to scheme members, after allowing for expected future salary increases and expected future pension increases. Acting on the advice of the actuary, the company ceased contributing to the scheme in respect of the members of the defined benefit section of the scheme, with effect from 1 January 2001.

Statement of Standard Accounting Practice Number 24 'Accounting for Pension Costs' requires that the costs of providing pensions are recognised over the period benefiting from the employees' services, with any difference between the charge to the profit and loss account and the contributions paid to the scheme being shown as an asset or liability in the balance sheet. The pension cost has been assessed in accordance with the advice of qualified independent actuaries using the projected unit method. Variations in cost have been spread over the estimated average remaining working lifetime of the members of the defined benefit section of the scheme. The total pension cost in respect of the scheme, including the contributions paid in respect of the defined contribution section, was £0.3m (2001: £0.2m). No contributions were paid to the scheme in respect of the members of the defined benefit section of the scheme during 2002.

25. Pension commitments (continued)

The disclosures required under the transitional arrangements within FRS17 'Retirement Benefits' have been calculated by qualified independent actuaries based on the most recent full actuarial valuation at 31 March 2001 updated to 31 December 2002. The financial assumptions used were:

	As at 31 December 2002 % per annum	As at 31 December 2001 % per annum
Discount rate	**5.5**	5.8
Salary increases	**4.0**	4.5
Pension increases:		
Pre 1 May 1996 joiners (for pension accrued before 1 April 2000)	**5.0**	5.0
Pre 1 May 1996 joiners (for pension accrued after 31 March 2000) and post 30 April 1996 joiners	**2.5**	2.5
Rate of price inflation	**2.5**	2.5

The scheme's assets and the expected rates of return were:

	As at 31 December 2002		As at 31 December 2001	
	Expected rate of return % per annum	**Market value £m**	Expected rate of return % per annum	Market value £m
Equities	**8.65**	**49.9**	7.90	122.0
Bonds	**5.10**	**109.7**	5.46	58.4
Other	**6.27**	**13.5**	6.26	12.0
Total (excluding money purchase assets)		**173.1**		192.4

The following amounts were measured in accordance with the requirements of FRS 17:

	As at 31 December 2002 £m	As at 31 December 2001 £m
Total market value of scheme's assets	**173.1**	192.4
Present value of the scheme's liabilities	**(171.0)**	(165.2)
Surplus in the scheme	**2.1**	27.2
Related deferred tax liability	**(0.6)**	(8.2)
Net pension asset	**1.5**	19.0

If the above amounts had been recognised in the accounts, the group's net assets and profit and loss account reserve, would be as follows:

	As at 31 December 2002 £m	As at 31 December 2001 £m
Net assets excluding pension asset	**253.0**	275.9
Pension asset	**1.5**	19.0
Net assets including pension asset	**254.5**	294.9
Profit and loss account reserve excluding pension asset	**217.0**	236.3
Pension reserve	**1.5**	19.0
Profit and loss account reserve	**218.5**	255.3

Notes to the accounts (continued)

25. Pension commitments (continued)

Had FRS 17 been adopted in full, the following amounts would have been included in the financial statements:

Analysis of the amount charged to operating profit	**2002 £m**
Current service cost	**2.9**
Past service cost	**-**
Total operating charge	**2.9**

Analysis of the amount credited to other finance income	
Expected return on scheme assets	**(13.4)**
Interest on scheme liabilities	**9.3**
Net return	**(4.1)**
Net charge/(credit) for period	**(1.2)**

Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)	**£m**
Expected return less actual return on scheme assets	25.5
Experience (gains)/losses arising on scheme liabilities	(2.5)
Changes in assumptions underlying the present value of scheme liabilities	3.3
Actuarial loss recognised in statement of recognised gains and losses	26.3

Experience gains and losses	**£m**
Difference between the expected and actual return on scheme assets	25.5
Percentage of scheme assets at 31 December 2002	14.7%
Experience (gains)/losses on scheme liabilities	(2.5)
Percentage of scheme liabilities at 31 December 2002	(1.5)%
Total actuarial loss recognised in statement of total recognised gains and losses	26.3
Percentage of scheme liabilities at 31 December 2002	15.4%

Movement in surplus during the year	**£m**
Surplus in scheme at beginning of the year	27.2
Movement in year:	
Current service cost	(2.9)
Contributions paid	-
Other finance income	4.1
Actuarial loss	(26.3)
Surplus in scheme at end of the year	2.1

26. Related party transactions

The Department for International Development (DFID) is the company's sponsoring Government department and provides funding in the form of interest free loans. It is the ultimate controlling party. Details of the loans and the amounts due are disclosed in notes 14, 15, 16 and 19.

In August 2000, the company issued a special debenture of £159.6m to DFID, which was repaid in September 2000 by the transfer of economic interest in £159.6m of public sector loan assets. CDC continues to monitor and administer the assets applied in redemption of the special debenture, for which it receives reimbursement of costs. Cost reimbursement of £3.9m was received during 2002 (2001: £5.1m).

26. Related party transactions (continued)

Robert Hart, managing director of CDC Globeleq, became a member of the CDC Management committee in March 2002, subsequently becoming an employee of the company, and is therefore a related party. He owns a 60% interest in Hart Energy Haina Ltd (HEH) and Hart Energy International (HEI). Prior to Mr Hart's appointment to CDC, CDC Group plc and other members of the group entered into agreements with HEH and HEI in connection with two transactions, Haina and Southern Cone.

