



Press release

For immediate release on 26th February 2016

Candover* Investments plc Preliminary unaudited results for the year ended 31st December 2015

- **NAV per share of 243p at 31st December 2015**, a 55% decrease (302p) compared to the prior year (31st December 2014: 545p).
- **Value of Expro International written down by £43.6 million (199p) to £0.5 million** as turmoil in oil markets continues to impact on performance.
- **Aggregate portfolio valuations down £47.1 million (215p)** reflecting the Expro write down.
- **The combined portfolio, excluding Expro, reported an 11% increase in EBITDA year on year.**
- **Debt refinanced in July 2015 providing more flexibility** to mitigate delays in realisations and the ability to bring forward cash returns to shareholders.
- **Net debt increased to £33.2 million at year end (2014: £27.3 million)** reflecting realisation proceeds, offset by a follow-on investment, operating and financing costs together with an adverse foreign currency movement of £2.1 million.
- **Sale of the two constituent businesses of Stork BV announced during 2015** expected to generate proceeds of £20 million, including £5.9 million from Fokker received in December 2015. Completion of Stork sale expected early 2016.

Malcolm Fallen, Chief Executive Officer, said:

“The year has been particularly difficult as the decline in the oil price continued and resulted in a dramatic reduction in the value of our investment portfolio. This was a consequence of Expro’s position as our largest asset at the start of the year in a highly concentrated portfolio.

As we move towards the realisation of our remaining four assets, the ability of Arle to achieve timely exits may be hindered by the uncertain external outlook. Our refinancing, which was completed in 2015, gives comfort that we have the flexibility to deal with that uncertainty.”

Ends.

*Candover means Candover Investments plc and/or one or more of its subsidiaries.

For further information, please contact:

Candover Investments plc
Malcolm Fallen, CEO +44 20 7489 9848

Chairman's statement

The year has been particularly challenging.

The fall in oil prices has continued to impact adversely on shareholders. I noted this time last year that, as the portfolio becomes ever more concentrated, an external systemic shock, like a marked fall in oil prices, would adversely impact on the long term value of our investments.

After writing down Expro by 141p per share in 2014, as oil prices began to drop, it is extremely disappointing to report that we have all but written off this investment following a further 199p per share drop in its value as the oil price has continued to decline. The current year's write down of Expro's value accounts for over two thirds of the reduction in our NAV to 243p per share at the end of 2015.

At this time last year, the Board noted that it was actively considering alternative sources of funding to mitigate any shortfall in realisation proceeds that would prevent us from repaying the US private placement notes ("US PP Notes") at their maturity date. In July 2015 the Company announced that it had agreed a new term loan facility which, together with then available cash balances, allowed the Company to repay the US PP Notes.

The terms of the new facility permit the Company to return up to £21.8 million (equivalent to 100 pence per share) to shareholders, ahead of any repayment of debt, following the realisation of assets. This is in contrast to the Company's previous debt arrangements where the repayment of debt was always prioritised ahead of shareholder distributions.

The Board continues to be committed to the highest standards of corporate governance. We keep the requirements under review, applying the aspects of the Code that are relevant to the business in the context of our strategy to have our investment portfolio realised and return cash to shareholders. As the Company is in run off, certain requirements of the Code are neither cost effective to comply with nor relevant given the Company is progressively winding down its business.

Mindful of the general volatility in the markets, the year ahead will, hopefully, see the realisation of our remaining major assets by our investment manager, Arle, enabling us to start returning cash to shareholders. We will continue to track Arle's progress over the year ahead as it manages and prepares to realise the remainder of the portfolio.

The Board is not recommending a dividend payment but the payment of dividends in the future will be reviewed, in the context of our focus on delivering a progressive return of cash to shareholders over time, as realisations are achieved by our investment manager.

Richard Stone
Chairman
26th February 2016

CEO's report

Our strategy is to achieve a progressive return of cash to shareholders over time. To support the delivery of this strategy, our focus remains twofold. First, we continue to ensure that the Company remains financially stable; and second, we actively review and monitor the performance of Arle, our investment manager, as it seeks to maximise and realise the value of the portfolio.

Net asset value

The Company's net assets per share of 243p at 31st December 2015 decreased 55% over the prior year (545p) largely reflecting the impact of Expro. During the first half of the year, NAV declined 175p per share with valuations, including adverse foreign currency movements, accounting for 150p of the decline. During the second half, NAV declined a further 127p per share with valuations, after favourable foreign currency movements, accounting for 65p of the fall.

