



2015

Candover Investments plc
Report and accounts

Who we are

Candover Investments plc is a private equity investment trust listed on the London Stock Exchange. Candover does not make new investments; our focus is on realising value from our legacy private equity assets.

Our portfolio currently comprises investments in four privately owned European businesses, acquired by investing alongside funds managed by Arle Capital LLP ('Arle'), an independent private equity partnership. Arle was established via the sale of Candover Partners Limited ('CPL') to its investment team. Arle is the Manager of the Candover 2005 and 2008 Funds.

Our sole objective is to optimise the long-term value of the portfolio for our shareholders.

How will this be achieved?

Via a progressive return of cash as portfolio businesses are sold.

When will cash be returned?

When sufficient cash has been realised from the portfolio and may be distributed in accordance with the terms of our financing facilities. The mechanisms to return cash will, where possible, take into account tax efficiency for shareholders and the cost of implementation.

Assuming Arle's realisation estimates are achieved, we currently believe that the return of cash could be substantially completed over the next two years.

Key metrics (at 31st December)

Net assets

£53.2m

-55%

2014: £119.2m

Net assets per share

243p

-55%

2014: 545p

Net debt

£33.2m

+£5.9m

2014: £27.3m

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Chairman's letter

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
23rd March 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 100p 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 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
23rd March 2016

Strategic report

The Directors present the Strategic report of the Group for the year ended 31st December 2015, including an assessment of both the risks impacting Candover and the viability of the Group.

Objectives and business model

Candover was a mid-market UK and European private equity investor. Following the change in investment policy approved by shareholders on 22nd December 2010, the Group's main activity is to focus solely on returning cash to investors dependent on when portfolio realisations are made by the investment manager. The Company will remain as a listed investment trust but will no longer make new investments.

Investment policy and strategy

Under the Company's previous investment policy, its principal focus was investing alongside other third parties in the Candover Funds. The Company remains contractually committed to the co-investments that it has made and accordingly such investments will only be realised when the Candover Funds dispose of their own interests in such investments.

The Company will not make any new investments save that: (i) investments may be made to satisfy commitments to the Candover Funds under existing contractual arrangements; and (ii) realised cash may be invested in liquid cash-equivalent securities, including short-dated corporate bonds, government bonds, cash funds, or bank cash deposits. No more than 15% of the Company's qualifying investments may be invested in any single cash equivalent instrument or placed on deposit with any single institution, except that this limit does not apply to investment in appropriately rated government bonds, which are unconstrained.

The Company will continue to comply with the requirements of the UK Investment Trust legislation and the restrictions imposed by the Listing Rules in force from time to time. The Company will make dividend payments in compliance with the relevant investment trust conditions. However, these dividend payments will be reviewed in the context of the strategy of delivering a progressive return of cash to shareholders over time as realisations are achieved by the investment manager.

Any material change to the Company's investment policy would require shareholder approval in accordance with the Listing Rules.

Analysis of current and future development

A review of the year and outlook is provided in the Chairman's letter, CEO's report and Manager's portfolio review, pages 1 to 17.

The Board regularly reviews the development and strategic direction of the Company to ensure the primary objective of returning value to shareholders is achieved.

Investment returns and revenues

The Company's investment returns and revenues will be derived from its co-investment arrangements. The Company's commitment to co-invest alongside the Candover Funds is set out in the co-investment agreement for each fund entered into between the Company, the general partner or manager of the various limited partnerships making up the relevant Candover Fund and other investors. Other than with respect to the Candover 2008 Fund, each co-investment agreement requires the Company to contribute its proportionate share of any investment made by the relevant Candover Fund. In August 2013, the last such remaining commitment to the 2005 Fund lapsed.

Other than with respect to the Candover 2008 Fund, the Company also participates in the profits from the Candover Funds, subject to an overall minimum return having first been generated for third party investors. The exact percentage received by the Company in respect of the Candover 2005 Fund will be determined by a ratchet mechanism, which is based on the investment multiple achieved. Based on current valuations, no value is recognised in respect of the Candover 2005 Fund. The Company gave up its carried interest entitlement in respect of the Candover 2008 Fund as part of the agreed settlement to terminate the investment period of that Fund.

The Company earns income from interest on loan notes structured as part of an investment in a portfolio company and from its cash balances.

Performance indicators

The Key Performance Indicators ('KPIs') used to measure the progress of the Group by the Board are:

- The movement in net asset value per ordinary share
- Net debt.

Our performance against these KPIs is set out in the Key metrics and also covered as part of the CEO's report on pages 2 and 3.

Risk review

Principal risks and risk management

The Group has conducted a review of risks affecting its business. The approach taken was to: (i) categorise areas of risk; (ii) identify individual material risks; and (iii) evaluate the inherent impact of that risk before controls are applied.

Risks have been categorised as either strategic, financial and investment, operational or people. The Directors have identified existing controls in relation to each risk and the extent to which such controls operate as effective mitigants. In addition, actions designed to enhance controls have been identified and responsibility for the management of each risk has been allocated.

The review highlighted the risks inherent in private equity and those which are foreseeable and avoidable and therefore could, to a greater extent, be eliminated. The review also noted that, whilst the overall risk profile for Candover was not inherently severe, the ability to mitigate those risks associated with either the private equity asset class or arising from the Group's particular business model was limited.

Our key risks are set out on pages 6 to 8.

Strategic report cont.

Risk review

Strategic risk

Risk summary:

Instability of and lack of appropriate skills within the investment manager

Risk mitigation:

The sale of CPL to its management team in April 2011 created an independent investment manager (Arle) able to retain, incentivise and motivate its staff to manage and maximise the value of the investments. This was intended to minimise the risk of instability of the investment manager in the short-to-medium term. As the portfolio reduces in size, Arle is reducing the number of employees, which may cause instability.

The Group will continue to track the performance of the investment manager pursuant to the terms of its investment management agreement, review the arrangements which Arle puts in place to retain suitable employees and liaise with other investors in the Candover Funds to consider mitigating strategies.

Risk summary:

Single material asset failure as portfolio concentrates

Risk mitigation:

As the investment portfolio matures and exits take place, Candover's exposure to the remaining assets in the portfolio increases. This creates a risk that if one or more of those remaining assets were to significantly reduce in value or fail, the impact on the Group's returns could be disproportionately negative. Regular reviews of all portfolio investments and monitoring of realisation timelines is completed by the investment manager. As realisations occur and the Group moves to a net cash position, the impact of the risk will be reduced.

Risk summary:

Company's operational model fails

Risk mitigation:

While the portfolio performance will determine the returns to the Group, a breakdown in the operating model could undermine those future returns. The investment manager could be removed by the other investors in the Candover Funds for underperformance, with the result that the Group would have to transfer the management of its investments to another manager determined by the other investors. The Company will continue to monitor the investment manager's performance on a regular basis.

Financial and investment risk

Risk summary:

Company's capital structure results in an inability to maximise value

Risk mitigation:

The Company's new debt facility raised in July 2015 has no covenants and is not due for repayment until 2020. This provides significant flexibility to support the Group.

<p>Risk summary: Failure to meet financial commitments</p>	<p>Risk mitigation: The Group actively monitors the level of indebtedness as well as tracking the progress which the investment manager is making towards realising the investments. The Company's new debt facility raised in July 2015 has no covenants and is not due for repayment until 2020. This provides significant flexibility to support the Group.</p>
<p>Risk summary: Financial market risks impacting on NAV</p>	<p>Risk mitigation: The Group's investment returns may be negatively affected by the impact of adverse currency and interest rate fluctuations and negative movements in valuation multiples. If appropriate, the Group is able to mitigate this risk by the use of hedging techniques and regular forecasts of its liquidity position. The new Euro loan facility raised in July 2015 provides a hedge against a proportion of the Euro assets of the Group.</p>
<p>Risk summary: Counterparty risk resulting in loss</p>	<p>Risk mitigation: The failure of a contractual counterparty in a financial transaction entered into by the Group may cause loss to the Company's shareholders. This risk is addressed by the use of reputable counterparties and the segregation of cash held with third parties.</p>

Operational risk

<p>Risk summary: Failure of operational systems and procedures at the Company's third party service providers</p>	<p>Risk mitigation: The Group has contractual management and administrative arrangements in place covering the provision of investment management and certain business support services. The arrangements clearly delineate responsibilities and refer to appropriate procedures and processes that are required to be observed in the management of the Group's investments. The Group monitors the services provided by third parties to ensure that they meet the Group's objectives and as a means to assess whether operational performance is adversely affecting the Group.</p>
<p>Risk summary: Change in regulatory or legislative environment</p>	<p>Risk mitigation: While the regulation of the private equity industry has seen increased focus from policy makers and central banks in recent years, it is anticipated that this trend will increase in the short-to-medium term. In the light of the Group's strategy to progressively return cash to shareholders as the portfolio is realised by the investment manager, unless any regulatory change is retrospective, the impact is no longer seen as significant.</p>

Strategic report cont.

Risk review

People

Risk summary:

Inadequate Board composition, inadequate corporate governance and loss of executive skills and knowledge

Risk mitigation:

The Group's failure to adhere to applicable corporate governance standards, and a failure to ensure the appropriate level of skills at Board level, including continued access to the current level of executive skills and knowledge, are factors which could result in financial loss, reputational damage or a drop in the Company's share price as a result of poor decision making. The Group addresses these risks by: ensuring effective Board membership through a rigorous selection process overseen by the Nominations Committee; annual Board evaluation; and by the Remuneration Committee ensuring appropriate reward structures exist for the Chief Executive Officer. In addition, through the Chairman, the Company Secretary provides effective guidance on corporate governance matters.

Viability statement

The Directors have assessed the viability of the Group over a two-year period, taking account of:

- The Group's current position;
- The Group being five years into a managed, orderly run-off with only four assets remaining in its investment portfolio; and
- The potential impact of the principal risks and uncertainties documented in this Strategic report.

The Directors conducted their assessment over this period because they consider this to be an appropriate period over which they do not expect there to be any significant change in the current principal risks and adequacy of the mitigating controls in place, and believe the realisation of the investments should be completed. Also the Directors do not envisage any change in strategy or objectives or any events that would prevent the Group from continuing to operate over that period as the Group has access to adequate liquidity, and its commitments are limited solely to meeting any operating and financing costs which are incurred.

The assessment has considered the impact of the likelihood of the principal risks and uncertainties facing the Group delaying the progressive run-off of the investment assets. In particular the Directors considered both the illiquid nature of the Group's investments and the fact that the realisation of those investments is solely within the control of the investment manager. The Directors also took into account the access to adequate and flexible financing arrangements in considering the viability of the Group over the next two years and its ability to meet liabilities as they fall due. This included consideration of: the duration of the Group's long-term borrowings; debt repayment obligations; and how the timing and level of realisation proceeds together with anticipated expenditure levels could impact on the Company's ability to return cash to shareholders over that period in line with its current strategy.

Based on their assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next two-year period. A substantial financial crisis affecting the global economy could have an impact on this assessment.

Social, community, human rights and environmental issues

The Group interprets corporate responsibility as having due regard to society's expectations of how we manage our business, as well as making sure that non-financial issues do not impact negatively on Candover's reputation to the detriment of our shareholders. It endorses good governance (further details on page 24 to 31), sustainable business practices and policies that promote fair social and environmental treatment.

The Group takes care to comply with all relevant legislation and to ensure that we are a reasonable and fair employer. We maintain positive relationships with all of our business partners, our shareholders and our investment manager.