Haina

In April 1999, a consortium including CDC retained HEH to manage the acquisition of the Haina power generating assets in the Dominican Republic. As part of its compensation, HEH was granted an option to acquire an interest in the project at par. In support of that option, CDC Haina Mauritius (CDCHM), a wholly owned subsidiary of CDC Group plc, made a loan of US$9.1m to HEH on 28 June 2000. The loan is secured by a 6.7% shareholding in Haina Group Holdings, in which CDC has a holding of 44.7%. Interest is charged at 18% pa but need only be paid once dividends have been received by HEH. Interest continues to accrue, if not paid, until the earlier of having sufficient dividend receipts to cover the interest or 31 December 2004, when CDCHM can call on the security. The loan is due to be repaid in full on 31 December 2003. In 2002, HEH received US$0.2m (2001: US$1.7m) as dividends from Haina Group Holdings and paid 65% of those dividends (2001: 65%) to CDCHM as required under the loan agreement. HEH is also required to vote its shares as directed by CDCHM. In the books of CDCHM, US$2.6m of interest has been provided against (2001: US$1.1 interest).

Southern Cone

In July 2000, CDC Group plc entered into an agreement with HEI to pursue the acquisition of power assets in Latin America. The acquisition, which was completed in March 2002, involved an investment by CDC Group plc in Southern Cone Power Ltd (SCP). CDC Group plc acquired 67.9% of this group for US$69.0m. Under the terms of the July 2000 and subsequent agreements, HEI acquired 1.9% of SCP for a nominal sum of US$100 in consideration for assigning exclusivity rights on the transaction to CDC and for management services surrounding the acquisition.

Transactions with associated undertakings

The following amounts were outstanding from associated undertakings and joint ventures at 31 December 2002:

	Loan £m	Debtors £m
Ayojana Fund Pvt Ltd	1.0	-
CGU-CDC China Capital Partners Ltd	-	0.1
CGU-CDC China Investment Company	-	0.1
Aureos Advisers Limited	-	0.3

27. Prior year adjustment

The 2001 financial statements have been restated for the application of FRS 19, which resulted in a change in accounting policy for CDC Group plc. The effects of the change in policy are summarised below:

	Group 2001 £m	**Company** 2001 £m
Profit and loss account		
Current tax	(3.4)	(3.4)
Deferred tax	4.0	4.0
Decrease in loss for the year	0.6	0.6
Balance sheet		
Debtors	(1.4)	(1.4)
Other creditors	(23.0)	(23.0)
Provisions for liabilities and charges	20.4	25.0
(Decrease)/increase in net assets	(4.0)	0.6

28. Principal subsidiaries and associates

The principal subsidiary and associated undertakings of the group at 31 December 2002 and the group percentage of equity capital are set out below. Those held directly by the company are marked with an asterisk. A complete list of investments in subsidiary and associated undertakings and joint ventures will be attached to the parent company's annual return made to the Registrar of Companies.

Region/Country of incorporation and operation	Company	Class of share	Percentage held by CDC	Principal activities
SUBSIDIARIES				
AFRICA				
Mauritius	CDC Financial Services (Mauritius) Ltd*	Ordinary	100	Investment holding
		Preference	100	
Mauritius	Pacific Rim Palm Oil Ltd	Ordinary	100	Investment holding
		Preference	100	
Mauritius	Pan African Holdings Ltd*	Ordinary	100	Investment holding
Mauritius	Nandi Investments Ltd	Ordinary	100	Private equity fund
		Preference	100	
Zambia	Mpongwe Development Company Ltd*	Ordinary	89.5	Milling and farming
LATIN AMERICA				
Barbados	CDC (Euro) Ltd*	Ordinary	100	Investment holding
Barbados	CDC Holdings (Barbados) Ltd*	Ordinary	100	Investment holding
		Preference	100	
British Virgin Islands	CDC Haina Ltd*	Ordinary	100	Investment holding
Dominica	Dominica Electricity Services Ltd	Ordinary	71.9	Electricity generation, transmission and distribution
Cuba	Caribbean Finance Investment Company Ltd	Ordinary	60	Financial institution
Cuba	CDC Equipment Leasing Ltd	Ordinary	100	Leasing company
Netherlands Antilles	CDC Capital Partners Netherlands Antilles NV*	Ordinary	100	Investment holding
South America	Southern Cone Power Ltd	Ordinary	67.9	Power generation, transmission and distribution
ASIA PACIFIC				
Malaysia	CDC Holdings Sdn Bhd*	Ordinary	100	Investment holding
Papua New Guinea	Pacific Rim Plantations Ltd	Ordinary	75.7	Oil palm and cocoa cultivation and processing
Solomon Islands	Kolombangara Forest Products Ltd*	Ordinary	82.2	Timber production/processing

ASSOCIATES AND JOINT VENTURES				
AFRICA				
Mauritius	Aureos Capital Ltd*	Ordinary	50	Private equity fund
LATIN AMERICA				
Guyana	Guyana Power and Light Inc	Ordinary	40	Electricity generation, transmission and distribution
ASIA PACIFIC				
China	CGU - CDC China Investment Company Ltd	Ordinary	50	Investment holding

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