Our operating model means that there are two clear components to NAV progression. These are the value of the portfolio assets and any changes therein; and the costs incurred in running the business which are principally the fees we pay to Arle; and the interest costs associated with our debt facilities. The impact of these costs on NAV will either be offset by increases in the valuation of the portfolio during any financial period or will exacerbate the impact of any reductions in portfolio value. NAV growth, therefore, is solely dependent on improvements in the valuation of the portfolio managed by Arle exceeding our costs.

The value of the portfolio decreased by £43.8 million (201p per share) over the year, on a constant currency basis. The principal movement within the portfolio was a £45.6 million decrease, before currency movements, in the valuation of Expro. The decline reflects the impact of continued weakness in the energy services market which impacted adversely on Expro's trading. As a consequence of this weakness, Expro completed a major refinancing during the year to make its capital structure more resilient to a prolonged downturn. This has resulted in further dilution for Candover because it has not been able to make follow on investments alongside the Candover 2008 Fund since January 2010.

The aggregate value of Parques and Technogym has increased by £12.3 million on a constant currency basis, reflecting improved trading. The valuation of Stork BV declined by £7.0 million reflecting the expected value when the realisation of the investment completes in 2016.

The adverse impact of foreign currency movements on the portfolio across the year was £3.3 million reflecting the weakness of the Euro relative to Sterling, partially offset by Sterling's weakness against the US Dollar.

During 2015, Candover's recurring administrative expenses reduced by a further 15%, helping to minimise the adverse impact of costs on NAV performance. Finance costs increased following the refinancing of the US PP Notes in August 2015. The rise reflects the higher interest charge associated with the new loan facility. The movements are set out in Table 1 of the Financial review.

Net debt and funding facilities

Net debt during the year increased by £5.9 million to £33.2 million at 31st December 2015 (31st December 2014: £27.3 million). Inflows from realisations of £8.2 million were offset by the follow-on investment in Expro alongside the Candover 2005 Fund, operating costs, financing costs of the US PP Notes and accrued interest on the new debt facility. The adverse impact of foreign currency movements increased net debt by £2.1 million in the second half of the year.

In the Company's 2014 Annual Report and Accounts, the Board noted that it was actively considering alternative sources of funding ahead of the 31st December 2015 maturity of Candover's US PP Notes.

On 13th July 2015, the Company announced that it had agreed a new term loan facility with 17Capital LLP for up to €52 million (£37.1 million) that, together with available cash balances of £20.8 million, would enable the Company to repay the existing US PP Notes at par and meet future working capital requirements. The US PP Notes were repaid on 13th August 2015.

The new debt facility has a five year maturity which can be further extended at the Company's option at no cost. The interest charge is payment-in-kind at 13% per annum, which will roll-up and be paid when the loan principal is repaid. The loan is subject to a minimum repayment amount calculated as if the loan had been outstanding for 2.75 years; however, this is reduced to 1.15 years for any amounts repaid within the first 12 months, up to a maximum of €19.4 million.

The terms of the facility allow the Company to return up to £21.8 million (equivalent to 100 pence per share) to shareholders, ahead of any repayment of debt, following the realisation of assets. This is in contrast to the Company's previous debt arrangements. This initial return of cash is subject to a pre-distribution test that the portfolio value is at least twice the level of debt.

Foreign currency

Candover's foreign currency exposure was simplified at the time of its refinancing in August 2015. Following the significant decline in the value of Expro, Candover's only US Dollar denominated asset, the investment portfolio is now, to a material extent, Euro denominated. The new debt facilities were therefore denominated in Euros to offset, in part, the exposure between the Euro and Sterling.

Since the end of the year, Sterling has weakened against the Euro. After taking account of the impact on both the portfolio and net debt, this would increase net assets per share by 12p on a proforma basis.

Realisation activity

Arle has continued with the disposal of the portfolio during 2015, announcing the full realisation of Stork BV in December 2015. This was achieved through a disposal of the two individual trading entities, Fokker and Stork, with the sale of the first business being completed in July 2015. Candover received proceeds of £5.9 million from the Fokker sale before the year end. Further proceeds of approximately £14.1 million are anticipated in the first quarter of 2016 when the Stork sale, announced on 7th December 2015, is expected to complete.

Management of the Candover Funds

The Limited Partners of the Candover 2005 Fund agreed to extend the original ten-year term of this Fund until March 2017. Arle have confirmed that they have established retention plans for their employees to ensure that the run-off of the remaining investments can be completed.

Outlook

The year has been particularly difficult as the decline in the oil price continued and resulted in a dramatic reduction in the value of our investment portfolio. This was a consequence of Expro's position as our largest asset at the start of the year in a highly concentrated portfolio.