We are of the view that the direct environmental, community, human rights and social impact of Candover is relatively low. Our principal impacts in these areas, and the consequent risks and opportunities, arise in the portfolio companies which operate in a diverse range of sectors and countries. Candover does not manage these businesses directly and the Company's status as a co-investor alongside the Funds managed by Arle limits our influence further. However, we have an open and transparent dialogue with Arle and expect them to consider the social and environmental impacts of how each portfolio company operates.

Employees

There are currently three male Non-Executive Directors on the Board, and one male Executive Director. There are no female Directors at present.

The Board favours diversity and welcomes appointments that contribute towards a breadth of skills, experience and diversity, and, through the Nominations Committee, selects Directors on merit with relevant and complementary skills to help the Group maximise value for shareholders. Given the small size of the Group and its divestment policy, the Board does not intend to develop a specific diversity policy.

As at 31st December 2015, the employee gender breakdown of the Group is 50:50 with one male Executive Director and one female employee.

Information regarding Candover's employees is given in Note 2 to the Financial statements on page 60 and in the Directors' remuneration report on pages 32 to 38.

On behalf of the Board

Malcolm Fallen

Chief Executive Officer

34 Lime Street
London EC3M 7AT
23rd March 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)
– Re-translation 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	31st December 2015 £m	31st December 2014 £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

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 31st 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 22nd 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 31st 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.

Manager's portfolio review cont.

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

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
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	24.3	5.3	–	(3.5)	(0.3)	1.5	(17)
Expro International	94.4	41.8	2.3	(45.6)	2.0	0.5	(199)
All investments	220.3	135.0	(5.9)	(43.8)	(3.3)	82.0	(215)
Other investments⁴	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

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 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 22nd 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:	SEK 8,340m
Earnings ¹ :	SEK 1,082m

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

Manager's portfolio review cont.

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 \$1,307.1 million 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 \$333 million of new equity, of which \$283 million 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

23rd March 2016

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 transaction price 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 five years 100%

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

Valuation policy

Investments are valued by the investment manager in compliance with the principles of IAS 39 Financial Instruments: Recognition and Measurement, IFRS 13: Fair Value Measurement and the International Private Equity and Venture Capital Valuation Guidelines as recommended by the British Venture Capital Association (the 'BVCA').

Principles of valuation of unlisted investments

Investments are stated at amounts considered by the investment manager to be a reasonable assessment of their fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In estimating fair value, a methodology is used which is appropriate in light of the nature, facts and circumstances of the investment.

Investments are valued on one of the bases described below. Typically, the earnings multiple basis of valuation will be used unless this is inappropriate, as in the case of certain asset-based businesses.

When valuing on an earnings basis, profits before interest and tax of the current year will normally be used. Such profits will be adjusted to a maintainable basis and multiplied by an appropriate and reasonable earnings multiple normally related to comparable quoted companies, with adjustments made for points of difference between the comparator and the company being valued, in particular for risks, earnings growth prospects and surplus assets or excess liabilities. In addition, factors such as the likely timing of an exit, the influence over that exit, the risk of achieving conditions precedent to that exit and general market conditions are considered when evaluating the price/earnings multiple.

Where a company has incurred losses, or if comparable quoted companies are not primarily valued on an earnings basis, then the valuation may be calculated with regard to the underlying net assets and any other relevant information, such as the pricing for subsequent recent investments by a third party that is deemed to be at arm's length. In cases where an exit is actively being sought, any offers from potential purchasers would be relevant in assessing the valuation of an investment and are taken into account in arriving at the valuation.

When investments have obtained an exit (either by listing or trade sale) after the valuation date but before finalisation of the accounts of the relevant Candover Funds, the valuation is based on the exit valuation subject to an appropriate discount to take account of the time period between the valuation and exit dates and any risks that might impact on completion.

In arriving at the value of an investment, the percentage ownership is calculated after considering any potential dilution through outstanding warrants, options and performance-related mechanisms.

Valuation procedures

Valuations prepared by the investment manager are initially prepared by its finance department using comparable multiples sourced from an independent third party and financial results provided by the portfolio companies. These are then passed to the relevant investment executive for review and comment, in particular with respect to the sustainability of earnings and level of underlying debt; the comparables; and any adjustments to be made thereto for points of difference. Any changes to earnings basis or comparables used in a valuation, compared to the prior valuation, must be approved by the senior management of the investment manager.

These valuations are then subject to review, challenge and approval by the senior management of the investment manager, who at the same time will discuss the underlying trading and outlook, both internal and external, of the portfolio company.

The valuations are included in the financial statements of both Candover and the Candover Funds, which are audited by separate independent auditors.

The Board of Directors

The Company's Board of Directors (the 'Directors' or the 'Board') sets the strategic direction for the business and is the principal body responsible for decision making. The Board's remit includes strategy, oversight of the investment management agreement, risk assessment and regulatory issues. The performance of the Board is subject to an annual evaluation.

Each of the Directors listed below served on the Board throughout the year.

Richard Stone FCA – Chairman

Appointment date: May 2005 and was appointed Chairman in April 2011

Committee membership: Member of the Audit, Risk and Valuation Committee, the Nominations Committee and the Remuneration Committee.

Background and relevant experience: Until 1998, he was Deputy Chairman of Coopers & Lybrand and Chairman of the firm's European corporate finance activities. From 1998 to 2000, he served as a member of the global board of PricewaterhouseCoopers LLP. He served as a Director of Halma plc (latterly as Senior Independent Director) from 2001 until 2011 and as a Director of TR Property Investment Trust plc from 2000 until 2012. He also served as Chairman of Drambuie Limited from 2005 until 2014.

External appointments: Chairman of Henderson Global Trust plc until 3rd June 2015.

Malcolm Fallen – Chief Executive Officer

Appointment date: September 2009

Committee membership: None.

Background and relevant experience: He was previously Director and Chief Executive Officer of KCOM Group plc, a UK-based IT and telecommunications services business. Prior to KCOM he was Chief Financial Officer of eircom, the incumbent telecommunications operator in Eire. His previous career has included senior roles with Bowater, BT and British Biotech.

External appointments: Non-Executive Chairman of Innovia Group (Holding 1) Limited. Non-Executive Director of Kentech Corporate Holdings Limited.

Jan Oosterveld – Senior Independent Director

Appointment date: October 2008

Committee membership: Appointed as Senior Independent Director on 1st January 2015. Chairman of the Remuneration Committee and the Nominations Committee. Member of the Audit, Risk and Valuation Committee.

Background and relevant experience: He spent 32 years with Royal Philips Electronics where he was a member of the Group Management Committee responsible for corporate strategy. He was also the Chief Executive Officer of Philips Asia Pacific and Chairman of the Board of LG Philips LCD. He also served as Non-Executive Director of Vesuvius plc (formerly Cookson Group plc). **External appointments:** Non-Executive Director of Barco NV and Alent plc until 7th May 2015.

Scott Longhurst FCA – Non-Executive Director

Appointment date: May 2011

Committee membership: Chairman of the Audit, Risk and Valuation Committee, Member of the Nominations Committee and the Remuneration Committee.

Background and relevant experience: He has held a variety of senior finance positions in the energy sector across Asia, the Middle East, Europe and the US for Shell and TXU Corp, and is currently Group Finance Director of Anglian Water Group ('AWG').

External appointments: Group Finance Director of AWG. Managing Director of AWG's non-regulated businesses. Founder member of HRH The Prince of Wales Accounting for Sustainability CFO Leadership Network.

Report of the Directors

The Directors present their report containing statutory and corporate governance information together with the audited financial statements for the year ended 31st December 2015.

Tax and investment company status

The Company carries on business as an investment trust and has been accepted as an approved investment trust by HM Revenue & Customs under Sections 1158 and 1159 of the Corporation Tax Act 2010, subject to the Company continuing to meet eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval.

Investment management and administration

An arm's length transaction services agreement that governs the investment advisory activities that Arle carries out on behalf of the Company was entered into with effect from 19th April 2011, appointing Arle to act as adviser in respect of the co-investments which the Company has made alongside the Candover Funds. This agreement can only be terminated in respect of any particular investment if Arle ceases to be the manager of the Candover Fund which holds that investment. The fees payable by the Company are 1.5% of the aggregate of the book value of the investments (excluding the value of the Company's holdings in the carried interest), payable in advance on a bi-annual basis.

This arrangement does not affect the Company's participation in the carried interest arrangements for the Candover 2005 Fund.

Ipes (UK) Limited ('the Administrator') was appointed on 1st November 2011 to provide fund administration services to the Company, which include, but are not limited to, accounting administration and company secretarial services.

Results and dividends

The Financial statements of the Company and its subsidiaries for the year to 31st December 2015 appear on pages 44 to 83.

The Group's net revenue loss from operations before taxation for the year was £4.5 million (2014: profit £5.8 million). Capital return for the year was a loss of £59.4 million (2014: loss £42.0 million).

The changes in fixed asset investments are described, together with a review of Candover's activities, in the CEO's report, Financial review and Manager's portfolio review on pages 2, 3 and 10 to 17.

The Directors do not recommend the payment of a final dividend for 2015 (2014: final dividend of £nil).

Conflicts of interest

The Companies Act 2006 sets out Directors' general duties which require that a Director must avoid a situation where he has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. This requirement is very broad and could apply, for example, if a Director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, if appropriate, where the Articles of Association contain a provision to this effect. The Companies Act 2006 also permits the Articles of Association to contain other provisions for dealing with Directors' conflicts of interest to avoid a breach of duty. The Company's Articles of Association (the 'Articles') provide the Directors with the ability to authorise such conflicts and include other provisions to allow conflicts of interest to be dealt with. The Company has implemented various safeguards which apply when the Directors decide whether to authorise a conflict or potential conflict. Firstly, only the Directors who have no interest in the matter being considered will be able to take the relevant decision and, secondly, in taking the decision, the Directors must act in a way which they consider, in good faith, will be most likely to promote the Company's success. The Directors may also impose conditions when authorising conflicts of interest.

Appointment and re-election of Directors

In accordance with the Articles and in compliance with the UK Corporate Governance Code dated September 2014 (the 'Code'), Richard Stone and Malcolm Fallen will retire and, being eligible, will offer themselves for re-election at the Annual General Meeting. The terms of appointment of Richard Stone and Malcolm Fallen and their remuneration is described in the Directors' remuneration report on pages 32 to 38 and their biographies appear on page 19.

Directors' and Officers' liability insurance and indemnities

The Company has purchased and throughout the year maintained appropriate insurance cover in respect of Directors' and Officers' liabilities. In accordance with the Articles, the Code and the provisions of the Companies Act 2006, the Company has maintained qualifying third party indemnity arrangements for the benefit of the Directors throughout the year.

Information for shareholders

(i) Articles of Association

The business of the Company is managed by the Board, which may exercise all the powers of the Company, including the power to issue or buy back shares, subject to the provisions of the Articles, relevant statutory law and any direction which may be given by the Company in a general meeting by special resolution.

A summary of the rights, restrictions and obligations attaching to the shares in the Company is set out below. Full details are contained in the Articles, a copy of which can be found at www.candoverinvestments.com. The Articles may only be changed by a special resolution passed by the members of the Company.

(ii) Share capital

The Company's share capital consists of a single class of ordinary shares with a nominal value of 25p each (the 'Shares'), all of which are fully paid. As at 23rd March 2016, the issued share capital of the Company comprised 21,856,615 Shares, of which 78,035 Shares are held in treasury by the Company. Note 16 to the Accounts, on page 69, sets out the details of the Company's capital structure.

(iii) Major interests in Shares

As at 23rd March 2016, the Company had been notified, pursuant to the Disclosure and Transparency Rules of the Financial Services Authority, of certain significant holdings in the Company's share capital. Details of members with interests of 3% or more of the Company's Shares are set out in Note 16 to the Accounts on page 69.