As we move towards the realisation of our remaining four assets, the ability of Arle to achieve timely exits may be hindered by the uncertain external outlook. Our refinancing, which was completed in 2015, gives comfort that we have the flexibility to deal with that uncertainty. In addition, the terms of our new funding arrangements permit cash to be returned to shareholders, in certain circumstances, ahead of any repayment of debt.

We will continue to keep a tight control on the costs of the business to minimise the erosion of NAV, and Arle will continue with its stewardship of the portfolio as it seeks to realise the portfolio companies.

Malcolm Fallen
Chief Executive Officer
26th February 2016

Financial review

Net asset value per share

Net asset value per share, after exceptional non-recurring costs was 243p, representing a full year decrease of 55% since 31st December 2014 (545p) and a decrease of 34% since 30th June 2015 (370p).

The decrease of 302p per share was split between the gain on disposal of investments (+2p), a decrease in constant currency investment values (-201p), overall adverse currency movements (-25p), and the impact of ongoing and non-recurring business costs (-78p). These costs comprised loan note interest, our investment manager's fee and general administration costs.

Table 1

	£m	p/share
Net asset value at 31st December 2014	119.2	545
Loss on financial instruments and other income ¹	(43.5)	(199)
Recurring administrative expenses	(3.5)	(16)
Finance costs recurring	(6.4)	(29)
Others (including tax)	(2.1)	(10)
Currency impact:		
– Unrealised investments	(3.3)	(15)
– Restatement of cash and cash equivalents	(0.6)	(3)
– Translation of loan	(1.5)	(7)
Exceptional non-recurring losses	(5.1)	(23)
Net asset value at 31st December 2015 as reported	53.2	243

¹ Stated before unfavourable currency impact of £3.3 million

Investments

The valuation of investments, including carried interest and accrued loan note interest, was £82.6 million at 31st December 2015 (31st December 2014: £135.6 million). Valuations decreased for the year by £43.8 million, before currency effects and after adjusting for disposals, representing a decrease of 34% on the value of these investments over their 31st December 2014 value. The overall decrease of 36% in the value of the portfolio was £47.1 million which included £3.3 million of unfavourable foreign currency movements reflecting the strength of Sterling relative to the Euro offset in part by Sterling's weakness relative to the US Dollar.

Table 2

	£m
Investments at 31st December 2014	135.6
Disposals at valuation	(8.2)
Additions at cost	2.3
Investments adjusted for additions and disposals	129.7
Revaluation of investments:	
– Valuation movements before currency impact	(43.8)
– Currency impact on unrealised investments	(3.3)
Investments at 31st December 2015	82.6

Net debt and loan-to-value covenant

Candover's net debt increased from £27.3 million at 31st December 2014 to £33.2 million at 31st December 2015. The US PP Notes were repaid in August 2015 using surplus cash balances and a new loan facility provided by 17Capital LLP. The increase in net debt reflects the impact of the Expro follow on investment, operating costs, interest paid and accrued on borrowings and the impact of adverse foreign exchange movements on loans offset by the Fokker proceeds received before the year end.

Table 3

Net debt	31st December	31st December
	2015	2014
	£m	£m
Loans and borrowings	39.4	52.8
Deferred costs	0.3	1.1
Value of loan/bonds	39.7	53.9
Cash	(6.5)	(26.6)
Net debt	33.2	27.3

Profit before and after tax

Net revenue profit before tax and exceptional non-recurring losses from operations for the year was a profit of £0.6 million compared to a profit of £6.1 million in the prior year.

Including capital costs of £4.1 million (2014: £3.7 million), total administrative and finance costs in the period were £9.9 million (2014: £8.9 million), which included £1.8 million (2014: £2.6 million) of management fees payable to Arle, linked to the value of investments managed, and £6.4 million of financing costs (2014: £4.8 million).

Exceptional non-recurring loss of £5.1 million (2014: £0.3 million) comprises an impairment provision made against non-recoverable co-investment loans following the dramatic drop in the valuation of Expro. This was offset in part by the release of the remaining property provision, following settlement of dilapidations claims relating to Candover's former offices.

Reported net revenue loss after taxation was £6.6 million compared to £4.9 million profit in the prior year.

Manager's portfolio review

ARLE CAPITAL PARTNERS LIMITED

Introduction

Arle is the private equity asset manager of the Candover 2005 Fund and Candover 2008 Fund (together 'the Candover Funds' or 'Funds'), as well as special purpose vehicles.

Portfolio overview

In line with its stated objective for 2015, Arle has worked towards realising the remaining investments in the Funds. In the second half of the year, Arle sold Fokker Technologies and announced the sale of Stork in separate transactions to industrial buyers, thereby realising the entire Stork BV investment.

The remainder of the portfolio was managed for growth and improvements in operational performance in preparation for sale. As a result, excluding Expro, the portfolio collectively reported a positive trading performance with a 3.2% increase in revenues and an 11.2% increase in EBITDA in the 12 months ended 31 December 2015. These results were driven by strong performances at Parques Reunidos ("Parques") and Technogym. However, Expro International ("Expro"), the oilfield services company, had a challenging year as a result of the continued deterioration of the energy sector following a falling oil price, with a detrimental impact on the overall performance of the portfolio.

Whilst the performance of the Candover Funds managed by Arle was down 30.4% over the year, the valuation of Candover's unrealised portfolio fell by 36.3%. This reflected the impact of Candover's inability to follow-on its investment in Expro alongside the Candover 2008 Fund since January 2010 and negative foreign currency movements in the period as Candover reports in Sterling.

The Fund is becoming increasingly concentrated as further exits are completed. At 31st December 2015, pending final completion of the Stork sale to Fluor Corporation, the four remaining investments in the Candover portfolio were Parques, Technogym, Hilding Anders and Expro.

Parques Reunidos

Parques, a global operator of attraction and water parks, enjoyed consistently strong trading in both Europe and the USA in 2015. An improved performance combined with tight cost controls resulted in another successive year of revenue and EBITDA growth for the business. Some unusual and exceptional weather patterns during the year, such as the sustained summer heatwave in Southern Europe, exceptional flooding in France which resulted in the temporary closure of the Marineland site in October and heavy rain in the US over key trading periods, adversely impacted trading during some months. This was offset by operational improvements and the continued economic recovery in Spain which enabled the Spanish parks to trade strongly.

Technogym

Technogym is a global leader in the design and manufacture of premium branded fitness equipment and wellness solutions and enjoys strong brand recognition internationally. The group serves major fitness club chains, as well as professional customers in the hospitality, corporate, education, medical and military markets.

Technogym enjoyed strong growth during 2015 reporting a 10% increase in turnover and 40% increase in EBITDA resulting from the launch of new equipment, the implementation of internal process efficiencies and foreign exchange benefits through the strength of the US Dollar against the Euro.

On 22 February 2016, Technogym confirmed that it is evaluating a listing on the Milan Stock Exchange and submitted a preliminary request for admission.

Hilding Anders

Hilding Anders, the leading manufacturer of beds and mattresses in Europe, Russia and Asia, reported a good overall performance for 2015 with sales and EBITDA being above prior year and budget. The underlying performance has been mixed and was largely driven by strong outperformance in Russia in all sales channels during the year. However, the drop in value of the Russian Rouble in 2015, as well as mixed trading in parts of Europe, particularly in Switzerland and in the French Private Label business, had some negative effects on the overall trading. Hilding's retail business in China is showing positive signs of growth. In August 2015, Christer Aberg was appointed the new CEO of the business.

Expro International

Expro, the international oilfield services company, had a difficult trading year as a result of the energy sector downturn following a continued fall in the price of oil.

Expro has continued to focus on service delivery and winning a number of valuable new contracts whilst at the same time proactively managing its cost base to mitigate the impact of the oil sector downturn. Trading continues to be weaker as a result of the sharp fall in the price of Brent crude oil last year which has depressed activity across the entire sector.

In June 2015, Expro raised US\$333 million of new equity as part of a refinancing and amendment of the terms of its existing Mezzanine debt. The equity also provided additional liquidity for the business.

In February 2016, Mike Jardon was appointed Chief Executive Officer of the business, succeeding Charles Woodburn.

Realisations

In the second half of 2015, Arle successfully sold the two subsidiary businesses of its Stork BV investment. In July 2015, Fokker Technologies was sold to GKN plc for €706 million. The transaction completed on 28th October 2015. In December, the sale of Stork to Fluor Corporation for €695 million was announced. The Stork transaction is expected to complete in early 2016 following conclusion of the necessary employee consultation processes and receipt of the requisite regulatory clearances.

The sale of both businesses will generate combined cash proceeds for Candover of c.£20.0 million compared to the value at 31st December 2014 of £30.9 million. Of the anticipated proceeds approximately £0.4 million will be held in escrow from the Fokker disposal. Proceeds held in escrow are anticipated to be released at different stages with the first payment due in the middle of 2016.

Follow-on investments

During the year, Candover invested £2.3 million in a follow-on investment in Expro alongside the Candover 2005 Fund. This enabled Expro to make a partial repayment of its mezzanine debt and to amend the covenant terms including a removal of the mezzanine covenant testing until 31 March 2017.