(iv) Rights attaching to Shares

The rights attaching to the Company's Shares are set out in the Articles. All Shares in issue (excluding those held by the Company in treasury) carry equal rights.

(v) Dividends

By passing an ordinary resolution, members may declare final dividends although the amount of a dividend cannot exceed that recommended by the Board. All Shares, excluding Shares held by the Company in treasury, carry equal rights in respect of declared dividends. The Board may pay interim dividends provided that, in the opinion of the Board, the financial position of the Company justifies such payment. If authorised by an ordinary resolution of the members, the Board may offer any member the right to elect to receive new Shares in the Company, which will be credited as fully paid, instead of their cash dividend. Any dividend that has not been claimed for 12 years or more after becoming due for payment will be forfeited and will revert to the Company.

(vi) Voting rights

Except as described below, there are no restrictions on the voting rights attaching to the Company's Shares. There are no special control rights in relation to the Shares and the Company is not aware of any agreements between members that may result in restrictions in voting rights.

Subject to the Company's Articles and to law, votes are exercisable at a general meeting of the Company at which the relevant resolutions are being heard. Votes may be exercised in person, by proxy, or, in the case of corporate members, by corporate representative, but in all cases the member must be entered on the register of members of the Company in respect of the relevant Shares at such time (not being earlier than 48 hours before the meeting) as may be specified by the Company in the notice of general meeting.

For each resolution proposed every member present, or otherwise duly represented, has one vote on a show of hands and on a poll has one vote for each Share held. In the case of joint holders only the vote of the most senior holder who votes, whether in person or by proxy, can be accepted. For this purpose, seniority is determined by the order in which the names stand in the register of members.

Report of the Directors cont.

(vii) Restrictions on voting

Unless the Board of Directors otherwise determines, no member shall be entitled to attend or vote either personally or by proxy at a general meeting in respect of a Share if any call or other sum presently payable by him to the Company in respect of such Share remains unpaid. In addition, no member shall be entitled to attend or vote, either in person or by proxy, in respect of Shares if he has failed to provide, within 14 days of delivery of a notice by the Company, information concerning interests in the Shares ('Restricted Shares').

(viii) Appointment of proxies

Under the Articles, members are entitled to appoint a proxy, who need not be a member of the Company, to exercise all or any of their rights to attend, speak and vote on their behalf at a general meeting. A member may appoint more than one proxy, provided each proxy is appointed to exercise rights attached to different Shares. If votes are to be exercised by proxy, the Articles provide that proxy forms must be received not less than 48 hours before the time appointed for the holding of the meeting. A notice of general meeting and accompanying proxy form explain the full method for voting by proxy.

(ix) Transfers of Shares

A member does not need to obtain the approval of the Company or other members in order for a transfer of Shares, whether in certificated or uncertificated form, to take place. Transfers of Shares in uncertificated form must be carried out using CREST.

The Board may refuse to register a transfer of Shares:

- if the Shares are not fully paid, provided that this discretion may not be exercised in away which the Financial Conduct Authority or the London Stock Exchange regards as preventing dealings in the Shares from taking place on an open and proper basis;
- if the transfer is in favour of more than four transferees jointly, whether the Shares are fully paid or not;
- in relation to Shares in certificated form, where the provisions of Article 42 of the Company's Articles are not met;
- in relation to Shares in uncertificated form, in accordance with the Uncertificated Securities Regulations; and

- if the Shares are Restricted Shares (as defined above in the section entitled 'Restrictions on voting') and represent at least 0.25% in nominal value of the issued Shares of the same class, as more fully described in the Articles.

There are no other restrictions on the transfer of Shares, other than restrictions imposed from time to time by laws and regulations (for example, insider trading laws) or pursuant to the Listing Rules of the Financial Conduct Authority (whereby all employees of the Company require the approval of the Company to deal in Shares).

(x) Creditor payment policy

Post the sale of CPL, trade creditor days are not an appropriate measure for the Company as it has no trade creditors.

(xi) Agreements which are affected by a change of control of the Company

As at 23rd March 2016, the Company was party to the following agreement which takes effect after, or terminates, or could be terminated on a change of control of the Company following a takeover bid or otherwise:

The new loan facility agreement entered into on 13th July 2015 with 17Capital LLP has certain restrictions should there be a change of control of Candover leading to repayment of all amounts due.

As set out in the Directors' remuneration report on pages 32 to 38, there are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid or subsequent change of control of the Company.

Auditors

Grant Thornton UK LLP have expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting to be held on 12th May 2016.

Corporate governance

A summary of the Company's approach to corporate governance, approved by the Directors, can be found on pages 24 to 31. The Company's Corporate governance report should be treated as part of the Report of the Directors.

Greenhouse gas emissions

The Group has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources as defined under the Companies Act 2006 (Strategic Report & Directors' Report) Regulations 2013, including those within our underlying portfolio. Candover does not directly manage its portfolio companies, and the Company's status as a co-investor alongside the Funds managed by Arle, means the Financial, Operational and Equity Share Control that require reporting of greenhouse gas emissions is limited.

Political and charitable donations

During the year, the Company made no political or charitable donations (2014: £nil).

Going concern

Under the Code and applicable regulations and guidance, including the FRC's 'Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009', the Directors are required to satisfy themselves that it is reasonable to presume that the Company is a going concern.

Candover's business activities, together with the factors likely to affect its future development, performance and position, are set out in the CEO's report, Strategic report and the Manager's portfolio review on pages 2 to 17 respectively. The financial position of Candover, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 10 and 11. In addition, the Risk review (included within the Strategic report on pages 5 to 8) and Note 22 to the Financial statements on pages 71 to 83, include Candover's financial risk management objectives, its capital management policies and procedures, details of its financial instruments and its exposures to market risk, currency risk, interest rate risk, credit risk, liquidity risk and other pricing risk.

The Company successfully refinanced its 2013 US private placement loan notes in August 2015 with a new loan facility with 17Capital LLP. The facility is of a minimum duration of ten years.

The Directors have a reasonable expectation that Candover and the Group have adequate resources to continue as a going concern for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the Report and accounts.

On behalf of the Board

Malcolm Fallen

Chief Executive Officer

34 Lime Street
London EC3M 7AT
23rd March 2016

Corporate governance

The UK Corporate Governance Code dated September 2014 (the 'Code') sets out guidance in the form of principles and provisions on how companies should be directed and controlled to follow good corporate governance practice. The Financial Conduct Authority requires all companies listed in the UK with a Premium Listing of equity shares (regardless of whether they are incorporated in the UK or elsewhere) to disclose in relation to the Code how they have applied its principles and whether they have complied with its provisions throughout the accounting year. In the event that the provisions have not been complied with, the Company must provide an explanation. The Code was revised and re-published in September 2014 for accounting periods commencing on or after 1st October 2014 and applicable for the Company from 1st January 2015.

The Board is of the view that the Company has complied with the provisions set out in the Code or, where relevant, explained why it has not. This report explains how the Company has applied the principles contained in the Code during 2015. Further information on the Code can be obtained at www.frc.org.uk.

The Company's overall approach to corporate governance

The Company believes that strong corporate governance is essential for delivering sustainable value, enhancing a culture of business integrity and maintaining confidence in the Company. Summarised below are the key issues affecting our governance responsibilities and how we address them.

However, there are certain provisions that the Board has deemed inefficient or inappropriate to follow in the light of the Company's strategy to achieve an orderly realisation of its investments. These are explained below:

- **Gender diversity policy on the Board:** The Board favours diversity and welcomes appointments that contribute towards a breadth of skills, experience and diversity, and, through the Nominations Committee, selects Directors on merit with relevant and complementary skills to help the Company maximise value for shareholders. Given the small size of the Company and its divestment

policy, the Board does not intend to develop a specific diversity policy.

- **Third party Board performance evaluation:** The Board undertakes a comprehensive Board, Chairman and Director Evaluation policy on a regular basis. Given the current size of the Board, Committees, and coupled with the key aim of maximising shareholder value, the Board does not believe the use of an external third party evaluator would be efficient and effective.
- **Audit tender:** The Board considered the need to put the audit out to tender but concluded retention of the longstanding knowledge that the incumbent auditors have of Candover, to be a benefit during the wind-down of the portfolio. Instead, the auditors were requested to revise the scope of the audit to reflect the current business and financial risks.

A. Leadership and Board responsibilities

The Chairman is responsible for the leadership of the Board and ensuring its effectiveness on all aspects of its role. The Board of Directors is responsible to shareholders for ensuring that the Company is appropriately managed; that it meets its objectives; and is collectively responsible for the long-term success of the Company. The Board meets regularly to determine the Company's strategic direction, review its financial performance and to oversee the performance of the Company's investment manager. All Directors have allocated sufficient time to discharge their responsibilities to the Company.

The Board has approved terms of reference that address a wide range of corporate governance matters. The terms of reference contain a formal schedule of matters reserved to the Board of Directors and its duly authorised Committees for decision.

These include:

- approval of the Company's overall strategy and business plans;
- approval of the Company's half-yearly and annual Financial statements and changes in the Group's accounting policies or practices;
- valuation of the Company's investments;
- changes relating to the capital structure of the Company;

- dividend policy;
- investments and divestments in the ordinary course of business above certain limits, set by the Board from time to time;
- appointments to the Board; and
- constitution of Board Committees.

Matters delegated by the Board to management include implementation of the Board approved strategy, day-to-day management of the business and the formulation and execution of risk management policies and practices. The schedule of matters reserved to the Board is available on the Company's website.

The Board met seven times during 2015 (2014: five times). Attendance at Board and Committee meetings is set out in Table 1.

The principal matters considered by the Board during 2015 (in addition to matters formally reserved to the Board) included:

- the strategic options facing the Company;
- the realisation of investments to meet the investment objective;
- regular reports from the Chief Executive Officer;
- regular reports from the investment manager on the performance of the portfolio;
- the recommendations of the Audit, Risk and Valuation Committee;
- consideration and review of the Company's key risks;
- the Company's relationship with its investment manager;
- financial reports on the performance and outlook for the Company including compliance with covenants and regulations; and
- bespoke external adviser reports.

The Company holds appropriate Directors' and Officers' Liability insurance cover in respect of any legal action taken against the Board.

The division of responsibilities between the Chairman of the Board and the Chief Executive Officer is clearly defined and has been approved by the Board.

The Chairman's priority is the leadership of the Board. Given the non-executive nature of the role, he has no involvement in the day-to-day activities of the Company.

The Chief Executive Officer's priority is the management of the Company. He is accountable to the Board for reviewing and considering strategic options for the Company, for managing the financial and operational performance of the Company and assisting the Board in executing the Company's strategy. He is, in particular, responsible for the day-to-day management of the Company's relationship with its investment manager. Together with the Chairman, he provides leadership of the Company which includes representing the Group to all stakeholders.

Richard Stone, appointed Chairman on 19th April 2011, leads the Board in all areas including the determination of strategy and is responsible for organising the business of the Board, setting its agenda and ensuring the effectiveness of the overall Board and the individual Directors. He is also responsible for ensuring a culture of openness and debate at Board level.

Table 1

	Board	Audit, Risk and Valuation Committee	Remuneration Committee	Nominations Committee
Number of meetings in the year	7	6	3	3
Richard Stone	7	5	3	3
Malcolm Fallen	7	N/A	N/A	N/A
Jan Oosterveld	7	6	3	3
Scott Longhurst	7	6	3	3

Corporate governance cont.

Pursuant to the Code, Jan Oosterveld assumed the position of Senior Independent Director ('SID') with effect from 1st January 2015.