Portfolio composition

The portfolio is largely based in Western Europe. Whilst Spain represented 53% of the investments by value, the portfolio companies themselves are well diversified in the regions in which they trade. The portfolio was exposed mostly to the industrial and services sector.

Portfolio valuation review

The 30.4% valuation decrease year-on-year for the Candover Funds is dominated by the impact of the reduction in Expro, the largest investment in the portfolio at the start of 2015. Expro was written down reflecting the continued turbulent market environment, which has seen the price of Brent crude falling from a peak of over \$115 during 2014 to just over \$35 at 31st December 2015 and to below \$30 a barrel in January 2016.

The decrease in the value of Candover's co-investments in the portfolio of £47.1 million (215p per share) represented a 36.3% reduction on its value at the start of 2015, after adjusting for additions and disposals. The difference between the movement in Candover's valuation and the movement in the

valuation of the Funds is due to the impact of Candover's inability to follow-on its investment in Expro alongside the Candover 2008 Fund since January 2010 and negative foreign currency movements in the period as Candover reports in Sterling.

Table 1 shows the valuation movement by reference to each portfolio company.

Table 1

Portfolio company	Residual cost ¹ £m	Valuation at 31st December 2014 £m	Additions and disposals £m	Valuation movement excluding FX ² £m	Valuation movement attributable to FX ² £m	Valuation at 31st December 2015 £m	Valuation movement pence per share ²
Parques Reunidos	31.8	39.9	-	5.9	(2.4)	43.4	16
Technogym	29.2	17.1	-	6.4	(1.0)	22.5	25
Stork ³	40.6	30.9	(8.2)	(7.0)	(1.6)	14.1	(39)
Hilding Anders Expro International	24.3	5.3	-	(3.5)	(0.3)	1.5	(17)
	94.4	41.8	2.3	(45.6)	2.0	0.5	(199)
All investments⁴	220.3	135.0	(5.9)	(43.8)	(3.3)	82.0	(215)
Other investments ⁴	67.6	0.6	-	-	-	0.6	-
Total	287.9	135.6	(5.9)	(43.8)	(3.3)	82.6	(215)

¹ Residual cost is original cost less realisations to date

² Compared to the valuation at 31st December 2014 or acquisition date, if later

³ Sale of Stork agreed pre year-end

⁴ Represents assets sold in 2015 and other co-investments

The portfolio

1 Parques Reunidos

Industry sector:	Services
Geography:	Spain
Date of investment:	March 2007
Residual cost of investment £m:	31.8
Directors' valuation £m:	43.4
Change over prior valuation £m:	3.5
Effective equity interest (fully diluted):	3.9%
% of Candover's net assets:	81.6%
Basis of valuation:	Multiple of earnings
Dividends received £m:	-
Year end:	September 2015
Sales:	€605m
Earnings ¹ :	€188m

Parques Reunidos is one of the leading, fastest-growing leisure park operators in the world. The portfolio is made up of 55 parks (theme or amusement parks, animal parks, water parks, marine life parks, family entertainment centres and cable cars).

The Group has continued its expansion in recent years, cementing its position as a leader in the Spanish leisure sector and internationally, receiving about 22.2 million visitors every year in 12 countries in the Americas and Europe.

Trading in 2015 recorded positive EBITDA and revenue growth across the Group. In Europe, a good performance was driven by the successful Halloween season, continued good weather in the region, economic growth in Spain and operational improvements. However, extreme heat waves in Southern Europe impacted trading negatively in the key summer months.

In the US, a good performance was driven by tight cost controls and clement weather in August and September. At the same time, cold weather in June and July impacted the water parks negatively.

During the year, Parques made one acquisition in April (Faunia, an animal park in Madrid which was previously operated under management contract by Parques).

On 1st February 2016, Fernando Eiroa was appointed Chief Executive Officer of the Group. Fernando served as President and CEO at Palace Entertainment, the US division of Parques since 2007 and as Chief Operating Officer (COO) for the Group in Europe between 2004 and 2007.

In 2016, Parques will continue to focus on developing and implementing organic growth initiatives, identifying new management contracts, developing the mall entertainment centre offering, and selective acquisitions.

The investment was written up by £5.9 million before negative foreign exchange movements of £2.4 million.

Company website

www.parquesreunidos.com

2 Technogym

Industry sector:	Industrials
Geography:	Italy
Date of investment:	August 2008
Residual cost of investment £m:	29.2
Directors' valuation £m:	22.5
Change over prior valuation £m:	5.4
Effective equity interest (fully diluted):	3.2%
% of Candover's net assets:	42.3%
Basis of valuation:	Multiple of earnings
Dividends received £m:	–
Year end:	December 2014
Sales:	€466m
Earnings ¹ :	€61m

Technogym is a global leader in the design and manufacture of premium branded fitness equipment and wellness solutions and enjoys strong brand recognition internationally. The group serves major fitness club chains, as well as professional customers in the hospitality, corporate, education, medical and military markets.