The main roles which the SID fulfils are:

- being available to shareholders should they have concerns that they have been unable to resolve through normal channels or when such channels would be inappropriate;
- providing a sounding board for the Chairman and serving as an intermediary for the other Non-Executive Directors;
- leading the Board's discussion on the Chairman's performance and the appointment of a new Chairman, when appropriate.

The Chairman and Non-Executive Directors meet as required without the executives present to consider their approach/response to strategic proposals. Should they have concerns about the running of the Company or a proposed action, which cannot be resolved with the executives, these are recorded in the meeting minutes. In addition, on resignation, if Non-Executive Directors should have any such concerns, they are offered the opportunity to provide a written statement to the Chairman for circulation to the Board.

B. Effectiveness

Directors are appointed to the Board only after a detailed process (see below) during which the skills and experience adjudged necessary for the position are considered against potential appointees.

It is the Board's view that each Director is independent in character and judgement, and that no Director has any relationships that could materially interfere with his judgement. None of the Directors have been interested in any contract or arrangement subsisting during or at the end of the financial period that was significant in relation to the business of the Company. All of the Non-Executive Directors were considered by the Board to be independent for the purposes of the Code in the year to 31st December 2015.

The Board currently comprises a Non-Executive Chairman, a part-time Chief Executive Officer and two Non-Executive Directors.

Board appointment process

The procedure for the appointment of new Directors to the Board is carried out by the Nominations Committee, whose purpose is to review the Board's composition and follow a thorough process prior to proposing new, or renewal of current, appointments to the Board for consideration. During the year under review, the Nominations Committee was chaired by Jan Oosterveld. The other members are Richard Stone and Scott Longhurst.

All the current members of the Committee are independent Non-Executive Directors. The Board is satisfied that the members of the Committee and the Committee Chairman have recent and relevant experience.

The Committee met on three occasions in 2015 (2014: three meetings) and the members' attendance record is set out in the report on page 25. The Company Secretary acts as the secretary to the Committee and meetings are also attended by the Chief Executive Officer.

Structure, size, composition, experience and diversity and range of skills available on the Board is kept under review by the Committee. The Committee favours diversity and welcomes appointments that contribute towards a breadth of skills, experience and diversity; however, its primary objective is to select Directors on merit with relevant and complementary skills to help the Company achieve its main target of maximising value for shareholders. Given the small size of the Company and its divestment policy, the Committee is therefore unwilling to commit to numerical diversity targets against which progress can be reported. The terms of reference of the Committee are available on the Company's website.

Commitment

When considering the Chairman's appointment, the Nominations Committee prepares a job specification, including an assessment of the time commitment expected, and this is contained within his appointment letter. Significant commitments are disclosed to the Board before appointment, and any changes reported as they arise. These are then identified within his biography in the Annual Report, and their impact explained.

The letters of appointment of the Non-Executive Directors are available for inspection both prior to, and at, the Annual General Meeting. These set out the expected time commitment of the role and the Non-Executive Directors undertake to commit sufficient time to it. The letters also provide for agreement to be sought before accepting new appointments. As with the Chairman, significant commitments are disclosed to the Board before appointment, any changes reported as they arise, identified within their biographies in the Annual Report, and their impact explained.

Malcolm Fallen, the only Executive Director, is employed by the Company on a part-time basis. As indicated within his biography on page 19, he has external Non-Executive Directorships with two private limited companies.

Development

The Board believes that the Company's Directors should develop their skills and knowledge through participation in relevant training courses. The Chairman is responsible for agreeing and regularly reviewing the training and development needs of each Director. On appointment, all Non-Executive Directors have discussions with the Chairman and the Chief Executive Officer, following which appropriate briefings on the responsibilities of Directors, the Company's business and the Company's procedures are arranged. The Company provides opportunities for Non-Executive Directors to obtain a thorough understanding of the Company's business by regularly meeting members of the senior management team from the investment manager.

Information and Support

The Board of Directors receives reports and papers in a timely manner containing clear and accurate information for all Board and Committee meetings. Additional papers are provided to address specific issues from time to time. All Directors are provided with appropriate information on the Company and access to its operations and staff.

The Board's discussions and its approval of the Group's strategic plan and annual budget provide the Non-Executive Directors with the opportunity to contribute to and validate the plans of the Company's management and assist in the development of strategy. The Non-Executive

Directors receive regular reports and information which enable them to scrutinise the Company's, and its management's, performance.

Directors are authorised and encouraged to obtain independent professional advice at the Company's expense where they deem it necessary to discharge their responsibilities as Directors.

The Company Secretary

The Board of Directors has access to the advice and services of the Company Secretary, who is responsible for advising the Board, through the Chairman, on governance matters. The Articles and the schedule of matters reserved to the Board, or its duly authorised Committees, for decision provide that the appointment and removal of the Company Secretary is a matter for the full Board.

Evaluation

During 2015, the Board evaluated the performance of the Board, its Committees and the individual Directors in compliance with the Code. The Chairman led the process using a pre-determined template and met with each of the Directors to ascertain their views on the functioning of the Board and the various Board Committees. In addition, the Chairman reviewed the performance, commitment and contribution of each Director.

Following discussions with the other Directors, the Senior Independent Director reviewed the performance of the Chairman. An externally facilitated evaluation of the Board is not required by the Code. In addition, the Board considers that there is no need to appoint an independent third party to manage the evaluation exercise and that the current process is appropriate.

Re-election and Tenure

The Board currently comprises the Chairman, two Non-Executive Directors and one Executive Director. Biographical details of all the Directors are set out on page 19.

Each Director is required to be elected by shareholders at the Annual General Meeting following his appointment by the Board, and to be re-elected once every three years thereafter. Any Director who has served on the Board for more than nine years is required to submit

Corporate governance cont.

himself for re-election annually. In addition to fulfilling their legal responsibilities, the Directors are expected to bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct and to help the Chairman and the Chief Executive Officer provide the Company with effective leadership.

Details of the Directors' employment contracts and letters of appointment are set out in the Directors' remuneration report on pages 32 to 38.

C. Accountability

Financial and business reporting

The Directors are required to explain their responsibility for the Financial statements and this statement is given on page 43. The auditors review the Company's compliance with the provisions of the Code, the Listing Rules and other rules of the Financial Conduct Authority. They are also required to report on their audit of the Financial statements. Their report is on pages 44 to 48.

The Board seeks to provide investors with a balanced and clear view of the Company's position and its future prospects and business model. Further information is given in the Chairman's letter, the CEO's report and the Manager's portfolio review on pages 1 to 17.

Risk management and internal control

The Board is required annually to review the effectiveness of the Company's key internal controls including its financial, operational and compliance controls and risk management. The controls are designed to ensure that the risk of failure to achieve business objectives is managed rather than eliminated, and are intended to provide reasonable, rather than absolute, assurance against material misstatement or loss.

Through regular meetings and meetings of its various Committees, the Board seeks to maintain full and effective control over all strategic, financial, regulatory and operational issues. The Board maintains an organisational and committee structure with clearly defined lines of responsibility and delegation of authorities.

As part of the compilation of the risk register for the Company, appropriate consideration has been given to the relevant control processes and that risk is considered, assessed and managed as an integral part of the business.

The Company's system of internal control includes inter alia the overall control exercise, procedures for the identification and evaluation of business risk, the control procedures themselves and the review of these internal controls by the Audit, Risk and Valuation Committee on behalf of the Board. Each of these elements that make up the Company's system of internal control is explained in further detail as follows:

(i) Control environment

The Company is ultimately dependent upon the quality and integrity of the staff and management of both its investment managers (Ipes) and fund administration services provider (Ipes (UK) Limited). In each case qualified and able individuals have been selected at all levels. The staff of both the investment manager and Ipes (UK) Limited are aware of the internal controls relevant to their activities and are also collectively accountable for the operation of those controls. Appropriate segregation and delegation of duties is in place.

On behalf of the Board, the Company's management carry out a review of the Company's financial controls. The auditors of the managed funds, KPMG LLP, and the auditors of the Company, Grant Thornton UK LLP, also carry out an external review of the financial controls of those funds and the Company (respectively), separate from management's review, to the extent necessary to give their audit opinions.

In its role as a third party fund administration services provider, the Ipes Group (of which Ipes (UK) Limited is a part) produces an annual AAF 01/06 Assurance Report on the internal control procedures in place within the Group. This is reviewed by the Board and the Company's auditors.

(ii) Identification and evaluation of business risks

The key business risk at Candover remains the performance of the Company's investments. This is managed by the investment manager, who undertakes regular analysis and reporting of business risks in relation to each portfolio company and the taking of appropriate action to protect the investments.

Whilst there remain a range of operational risks to the Company's activities, the investment risk is paramount.

(iii) Key procedures

In addition to the above, the Board's key procedures involve a comprehensive system for reporting financial results to the Board regularly; a review of controls which is carried out on behalf of the Audit, Risk and Valuation Committee annually and by the Company's external auditors to the extent necessary for expressing their audit opinion; and a twice-yearly review of investment valuations by the Board, including reports on the underlying investment performance.

Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's system is designed to assist the Directors in obtaining reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The Company, given its size, does not have an internal audit function.

It is the view of the Board that the controls in relation to the Company's operating, accounting, compliance and IT risks performed robustly throughout the year. In addition, all staff have been in full compliance with the Company's policies and external regulations, including:

- personal account dealing;
- money laundering;
- treatment and handling of confidential information;
- Listing Rules;
- applicable Financial Conduct Authority regulations;
- compliance policies;
- conflicts of interest; and
- health and safety.

There were no protected disclosures made pursuant to the Company's whistleblowing policy during the year to 31st December 2015.

In summary, the Board considers that the Company's existing internal controls, coupled with the analysis of risks inherent in the business models of the Company and its subsidiaries, continue to provide appropriate tools for the Company to monitor, evaluate and mitigate its operating risks.

Audit, Risk and Valuation Committee and auditors:

The purpose of the Audit, Risk and Valuation Committee is to assist the Board in discharging its responsibilities for the integrity of the Company's Financial statements and in assessing the effectiveness of the Company's internal controls and the objectivity of external auditors. Further details of the Committee's responsibilities are given in the Report of the Audit Committee on pages 39 to 42.

The Audit, Risk and Valuation Committee is chaired by Scott Longhurst and comprises Richard Stone and Jan Oosterveld. All the members of the Committee are independent Non-Executive Directors. The Board is satisfied that members of the Committee and the Committee Chairman, Scott Longhurst, have recent and relevant financial experience.

The Committee met on six occasions in 2015 (2014: six meetings) and the members' attendance record is set out in the report on page 25. The Company Secretary acts as the secretary to the Committee and meetings are also attended by the Chief Executive Officer.

During the year, the Committee reviewed, in conjunction with the external auditors, the Company's accounting disclosures comprised in the half-yearly and annual Financial statements of the Company, the scope of the annual audit plan and the external audit findings. The Committee exercised its judgement to ensure that this information was presented fairly and objectively and that appropriate accounting policies were applied and observed. The Committee also reviewed the financial and accounting aspects of the disposals announced in the year, the risk register of the Company, and examined the Company's compliance with its regulatory requirements, third party liabilities and off balance sheet liabilities, receiving reports on compliance with the terms of its loan notes.

The Committee reviewed the valuation of the Company's investment assets, and oversaw the Company's relations with the external auditors, including assessing auditor performance, independence and objectivity, recommending the auditor's reappointment and approving the auditor's fees.

Corporate governance cont.

The terms of reference of the Committee are available on the Company's website.

Auditor's independence and objectivity

Subject to annual appointment by shareholders, auditor performance is monitored on an ongoing basis and formally reviewed every five years; the last review being held during the year to 31st December 2014. Following this review the Audit, Risk and Valuation Committee concluded that Grant Thornton UK LLP's appointment as the Company's auditor should be continued.

The Audit, Risk and Valuation Committee recognises the importance of ensuring the independence and objectivity of the Company's auditor. It reviews the nature and extent of the services provided by them, the level of their fees and the element comprising non-audit fees.

The Audit, Risk and Valuation Committee Chairman is notified of all assignments allocated to Grant Thornton UK LLP over a set threshold. Safeguards have been put in place to reduce the likelihood of compromising auditor independence, including the following principles which are applied in respect of services provided by the auditor and other accounting firms, and monitored by the Audit, Risk and Valuation Committee:

- services required to be undertaken by the auditor, which include regulatory returns, formalities relating to borrowings, shareholders and other auditors;
- services which it is most efficient for the auditor to provide; and
- services that could be provided by a number of firms, including general consultancy work. All significant consultancy projects are normally put out to tender, and work would be allocated to the auditor provided it did not present a potential threat to the independence of the audit team. Included in this category is due diligence work relating to the investment process. If this service were to be provided by Grant Thornton UK LLP, the specific team engaged would be independent of the audit team.

The Company has agreed to pay £0.1 million to Grant Thornton UK LLP for audit services during the year to 31st December 2015, relating to the statutory audit of the Company's Financial statements and the audit of the Company's subsidiaries and associates pursuant to legislation (2014: £0.1 million). The fees are explained in further detail in Note 2 to the accounts on page 61.

D. Remuneration

The Directors' remuneration report on pages 32 to 38 summarises the remuneration policy and strategy. Given the strategy of the Company is to achieve an orderly realisation of its assets and return value to shareholders, traditional remuneration structures are no longer relevant. Our approach is to ensure we retain access to the right calibre of skills and sufficient corporate knowledge to implement our plan. The report details the Committee's activities over the financial year and contains details of each Director's emoluments.

The purpose of the Remuneration Committee is to assist the Board in determining Directors' remuneration.

The Remuneration Committee is chaired by Jan Oosterveld and includes Richard Stone and Scott Longhurst. All the current members of the Committee are independent Non-Executive Directors. The Board is satisfied that members of the Committee and the Committee Chairman, Jan Oosterveld, have recent and relevant experience and the Committee takes independent advice as required.

The Committee met on three occasions in 2015 (2014: four meetings) and the members' attendance record is set out in the report on page 25. The Company Secretary acts as the secretary to the Committee and meetings are also attended by the Chief Executive Officer, other than when the Committee considers matters relating to the Chief Executive Officer's remuneration.

The procedure for determining Directors' remuneration is stated in the Committee's terms of reference which are available on the Company's website.

E. Relations with shareholders

The Board of Directors recognises the importance of maintaining a meaningful relationship with the Company's shareholders. The Directors consider it important to understand the views of shareholders and any issues which are of concern to them. The Chairman and Chief Executive Officer meet with the Company's principal institutional shareholders to discuss relevant issues as they arise and ensure that shareholders are apprised of the Company's strategy and corporate governance within the constraints of information that has been made public.

The Board of Directors receives reports from the Company's brokers on shareholder issues. Non-Executive Directors are invited to attend the Company's presentations to analysts, and are offered the opportunity to meet shareholders.

The Senior Independent Director is available to be contacted by shareholders in situations where contact through the Chairman is felt to be inappropriate.

The Company has taken full advantage of the relevant provisions of the Companies Act 2006 allowing communications to be made electronically to shareholders where they have not requested hard copy information. Therefore, the Company's website is the primary method for sharing information with investors.

The Report and accounts of the Company, together with its interim reports, interim management statements and all other public announcements, are designed to present a balanced and understandable summary of the Company's activities and are made available on the Company's website.

The Company's share capital and information for shareholders is described in the Report of the Directors on pages 20 to 23.

The Chairman is responsible for ensuring that all Directors are made aware of the issues and concerns of major shareholders.

Constructive use of AGM

The Company uses the Annual General Meeting as an opportunity to communicate with its shareholders. The Company complies with the Code as it relates to voting, the separation of resolutions and the attendance of Committee Chairmen. The Chairmen of the Audit, Risk and Valuation, Nominations and Remuneration Committees are available to answer shareholders' questions and shareholders are invited to meet the Directors after the conclusion of the formal business of the meeting. In accordance with the requirements of the Code, the results of proxy voting by shareholders, including votes withheld, are made available to shareholders on request and are placed on the Company's website following the Annual General Meeting.

It is the intention of the Board that the Annual Report and accounts and Notice of the Annual General Meeting be issued to shareholders so as to provide at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to lodge questions in advance of the Annual General Meeting, or to contact the Board at any other time, are invited to do so by writing to the Company Secretary at the registered address given on page 85.

On behalf of the Board

Malcolm Fallen

Chief Executive Officer

34 Lime Street
London EC3M 7AT
23rd March 2016

Directors' remuneration report

Statement by the Chairman

The Directors' remuneration report sets out:

- (i) the activities of the Remuneration Committee for the year ended 31st December 2015;
- (ii) the Company's remuneration policy; and
- (iii) the remuneration of its Executive and Non-Executive Directors.

It has been prepared on behalf of the Board in accordance with the reforms to Directors' Remuneration Reporting, as outlined in the Large and Medium-sized Companies and Groups (Accounts and Report) (Amendment) Regulations 2013, as well as the Companies Act 2006, 2008 and the UK Corporate Governance Code dated September 2014 (the 'Code').

The audited sections of the Directors' remuneration report have been clearly marked.

Composition and operation of the Remuneration Committee

The Remuneration Committee is responsible for setting a remuneration policy that reflects the Company's strategic goals and incentivises executives who have a significant role in ensuring that the Company meets its strategic objectives.

During the year under review, the members of the Remuneration Committee were Jan Oosterveld (Chairman), Scott Longhurst and Richard Stone; all of whom were Non-Executive Directors and independent of the investment manager. The full Remuneration Committee, which meets as often as necessary to discharge its duties, met on three occasions in 2015 (2014: four times). Attendance at Committee meetings is set out in the Corporate governance section on page 25. Terms of reference of the Committee are available on the Company's website.

No member of the Remuneration Committee has any personal financial interests or conflicts of interest, other than as shareholders. In this regard, the Remuneration Committee is fully compliant with the Code.

Remuneration policy, activities during the year and professional advice

The remuneration policy contained in the remuneration report, in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, was approved by shareholders at the Annual General Meeting in 2015. The Company is next expected to submit its policy on the remuneration of its Directors to members at the Annual General Meeting in 2018. If, however, the Company wishes to make any amendment to the remuneration policy during the three-year period, the new policy will need to be put to a vote of the members at a general meeting.

The Remuneration Committee worked to ensure that the Company's remuneration policy reflected and supported the Company's strategic goals throughout the year. As the Company retains the services of only one Executive to manage the progressive return of value to shareholders, the Remuneration Committee has considered carefully the structure and incentives necessary to retain and motivate the Executive.

Overview of remuneration policy

Purpose and link to strategy

Fees payable to Non-Executive Directors should be sufficient to attract and retain individuals of high calibre with suitable skills, knowledge and experience. Those who chair the Board, key Committees and act as Senior Independent Directors should be paid higher fees than other Directors in recognition of their more demanding roles. Fees should reflect the time spent by Directors on the Company's affairs and the responsibilities borne by the Directors. Fees offered to Non-Executive Directors can be seen on page 34.

The salary offered to Executive Directors should also be sufficient to attract and retain individuals of high calibre with suitable skills, knowledge and experience. The salary is intended to reflect the time spent by Executive Directors on the Company's affairs and responsibilities borne by the Executive Directors. The remuneration offered to the Chief Executive Officer can be seen on page 34.

Performance measures

The performance-related elements of the Executive Director's remuneration package were removed with effect from 1st January 2015. As a consequence, there are no performance measures linked to remuneration.

Maximum and minimum levels

Remuneration consists of a fixed fee each year for Non-Executive Directors, set in accordance with the stated policies and Articles of Association, and any increase must be in line with stated policies. The Company's Articles of Association set a limit to provision of fees for services provided by Non-Executive Directors, not exceeding the aggregate annual sum of £500,000, or larger if determined by ordinary resolution; except where amounts are payable under other provisions of the Articles.

Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Directors may determine. Currently the Company has only one Executive Director whose remuneration package is outlined below.

All reasonable travelling, hotel and other expenses properly incurred by the Directors in attending and returning from meetings or other business in relation to the Company are also reimbursed to the Directors.

Approach to recruitment remuneration

1. Remuneration of Directors should be fair and sufficient to enable Directors to properly oversee the affairs of the Company, reflecting both the Company's specific circumstances and the time and attention devoted by each Director to their responsibilities. Executive Directors should be paid such extra remuneration as determined by the Committee if it is deemed that the actions of the Director are outside the scope of ordinary duties; reviewed on an annual basis by the Committee.
2. Total Director Remuneration is determined by the provisions of the Company's Articles of Association and by shareholder resolution.
3. All new Directors will receive remuneration on the same basis as other Directors, dependant upon duties, responsibilities and role. As and when appropriate, the Company is committed to a timely disclosure on the remuneration of new Executive Directors or Chairman within the announcement of said appointment to market.

Directors' remuneration report cont.

Summary of Chief Executive Officer's remuneration package

Mr Fallen's base salary takes into account the size of his role, his experience and skills, his individual contribution and the need to retain access to his specific knowledge of the historic affairs of the Company that will be important as the Company's portfolio is progressively run-off and the return of cash to shareholders is undertaken.

From 1st January 2015, Mr Fallen received a fixed salary of £500,000 from which he was required to purchase shares in the Company to the value of £10,000 (before deduction of taxation) monthly throughout 2015.

In respect of 2016, the fixed salary was reduced to an annual equivalent salary of £250,000, with no further benefits, and this will be reviewed again on 30th June 2016.

Non-Executive Directors' fees

For Non-Executive Directors, the Chairman of the Company recommends the level of fees to be paid based on market information, time commitment required and the level of responsibility undertaken. The members of the Remuneration Committee, excluding the Chairman, recommend the Chairman's fee. These recommendations are then put to a meeting of the Board of Directors for approval. All Non-Executive Directors' fees, including that of the Chairman, were reduced from 1st January 2016. Base fees are set out below.

Non-Executive Directors are not paid bonuses or performance fees, granted share options or invited to participate in long-term incentive plans.

Non-Executive Directors' fees

	2016 £	2015 £
Non-Executive Chairman	50,000	70,000
Audit, Risk and Valuation Committee Chairman	30,000	35,000
Remuneration and Nominations Committee Chairman and Senior Independent Director	27,500	35,000
Board member	25,000	30,000

Directors' emoluments (audited)

Total emoluments received by individual Directors during the year ended 31st December 2015 were as follows:

Single total figure table for 2015 and 2014

	2015 Salaries/ Directors' fees £000s	Total emoluments ¹ £000s	2014 Salaries/ Directors' fees £000s	Performance- related benefits for conditions achieved in 2014 period £000s	Pension- related benefits ³ 2014 £000s	Taxable benefits 2014 £000s	Total emoluments ¹ £000s
Executive Director							
Malcolm Fallen ¹	500.0	500.0	246.0	246.0	49.2	10.3	551.5
Non-Executive Directors							
Richard Stone	70.0	70.0	70.0	–	–	–	70.0
Lord Jay	–	–	32.5	–	–	–	32.5
Jan Oosterveld	35.0	35.0	35.0	–	–	–	35.0
Scott Longhurst	35.0	35.0	35.0	–	–	–	35.0
Total	640.0	640.0	418.5	246.0	49.2	10.3	724.0

1 Emoluments received for acting both as Chief Executive Officer and as a Director

2 No pension contributions have been made on behalf of any Director in 2015

3 The Executive Director received cash in lieu of pension payments

Total remuneration of the Chief Executive Officer

In accordance with the new regulations, the total remuneration of the Chief Executive Officer for each of the five financial years up to 31st December is set out in the following table:

	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000
Total remuneration	663.6	550.2	551.7	551.5	500.0
Percentage of performance-related benefits as a percentage of maximum	100%	100%	100%	100%	N/A

Directors' interests in Shares (audited)

The Committee has not adopted a policy that requires Directors to own Shares in the Company, although all Directors are currently shareholders. No share option or other share scheme interests, with or without performance conditions, are awarded to the Directors except that outlined above for the Chief Executive Officer relating to 2015. Save as disclosed, no Director has any notifiable interest in the securities of the Company or of any subsidiary of the Company.