Technogym enjoyed strong growth in 2015 reporting a 10% increase in turnover and a 40% increase in EBITDA resulting from the launch of new equipment, the implementation of internal process efficiencies and foreign exchange benefits through the strength of the US Dollar against the Euro.

In 2016, Technogym will continue to focus on delivering leading technology gym equipment to its global customer base and this will include supporting the 2016 Olympics in Rio where Technogym will be the exclusive fitness equipment supplier.

On 22 February 2016, Technogym confirmed that it is evaluating a listing on the Milan Stock Exchange and submitted a preliminary request for admission.

The investment was written up by £6.4 million before unfavourable exchange rate movements of £1.0 million.

Company website

www.technogym.com

3 Hilding Anders

Industry sector:	Industrials
Geography:	Sweden
Date of investment:	December 2006
Residual cost of investment £m:	24.3
Directors' valuation £m:	1.5
Change over prior valuation £m:	(3.8)
Effective equity interest (fully diluted):	4.3%
% of Candover's net assets:	2.8%
Basis of valuation:	Multiple of earnings
Dividends received £m:	–
Year end:	December 2014
Sales:	SEK8,340m
Earnings ¹ :	SEK1,082m

Hilding Anders is Europe's largest bed and mattress manufacturer and is headquartered in Sweden. It has leading market positions in several European markets, has over 20 manufacturing facilities and over 8,000 employees. Hilding Anders has an innovative and diverse portfolio of products sold as private label or branded products. It has grown both organically and through acquisition and, in more recent years, has significantly reinforced its presence in emerging markets.

Hilding Anders reported a good overall performance for 2015 with sales and EBITDA being above previous year and budget. The underlying performance has been mixed and was largely driven by strong outperformance in Russia in all sales channels during the year. However, the drop in value of the Russian Rouble in 2015, as well as mixed trading in parts of Europe, particularly in Switzerland and in the french private label business, had some negative effects on the overall trading. Hilding Anders' retail business in China is showing positive signs of growth. In August 2015, Christer Aberg was appointed the new CEO of the business. The management team are highly motivated and executing on a very detailed, effective and comprehensive plan that focuses on topline growth and profitability enhancement in all parts of the organisation.

The investment was written down by £3.5 million before including negative foreign exchange movements of £0.3 million.

Company website

www.hildinganders.com

4. Expro International

Industry sector:	Energy
Geography:	UK
Date of investment:	July 2008
Residual cost of investment £m:	94.4
Directors' valuation £m:	0.5
Change over prior valuation £m:	(43.6)
Effective equity interest (fully diluted):	4.7%
% of Candover's net assets:	0.9%
Basis of valuation:	Multiple of earnings
Dividends received £m:	–
Year end:	March 2015
Sales:	US\$1,307m
Earnings ¹ :	US\$327m

Expro is a leading oilfield services provider specialising in well flow management. The company provides services and products that measure, improve, control and process flow from high-value oil

and gas wells, from exploration and appraisal through to mature field production optimisation and enhancement.

Expro's vision is to be the market leader in well flow management, using the industry's best people, to deliver the highest standards of safety, quality and personalised customer service. Expro's 40 years of experience and innovation empowers the company to offer tailor-made solutions for customers across the energy sector, including multinational oil majors, as well as state-owned national oil companies. With over 4,500 employees across 50 countries, Expro offers a global service solution.

As a result of the challenging conditions in the oil and gas industry including the continued fall of the price of oil, Expro's revenue for the fiscal year ended 31st March 2015 decreased by 5.6% to \$1,307.1m compared to the same period in the prior year. Adjusted EBITDA for the fiscal year ended 31st March, 2015 declined by 19.5% compared to the same period in the prior year.

Expro has continued to focus on service delivery and winning a number of valuable new contracts and has proactively managed its cost base, including steps taken to restructure and resize its business to match reduced activity levels and the current economic conditions in the oil and gas industry.

On 31st July 2015, Expro completed a mezzanine Amend & Extend transaction. This involved an injection of \$333m of new equity, of which \$283m was used to repay Expro's mezzanine loan facility providing an additional \$50 million of liquidity to the company. As part of this, Expro reached agreement with the majority of its mezzanine lenders to amend the terms of the facility and partially extended the maturities out to December 2021.