Directors' remuneration report cont.

The Directors' interests in Shares are shown below:

Name	Ordinary shares of 25p each at 1st January 2015 or date of appointment	Ordinary shares purchased/ (disposed)	Ordinary shares of 25p each at 31st December 2015
Malcolm Fallen	17,500	51,565	69,065
Richard Stone	10,000	–	10,000
Jan Oosterveld	2,500	–	2,500
Scott Longhurst	1,500	–	1,500
Total	33,100	51,565	84,665

All the holdings of the Directors are beneficial.

On 4th January 2016 Mr Fallen acquired a further 2,558 Ordinary shares, representing the last remaining purchase required under the terms of his 2015 remuneration package.

Executive Director – external appointments

The Chief Executive Officer is employed by the Company on a part-time basis only and therefore the Board is content for him to accept other non-executive roles, and to retain any remuneration arising from such roles, provided these do not impinge on his duties for the Company. As stated in his biography on page 19, Malcolm Fallen currently acts as Non-Executive Chairman of Innovia Films (Holding 1) Limited and as a Non-Executive Director of Kentech Corporate Holdings Limited. He is remunerated by both and retained remuneration during the financial year as follows:

Innovia Films (Holding 1) Limited:	£125,000
Kentech Corporate Holdings Limited:	US\$20,833

Pension costs (audited)

Malcolm Fallen was not entitled to receive any pension contributions. In 2014 he received £49,200 as payment in lieu of these contributions.

Relative importance of spend on pay

As the Company is in the process of a managed wind-down of its investments, prior to returning the proceeds to shareholders, the Directors do not consider the comparison of the overall expenditure on Directors' fees with the profit retained or, at this stage, shareholder distributions to be meaningful given the Company has yet to start the process of distributing cash to shareholders.

Comparison of Chief Executive Officer's pay

The percentage increase from the preceding financial year for the total remuneration of the Chief Executive Officer is outlined below. As the Group has only one other employee to provide comparison to the Chief Executive Officer, the Committee has decided not to provide a comparison of the percentage change in the Chief Executive Officer's emoluments.

Executive Director	Total emoluments 2014 £000s	Total emoluments 2015 £000s	% change
Malcolm Fallen	551.5	500.0	(9)%

Termination payments and payments to third parties

No payments were made to any Director of the Company for termination of employment or to third parties for the provision of Directors' services to the Company during the year ended 31st December 2015.

Service agreements and letters of appointment

The Chief Executive Officer, as an Executive Director, has a rolling service agreement with no fixed expiry date. This contract may be terminated by either the Company or the Chief Executive Officer on 12 months' notice. There are no provisions for the Chief Executive Officer to receive compensation upon early termination.

Each Non-Executive Director has a letter of appointment with the Company, setting out his duties and the time commitment expected from him. Non-Executive Directors' appointments are reviewed annually and are subject to the re-election requirements of the Company's Articles. There are no provisions for Directors to receive compensation upon early termination.

	Date of contract	Notice period	Unexpired term
Executive Director			
Malcolm Fallen	9th September 2009	Terminable on 12 months' notice by either party	No fixed expiry date
Non-Executive Directors			
Richard Stone	19th April 2011	Terminable on 3 months' notice by either party	Appointment reviewed annually in December
Jan Oosterveld	5th November 2008	Terminable at the will of the parties	Appointment reviewed annually in December
Scott Longhurst	18th May 2011	Terminable at the will of the parties	Appointment reviewed annually in December

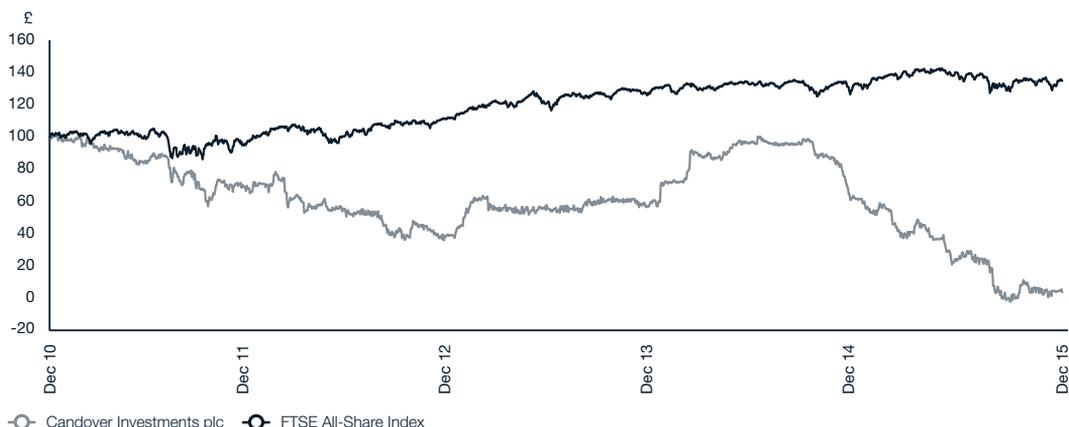
Group employee pay and performance conditions

As the Group has only one other employee to provide comparison to the Chief Executive Officer, the Committee has decided not to disclose pay and performance conditions, perceiving the disparity between employee roles to be an inappropriate comparison and unnecessary in shaping Director remuneration policy.

Directors' remuneration report cont.

Comparative performance

Set out below is a graph showing the Company's total shareholder return performance assuming an original investment in the Company on 31st December 2008 of £100 and with dividends reinvested for the five years to 31st December 2015. This is compared against the return performance achieved by the FTSE All-Share Index.



Statement of Consideration of Shareholder Voting

At the Annual General Meeting held on 13th May 2015, shareholders approved the Directors' remuneration report in respect of the year ended 31st December 2014, with the following votes cast:

Votes For: 70.46% Votes Against: 29.47% Votes Withheld: 0.00% Votes Discretion: 0.07%

The Directors also submitted the remuneration policy contained in the remuneration report with the following votes cast:

Votes For: 71.20% Votes Against: 28.73% Votes Withheld: 0.00% Votes Discretion: 0.074%

While the resolutions to approve the Directors' remuneration report for the year ended 31st December 2014 and the policy contained in the remuneration report were passed, the Directors noted the number of votes against the resolution. On 17 November 2015 the Board agreed that the Chief Executive Officer's remuneration would be reduced by 50 per cent from 1st January 2016.

On behalf of the Board

Jan Oosterveld

Chairman of the Remuneration Committee
23rd March 2016

Report of the Audit Committee

Report of the Audit Committee

As Chairman of the Audit, Risk and Valuation Committee, I am pleased to present the Committee's report to shareholders on how the Committee has conducted its responsibilities, including evaluation of the effectiveness of the external audit process and other issues that have been addressed for the year ended 31st December 2015.

Role and responsibilities

The primary role and responsibilities of the Audit Committee are outlined in the Committee's Terms of Reference, available on the Company's website, including:

- Monitoring the integrity of the Financial statements of the Company and any formal announcement relating to the Company's financial performance, and reviewing significant financial reporting judgements contained within said statements and announcements;
 - Reviewing the Company's internal financial controls, and the Company's internal control and risk management systems;
 - Monitoring the need for an internal audit function annually;
 - Monitoring and reviewing the independence, objectivity and effectiveness of the external auditor, taking into consideration relevant regulatory and professional requirements;
 - Making recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving their remuneration and terms of engagement, which in turn can be placed to the shareholders for their approval at the Annual General Meeting;
 - Development and implementation of the Company's policy on the provision of non-audit services by the external auditor, as appropriate;
 - Reviewing the arrangements in place to enable Directors and staff of service providers to, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company;
 - Providing advice to the Board on whether the annual financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- Reporting to the Board on how the Committee discharged all relevant responsibilities, undertaken by myself at each Board meeting.

The Committee met six times during the year under review (2014: six times); individual attendance of Directors is outlined on page 25. The main matters discussed at those meetings were:

- Review and approval of the annual audit plan of the external auditor;
- Discussion, review and approval of the fee for the external audit;
- Detailed review of the Annual and Half Year Report and accounts, with particular focus on the valuation of the Company's investments, and recommendation for approval by the Board;
- Discussion of reports from the external auditor following their audit;
- Assessment of the effectiveness of the external audit process as described below;
- Review of the Company's key risks and internal controls, including the going concern risk relating to the Noteholder repayments; and
- Consideration of changes to the UK Corporate Governance Code, Guidance on Audit Committees and other regulatory guidelines, and the subsequent impact upon the Company.

The Committee has also reviewed and considered the whistleblowing policy in place for the Company, the Administrator and other service providers, and is satisfied the relevant staff can raise concerns in confidence about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company.

Following the review carried out by the Committee as to whether there is a need for the Company to have its own internal audit function, the Board has concluded that the internal control and risk management systems in place within the Company and the internal control reports provided give sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. The Committee receives input from the external auditor as part of their annual audit work on the overall control and risk environment. The Administrator's independent annual control assessment is also made available to the Committee.

Report of the Audit Committee cont.

Composition

All the Non-Executive Directors are members of the Committee, which is chaired by myself. Director biographies can be sourced on page 19, and the Board considers that at least one member of the Committee has recent and relevant financial experience for the Committee to discharge its function effectively. The Chairman of the Company is a member of the Committee to enable him to be kept fully informed of any issues that may arise.

External audit process effectiveness review

The Committee communicated regularly with the investment manager and Administrator to obtain a good understanding of the progress and efficiency of the audit process. The Audit Committee also received feedback in relation to the efficacy of the investment manager and other service providers in performing their relevant roles from the audit partner and team. The external auditor is invited to attend the Committee meetings at which the semi-annual and annual accounts are considered, also enabling the auditor to meet and discuss any matters with the Committee without the presence of the investment manager or Executive management.

The Committee reviewed the external auditor's performance, considering a wide variety of factors including the quality of service, the auditor's specialist expertise, the level of audit fee, identification and resolution of any areas of accounting judgement, quality and timeliness of papers analysing these judgements.

Auditor tenure and objectivity

Grant Thornton UK LLP has acted as Auditor for the Company for in excess of ten years. The Committee has carefully considered the need to put the audit out to tender and concluded retaining the auditor's longstanding knowledge of Candover's affairs during the process of winding down the portfolio is seen as a particular benefit.

To ensure the Auditor's objectivity, the Committee reviews the Auditor's performance on a regular basis to ensure the Company receives an optimal service, including a comprehensive review of the scope, efficiencies and cost of the audit. Subject to annual appointment by

shareholder approval at the Annual General Meeting, the appointment of the Auditor is typically reviewed formally by the Committee on a five-year basis. The Auditor is required to rotate the audit partner regularly on a five-year rotation, with the current partner in place since 2011.

The Auditor regularly updates the Committee on the rotation of audit partners, staff, level of fees in proportion to overall fee income of the Company, details of any relationships between the Auditor, the Company, service providers and portfolio entities, which provide comfort on the overall confirmation from the Auditor of their independence and objectivity. There are no contractual obligations that restrict the Company's choice of auditor.

Provision of non-audit services by the Auditor has also been considered by the Committee, which is satisfied the services are cost-effective and not an impediment to the Auditor's independence and objectivity. Any non-audit work, such as the provision of taxation advice, must be reviewed by the Committee and approved by the Committee Chairman prior to any work being undertaken.

As a result of its review, the Committee is satisfied that Grant Thornton UK LLP is independent of the Company, the investment manager and other service providers and recommends the continuing appointment of the Auditor by the Board.

Significant issues in relation to the Annual Report and Financial Statements

The Audit Committee identified a number of significant issues and areas of key audit risks in respect of the Annual Report and Financial statements. The Committee reviewed the external audit plan at an early stage and concluded that the appropriate areas of audit risk relevant to the Company had been identified and that suitable audit procedures had been put in place to obtain reasonable assurance that the Financial statements as a whole would be free of material misstatements. The table below sets out the key areas of risk identified and how the Committee addressed the issues.

Significant issues

Management controls – potential management override by the investment manager and the Administrator to perpetrate fraud as a result of the ability to manipulate accounting records that otherwise appear to be operating effectively.

Valuation of investments – Portfolio valuations may be materially overstated and any gains or losses materially overstated or understated as appropriate.

Actions to address issue

The Committee review the annual AAF 01/06 Assurance Report produced by the Administrator on the internal procedures within the Ipes Group, conducted on an annual basis.

Review and comparison against independent valuation sources, factoring in elements such as covenant breaches and market trends. Discussions with the investment manager, Arle, are undertaken by the Auditor, in conjunction with KPMG, the auditor of the funds, and reported to the Committee. Valuations are compared to the Company's own internal valuation guidelines to ensure consistency. The Board review detailed portfolio valuations on a regular basis throughout the year, and receive confirmation from the investment manager that the valuation basis is appropriate and in line with relevant accounting standards.

Going concern – As part of the audit process, there was focus on whether the Company would be able to meet repayment of its loan notes in December 2015 if the realisation of investments was delayed or raised insufficient proceeds.

In July 2015 the Company refinanced its loan notes with a loan facility that was more flexible and of a minimum duration of five years. The Committee and Board were satisfied that the Company should adopt the going concern basis in preparing the Annual Report and accounts.

Report of the Audit Committee cont.

Conclusions in respect of the Annual Report and Financial statements

The production and the audit of the Company's Annual Report and Financial statements is a comprehensive process requiring input from a number of different contributors. In order to reach a conclusion on whether the Company's Financial statements is fair, balanced and understandable, as required under the UK Corporate Governance Code dated September 2014, the Board has requested that the Committee advise on whether it considers that the Annual Report and Financial statements fulfils these requirements. In outlining their advice, the Committee has considered the following:

- The comprehensive documentation that exists outlining the controls in place for the production of the Annual Report, including the verification processes in place to confirm the factual content;
- The detailed reviews undertaken at various stages of the production process by the investment manager, Administrator, Auditor and the Committee that are intended to ensure consistency and overall balance;
- The controls enforced by the investment manager, Administrator and other third-party service providers to ensure complete and accurate financial records and security of the Company's assets; and
- The existence of satisfactory control reports that have been reviewed and reported upon by external auditors to verify the effectiveness of the internal controls of the investment manager and Administrator, such as Audit and Assurance Faculty ('AAF') Report.

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31st December 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model, strategy, and has reported these findings to the Board.

The Board's conclusions in this respect are set out in the Statement of Directors' responsibilities on page 43.

On behalf of the Audit Committee

Scott Longhurst
Audit Committee Chairman

34 Lime Street
London EC3M 7AT
23rd March 2016

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, Directors' report, the Remuneration report and the Financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the Financial statements; and
- prepare the Financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial statements and the Remuneration report comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- insofar as each of the Directors is aware there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

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

To the best of my knowledge:

- the Financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Chairman's letter, CEO's report and Strategic report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The 2014 UK Corporate Governance Code also requires Directors to ensure that the Annual Report is fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report fulfils these requirements. The process by which the Committee has reached these conclusions is set out in the Report of the Audit Committee on pages 39 to 42. Furthermore, the Board believes that the disclosures set out on pages 2 to 17 of the Annual Report provide the necessary information for shareholders to assess the Company's performance, business model and strategy.

Having taken into account all the matters considered by the Board and brought to the attention of the Board during the year ended 31st December 2015, as outlined in the Corporate Governance Statements and the Report of the Audit Committee, the Board has concluded that the Annual Report for the year ended 31st December 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board

Malcolm Fallen
Chief Executive Officer

34 Lime Street
London EC3M 7AT
23rd March 2016

Independent auditor's report to the members of Candover Investments plc

Our opinion on the financial statements is unmodified

In our opinion:

- the Financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31st December 2015 and of the Group's loss for the year then ended;
 - the Group Financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
 - the parent company Financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
 - the Financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial statements, Article 4 of the IAS Regulation.
-

Who we are reporting to

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

What we have audited

Candover Investments plc's financial statements for the year ended 31st December 2015 comprise the Accounting policies; the Group statement of comprehensive income; the Group and Company statements of changes in equity; the Group and Company statements of financial position; the Group and Company cash flow statements and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company Financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Overview of our audit approach

- Overall Group materiality: £1.27 million which represents 1.3% of the Group's total assets;
 - We performed full scope audit procedures for both Candover Investments plc and its subsidiary undertaking Candover Services Limited; and the
 - Key audit risk was identified as the valuation of portfolio companies (unquoted investments).
-

Our assessment of risk

In arriving at our opinions set out in this report, we highlight the following risk that, in our judgement, had the greatest effect on our audit:

Audit risk

Valuation of unquoted investments

Unquoted investments (described as 'Portfolio companies' in the Financial statements) are the largest asset class in the Financial statements (comprising 88% of the Group's total assets) and are designated at fair value through profit or loss in accordance with International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement'. Measurement of the fair value of an unquoted investment is subjective and includes significant assumptions. We therefore identified the valuation of unquoted investments as a risk that requires special audit consideration.

How we responded to the risk

Our work included but was not restricted to:

- documenting and assessing the design and implementation of the investment valuation process and controls in place at the investment manager;
- obtaining an understanding of how the valuations were performed by the investment manager;
- obtaining an understanding of matters that may affect the fair value of the unquoted investments including the performance of investee companies, the key factors affecting the industries they operate in and any specific issues which may impact their fair values, through discussions with the investment manager and review of management information;
- using our valuation specialists to inform our challenge of the investment manager on the valuation of unquoted investments, the appropriateness of the valuation basis selected, the underlying assumptions, such as discounts and premiums, and the choice of benchmark earnings multiples. Particular attention was paid to the valuation methodology used and whether this was in accordance with the provisions of the International Private Equity and Venture Capital Valuation guidelines and IFRSs as adopted by the European Union;
- verifying key underlying financial data inputs into the valuation models, such as earnings and net debt position, to investee company management information and testing their arithmetical accuracy; and
- attending the Audit, Risk and Valuations Committee meetings where we received detailed updates on investments from investment manager executives and observed the Committee's challenge and approval of unquoted investment valuations.

The Group's accounting policy on the valuation of unquoted investments is set out on page 18, and its disclosures about unquoted investments held at the year-end are included in Note 9. The Audit, Risk and Valuations Committee also identified the valuation of investments as a significant issue in its report on page 41 where the Committee also described the action that it has taken to address this issue.

Independent auditor's report to the members of Candover Investments plc cont.

Our application of materiality and an overview of the scope of our audit

Materiality

We define materiality as the magnitude of misstatement in the Financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

We determined materiality for the audit of the Group Financial statements as a whole to be £1.27 million, which was 1.3% of the Group's total assets at the planning stage of the audit. This benchmark is considered the most appropriate because in our view, it is a key driver of the Group's performance. No revision to the materiality that was determined at the planning stage of our audit was necessary as we judged that it remained appropriate in the context of the Group's actual financial results.

Materiality for the current year is lower than the level that we determined for the year ended 31st December 2014 to reflect the realisation of investments during 2015 and therefore the lower level of Group total assets upon which materiality is based.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality for the audit of the Group Financial statements. We also determine a lower level of specific materiality for certain areas such as the revenue column of the Group statement of comprehensive income, Directors' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the Audit Committee to be £0.07 million. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Overview of the scope of our audit

A description of the generic scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

We conducted our audit in accordance with International Standards on Auditing (ISAs) (UK and Ireland). Our responsibilities under those standards are further described in the 'Responsibilities for the financial statements and the audit' section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

Our audit approach was based on a thorough understanding of the Group's business and is risk based, and in particular included the following considerations:

- The day-to-day management of the Group's investment portfolio, the custody of its investments and the maintenance of the Group's accounting records which are outsourced to third party service providers;
- Our approach included obtaining an understanding of, and evaluating, internal controls at the Group and its third party service providers. This included obtaining and evaluating internal controls reports on the description, design and operating effectiveness of internal controls at the relevant third party service providers;
- We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks; and
- We performed a full scope audit of the Financial statements of the parent company, Candover Investments plc, and of the financial information of its subsidiary undertaking, Candover Services Limited.

Other reporting required by regulations

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic report and Report of the Directors for the Financial year for which the financial statements are prepared is consistent with the Financial statements.

Matters on which we are required to report by exception

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

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

Under the Listing Rules, we are required to review:

- the Directors' statements in relation to going concern and longer-term viability, set out on pages 23 and 8 respectively; and
- the part of the Corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to report to you if:

- we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable; or
- the Annual Report does not appropriately disclose those matters that were communicated to the Audit Risk and Valuation Committee which we consider should have been disclosed.

We have nothing to report in respect of any of the above matters.

We also confirm that we do not have anything material to add or to draw attention to in relation to:

- the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the Financial statements about whether they have considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the Financial statements; and
- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent auditor's report to the members of Candover Investments plc cont.

Responsibilities for the Financial statements and the audit

What the Directors are responsible for:

As explained more fully in the Statement of Directors' responsibilities set out on page 43, the Directors are responsible for the preparation of the Financial statements and for being satisfied that they give a true and fair view.

What we are responsible for:

Our responsibility is to audit and express an opinion on the Financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Paul Flatley

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants
London

23rd March 2016

Accounting policies

The principal accounting policies adopted in the preparation of these Financial statements are set out below. These policies have been consistently applied to all the periods presented.

Basis of preparation

The Group and Company have prepared their Financial statements under International Financial Reporting Standards as adopted by the European Union ('IFRSs'). IFRSs comprise standards and interpretations approved by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC') as adopted in the European Union as at 31st December 2014.

The Financial statements have been prepared on the historical cost basis of accounting, except for measurement at fair value of financial investments designated at fair value through profit or loss.

Going concern

The Directors are required to satisfy themselves that it is reasonable to presume that the Company is a going concern.

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman's letter, the Chief Executive Officer's report and the Manager's portfolio review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review.

The Corporate governance section and the Risk review, included in the Strategic report, outline the Group's financial and operational risks. In addition, Note 22 to the Financial statements includes the Group's financial risk management objectives, its capital management policies and procedures, details of its financial instruments and hedging activities and its exposures to market risk, currency risk, interest rate risk, credit risk, liquidity risk and other price risk.