In February 2016, Mike Jardon was appointed Chief Executive Officer of the business, succeeding Charles Woodburn who is to join BAE Systems as Chief Operating Officer. Mike has been Chief Operating Officer of Expro for five years and is the natural successor to Charles in this leadership role.

At the full year, Expro has been written down to reflect the impact on the business of the current turbulent market environment and the energy sector downgrade following the sustained decline in oil prices. The valuation has reduced by £45.6 million before adding back currency effects of £2.0 million.

Company website

www.exprogroup.com

Outlook for 2016

Arle continues to work with portfolio management teams to optimise the operational and financial performance of the remaining portfolio companies and to ready them for exit. As and when Arle and management consider market and trading conditions to be favourable, we will seek to execute realisations.

Arle Capital Partners Limited 26th February 2016

Note:

¹ Earnings figures are taken from the portfolio company's most recent audited accounts or financial statements filed with regulatory bodies. The figures shown are the total earnings on ordinary activities before exceptional items, depreciation, goodwill amortisation, interest and tax for the period

The portfolio

Analysis by value at 31st December 2015 (representing 100% of the Arle managed portfolio)

By valuation method

1. Multiple of earnings 83%
2. Expected proceeds 17%

By region

1. Spain 53%
2. Italy 27%
3. Benelux 17%
4. Nordic 2%
5. United Kingdom 1%

By sector

1. Services 53%
2. Industrials 46%
3. Energy & Natural Resources 1%

By age

1. Greater than 5 years 100%

Group statement of comprehensive income

for the year ended 31st December 2015

	Notes	Revenue £m	Year to 31st December Capital £m	Unaudited Year to 31st December 2015 Total ¹ £m	Year to 31st December 2014 Revenue £m	Year to 31st December 2014 Capital £m	Audited Year to 31st December 2014 Total ¹ £m
Gains/(losses) on financial instruments at fair value through profit and loss							
Realised gains		–	0.6	0.6	–	4.8	4.8
Unrealised (losses)		–	(54.4)	(54.4)	–	(39.9)	(39.9)
Total		–	(53.8)	(53.8)	–	(35.1)	(35.1)
Revenue/(expense)							
Investment and other income		6.4	–	6.4	11.3	–	11.3
Total		6.4	–	6.4	11.3	–	11.3
Recurring administrative expenses		(2.6)	(0.9)	(3.5)	(2.8)	(1.3)	(4.1)
Exceptional non-recurring costs	2	(5.1)	–	(5.1)	(0.3)	–	(0.3)
(Loss)/profit before finance costs and taxation		(1.3)	(54.7)	(56.0)	8.2	(36.4)	(28.2)
Finance costs		(3.2)	(3.2)	(6.4)	(2.4)	(2.4)	(4.8)
Exchange movements on borrowings		–	(1.5)	(1.5)	–	(3.2)	(3.2)
(Loss)/profit before taxation		(4.5)	(59.4)	(63.9)	5.8	(42.0)	(36.2)
Analysed between:							
(Loss)/profit before exceptional non-recurring costs		0.6	(59.4)	(58.8)	6.1	(42.0)	(35.9)
Exceptional non-recurring costs		(5.1)	–	(5.1)	(0.3)	–	(0.3)
Taxation		(2.1)	–	(2.1)	(0.9)	–	(0.9)
(Loss)/profit after taxation		(6.6)	(59.4)	(66.0)	4.9	(42.0)	(37.1)
Total comprehensive (loss)/income		(6.6)	(59.4)	(66.0)	4.9	(42.0)	(37.1)
(Loss)/earnings per ordinary share:							
Total (loss)/earnings per share – basic and diluted		(30p)	(272p)	(302p)	22p	(192p)	(170p)

¹ The total column represents the Group statement of comprehensive income under IFRS

i All of the gain/(loss) for the year and the total comprehensive income/(loss) for the year are attributable to the owners of the Company

ii The supplementary revenue and capital columns are presented for information purposes as recommended by the Statement of Recommended Practice issued by the Association of Investment Companies and updated in November 2014

Group statement of changes in equity

for the year ended 31st December 2015

Unaudited	Called up share capital £m	Share premium account £m	Other reserves £m	Capital reserves – realised £m	Capital reserves – unrealised £m	Revenue reserve £m	Total Equity £m
Balance at 1st January 2015	5.5	1.2	(0.1)	310.4	(193.5)	(4.3)	119.2
Net revenue after tax	–	–	–	–	–	(6.6)	(6.6)
Unrealised loss on financial instruments	–	–	–	–	(54.4)	–	(54.4)
Realised gain/(loss) on financial instruments	–	–	–	3.6	(3.0)	–	0.6
Exchange movements on borrowing	–	–	–	–	(1.5)	–	(1.5)
Costs net of tax	–	–	–	(4.1)	–	–	(4.1)
(Loss) after tax	–	–	–	(0.5)	(58.9)	(6.6)	(66.0)
Total comprehensive income	–	–	–	(0.5)	(58.9)	(6.6)	(66.0)
Balance at 31st December 2015	5.5	1.2	(0.1)	309.9	(252.4)	(10.9)	53.2

Audited	Called up share capital £m	Share premium account £m	Other reserves £m	Capital reserves – realised £m	Capital reserves – unrealised £m	Revenue reserve £m	Total Equity £m
Balance at 1st January 2014	5.5	1.2	(0.1)	318.1	(159.2)	(9.2)	156.3
Net revenue after tax	–	–	–	–	–	4.9	4.9
Unrealised loss on financial instruments	–	–	–	–	(39.9)	–	(39.9)
Realised (loss)/gain on financial instruments	–	–	–	(4.0)	8.8	–	4.8
Exchange movements on borrowing	–	–	–	–	(3.2)	–	(3.2)
Costs net of tax	–	–	–	(3.7)	–	–	(3.7)
(Loss)/profit after tax	–	–	–	(7.7)	(34.3)	4.9	(37.1)
Total comprehensive income	–	–	–	(7.7)	(34.3)	4.9	(37.1)
Balance at 31st December 2014	5.5	1.2	(0.1)	310.4	(193.5)	(4.3)	119.2

Group statement of financial position

at 31st December 2015

	Unaudited 31st December 2015		Audited 31st December 2014	
	£m	£m	£m	£m
Non-current assets				
Financial investments designated at fair value through profit and loss				
Portfolio companies	82.0		135.0	
Other financial investments	0.6		0.6	
		82.6		135.6
Trade and other receivables		3.5		8.5
Deferred tax asset		–		2.1
		86.1		146.2
Current assets				
Trade and other receivables	–		0.1	
Current tax asset	0.2		0.1	
Cash and cash equivalents	6.5		26.6	
		6.7		26.8
Current liabilities				
Other payables	(0.2)		(0.5)	
Provisions	–		(0.5)	
Loans and borrowings	–		(52.8)	
		(0.2)		(53.8)
Net current (liabilities)/assets		6.5		(27.0)
Total assets less current liabilities		92.6		119.2
Non-current liabilities				
Loans and borrowings		(39.4)		–
Net assets		53.2		119.2
Equity attributable to equity holders				
Called up share capital		5.5		5.5
Share premium account		1.2		1.2
Other reserves		(0.1)		(0.1)
Capital reserve – realised		309.9		310.4
Capital reserve – unrealised		(252.4)		(193.5)
Revenue reserve		(10.9)		(4.3)
Total equity		53.2		119.2
Net asset value per share				
Basic		243p		545p
Diluted		243p		545p

Group cash flow statement

for the year ended 31st December 2015

	Unaudited		Audited	
	Year to 31st December 2015		Year to 31st December 2014	
	£m	£m	£m	£m
Cash flows from operating activities				
Cash flow from operations		(4.1)		3.6
Interest paid		(2.3)		(3.9)
Tax received		–		–
Net cash outflow from operating activities		(6.4)		(0.3)
Cash flows from investing activities				
Purchase of financial investments	(2.3)		–	
Sale of financial investments	8.2		24.2	
Net cash inflow from investing activities		5.9		24.2
Cash flows from financing activities				
Loan notes repaid	(54.0)		–	
Loan facility utilised	35.0		–	
Net cash outflow from financing activities		(19.0)		–
(Decrease)/Increase in cash and cash equivalents		(19.5)		23.9
Opening cash and cash equivalents		26.6		3.0
Effect of exchange rates and revaluation on cash and cash equivalents		(0.6)		(0.3)
Closing cash and cash equivalents		6.5		26.6

Notes to the financial statements

Note 1

The preliminary results for the year ended 31st December 2015 are unaudited. The financial information included in this statement does not constitute the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31st December 2015 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course.

The information given as comparative figures for the year ended 31st December 2014 does not constitute the Company's statutory accounts for those financial periods. Statutory accounts for the year ended 31st December 2014, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under Section 498 (2) or (3) of Companies Act 2006.

Note 2

Exceptional non-recurring losses for the Group.

There were exceptional non-recurring losses for the Group in the year of £5.1 million (2014: loss £0.3 million) which comprises an impairment provision made against non-recoverable co-investment loans following the significant drop in the valuation of Expro. This was offset in part by the release of the remaining property provision, following settlement of dilapidations claims relating to Candover's former offices.