In July 2015, the Company successfully refinanced its debt, replacing US PP Loan Notes due for repayment in December 2015, with a new term loan facility with 17Capital. The new facility has a maturity of five years and allows the Company sufficient headroom to deal with any

delays in realisations. The facility also provides liquidity for the Company to meet its operational liabilities.

The Directors have a reasonable expectation that the Group and the Company have adequate resources to continue as a going concern for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the Report and accounts.

The significant accounting policies are set out below:

Investment Trust Statement of Recommended Practice ('SORP')

Where presentational guidance set out in the SORP for investment trusts, issued by the Association of Investment Companies ('AIC'), is consistent with the requirements of IFRSs, the Directors have sought to prepare the financial statements on a basis compliant with the SORP.

Management expenses and finance costs

During the year the Company reviewed its split between revenue and capital of management expenses resulting in an unchanged allocation based on the nature of estimated long-term returns. Management expenses and finance costs have been allocated 50% to capital and 50% to revenue (2014: 50% to capital and 50% to revenue).

Basis of consolidation

The consolidated financial statements incorporate the Financial statements of the Company and Candover Services Limited, 100% owned and controlled by the Company (the 'subsidiary undertaking'), and made up to the Statement of financial position date.

IFRS 10 investment entities came into effect for annual reporting periods beginning on or after 1st January 2014. The Company has control over the activities of its subsidiary, Candover Services Limited. The Company controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In light of the Company's power to govern the financial and operating policies of Candover Services Limited, the Company has consolidated this entity. Under the

Accounting policies cont.

requirements of IFRS 10, ownership interest in entities controlled by an investment entity are generally to be accounted for at fair value in accordance with IAS 39 rather than being consolidated. In assessing the impact of these guidelines, critical judgements were made in assessing whether Candover Services Limited should be accounted for at fair value under IAS 39 or consolidated in the Group Financial statements. In line with provisions under IFRS 10, the activities of Candover Services Limited relate to supporting the Company in its investment activities, and itself is not considered to be an investment entity. It is therefore appropriate to consolidate Candover Services Limited in the Group Financial statements.

Revenue

Interest income on financial investments, and cash and cash equivalents, is recognised in the Statement of comprehensive income using the effective interest rate applicable. A provision will be made against this income where there is uncertainty as to its future recoverability. The requirement or otherwise for a provision is considered in conjunction with the valuation of the related financial investment, the approach to which is stated below. Other income is recognised when the right to receive the payment is established.

Operating segments

Candover's operating segments are being reported based on the financial information provided to the Chief Executive Officer of Candover. Co-investment activity is presented on the Group statement of comprehensive income in accordance with the SORP. Income arising from co-investment is reported under 'revenue', and capital gains and losses within 'capital'.

The Group's material non-current assets are the portfolio companies of the co-investment segment. These are assessed geographically in the Manager's portfolio review on pages 12 to 17.

Financial investments

The Directors consider that a substantial measure of the performance of the Group is assessed through the capital gains and losses arising from the investment activity of the Group. Consequently, for measurement and reporting purposes financial investments, including equity,

loan and similar instruments, are designated at fair value through profit and loss and are valued in compliance with IAS 39 Financial Instruments: Recognition and Measurement, IFRS 13: Fair Value Measurement and the International Private Equity and Venture Capital Valuation Guidelines as recommended by the BVCA, the principles of which are set out on page 18.

For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market prices at the close of business at the Statement of financial position date and are classified within Level 1.

Investments not actively traded in organised financial markets, but valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within Level 2.

Level 3 investments have significant unobservable inputs and include private equity and corporate debt securities.

Financial investments are recognised in the Statement of financial position at fair value. Gains or losses on the realisation of financial investments are dealt with in profit or loss on the Statement of comprehensive income and taken to the realised capital reserve. Financial investments are not held for immediate resale and any gains on realisations are not available for distribution as a dividend. The difference between the fair value of financial investments and cost to the Group is shown as an unrealised gain or loss in the Statement of comprehensive income and taken to the unrealised capital reserve.

The value of underlying PIK income on financial investments that include preference shares and other interest-bearing securities, is recognised as 'revenue' in profit or loss on the Statement of comprehensive income. Changes in the value of embedded options and the principal itself are treated as capital.

Investments in subsidiary undertakings are reflected in the Company's accounts at cost less impairment.

Receivables and payables

Receivables and payables are accounted for at fair value at initial recognition and thereafter at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents include cash-in-hand, deposits held at call with banks, other short-dated listed fixed income securities and money market instruments. Such assets are held to meet the operational needs of the business and service its finance costs. They are classified as loans and receivables under IAS 39.

Borrowings

Interest-bearing loans and overdrafts are initially recognised at the fair value of the liability, net of direct issue costs. After initial recognition, these are subsequently measured at amortised cost using the effective interest method, which is the rate that exactly discounts the estimated future cash flows through the expected life of the liabilities. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Finance costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis within profit or loss in the statement of comprehensive income using the effective interest method. Movements in value for currency fluctuations are taken to the statement of comprehensive income.

Deferred tax

Deferred tax is recognised in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial statements. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not

provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments.

Foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Where exchange differences result from the translation into Sterling of foreign currency resources that are held for future financial investments, the gain or loss is accounted for in the Statement of comprehensive income and taken to capital reserves.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor and net of any income received from sub-letting) are charged to profit or loss on a straight-line basis over the period of the lease.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. Provision is made for the present value of foreseeable rental commitments in respect of surplus property, after offsetting any future subletting income that could be earned. Surplus property includes premises which will become redundant as a result of steps to which the Group is committed.

Accounting policies cont.

Exceptional items

Additional provisions and costs are recognised as exceptional costs and are charged to the Statement of comprehensive income in the year.

Dividends payable

Final dividends are accounted for when they are approved at the Annual General Meeting. Interim dividends are recognised when paid.

Critical accounting estimates and judgements

The preparation of Financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate to:

- the expectation that the Group and the Company have adequate resources to continue as a going concern (see Accounting policies page 49);
- the valuation of unlisted financial investments held at fair value through profit and loss, which are valued on the basis noted above (in the section headed Financial investments), the key areas of judgement being the adjustments required to normalise sustainable earnings and the appropriate comparable multiple to apply. The valuation policy is set out on page 18 and the Group's exposure to valuation and market price risk is considered in Note 22.1;
- the recognition or otherwise of accrued income on loan notes and similar instruments granted to portfolio companies, which are assessed in conjunction with the overall valuation of unlisted financial investments as noted above;

- the treatment of movements in value on the embedded 'non-call' option of Expro International and Stork preference shares are being treated as capital gains on the income statement and, with pay-in-kind interest taken as a revenue item;
- the appropriateness of the allocation of management expenses between revenue and capital at 50:50, which is based on the split of the long-term anticipated return from anticipated investment realisations between revenue and capital, which has no impact on profit before tax but does affect the allocation of expenses between capital and revenue on the income statement;
- finance costs, which have been allocated on the same basis as the above, whereas movements in the carrying value of borrowings and related instruments have been taken to the unrealised capital reserve as they have been raised to fund future financial investments; and
- the recognition of the deferred tax asset, which is based on reasonable expectations on the availability of future taxable profits. A 10% change in the split of long-term returns between revenue and capital would change the carrying value of deferred tax assets by £0.2 million.

Standards in issue but not effective:

New Standards

- IFRS 15 Financial Instruments – Revenue from Contracts from Customers (effective 1st January 2017).

Revised and amended standards

- IFRS 9 Financial Instruments – Classification and Measurement (effective 1st January 2018); and
- IFRS 7/9 Mandatory Effective Date and Transition Disclosure (amended) (effective 1st January 2018).

Unless stated otherwise changes are not considered to have a material impact.

Group statement of comprehensive income for the year ended 31st December 2015

	Notes	Year to 31st December 2015			Year to 31st December 2014		
		Revenue £m	Capital £m	Total ¹ £m	Revenue £m	Capital £m	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	20	–	(54.4)	(54.4)	–	(39.9)	(39.9)
Total		–	(53.8)	(53.8)	–	(35.1)	(35.1)
Revenue/(expense)							
Investment and other income	1	6.4	–	6.4	11.3	–	11.3
Total		6.4	–	6.4	11.3	–	11.3
Recurring administrative expenses	2	(2.6)	(0.9)	(3.5)	(2.8)	(1.3)	(4.1)
Exceptional non-recurring costs	3	(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	4	(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:							
Profit/(loss) 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	5	(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	8	(30p)	(272p)	(302p)	22p	192p	170p

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

i All of the gain for the year and the total comprehensive income 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

	Notes	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	20	—	—	—	—	(54.4)	—	(54.4)
Realised gain/(loss) on financial instruments	22.6	—	—	—	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 loss		—	—	—	(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

	Notes	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	20	—	—	—	—	(39.9)	—	(39.9)
Realised gain/(loss) on financial instruments	22.6	—	—	—	(4.0)	8.8	—	4.8
Exchange movements on borrowing		—	—	—	—	(3.2)	—	(3.2)
Costs net of tax		—	—	—	(3.7)	—	—	(3.7)
Profit/(loss) after tax		—	—	—	(7.7)	(34.3)	4.9	(37.1)
Total comprehensive loss		—	—	—	(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

Company statement of changes in equity for the year ended 31st December 2015

	Notes	Called up share capital £m	Share premium account £m	Capital reserves—realised £m	Capital reserves—unrealised £m	Revenue reserve £m	Total equity £m
Balance at 1st January 2015		5.5	1.2	312.0	(194.0)	(35.9)	88.8
Net revenue after tax		—	—	—	—	(7.3)	(7.3)
Unrealised loss on financial instruments	20	—	—	—	(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)	(7.3)	(66.7)
Total comprehensive loss		—	—	(0.5)	(58.9)	(7.3)	(66.7)
Balance at 31st December 2015		5.5	1.2	311.5	(252.9)	(43.2)	22.1

	Notes	Called up share capital £m	Share premium account £m	Capital reserves—realised £m	Capital reserves—unrealised £m	Revenue reserve £m	Total equity £m
Balance at 1st January 2014		5.5	1.2	319.7	(159.7)	(39.8)	126.9
Net revenue after tax		—	—	—	—	3.9	3.9
Unrealised loss on financial instruments	20	—	—	—	(39.9)	—	(39.9)
Realised gain/(loss) 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)	3.9	(38.1)
Total comprehensive loss		—	—	(7.7)	(34.3)	3.9	(38.1)
Balance at 31st December 2014		5.5	1.2	312.0	(194.0)	(35.9)	88.8

Group statement of financial position at 31st December 2015

		31st December 2015		31st December 2014	
	Notes	£m	£m	£m	£m
Non-current assets					
Financial investments designated at fair value through profit and loss					
Portfolio companies	9	82.0		135.0	
Other financial investments	9	0.6		0.6	
			82.6		135.6
Trade and other receivables	11		3.5		8.5
Deferred tax asset	15		–		2.1
			86.1		146.2
Current assets					
Trade and other receivables	11	–		0.1	
Current tax asset	11	0.2		0.1	
Cash and cash equivalents	12	6.5		26.6	
			6.7		26.8
Current liabilities					
Other payables	13	(0.2)		(0.5)	
Provisions	19	–		(0.5)	
Loans and borrowings	14	–		(52.8)	
			(0.2)		(53.8)
Net current assets/(liabilities)			6.5		(27)
Total assets less current liabilities			92.6		119.2
Non-current liabilities					
Loans and borrowings	14		(39.4)		–
Net assets			53.2		119.2
Equity attributable to equity holders					
Called up share capital	16		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

Company statement of financial position

at 31st December 2015

	Notes	31st December 2015		31st December 2014	
		£m	£m	£m	£m
Non-current assets					
Financial investments designated at fair value through profit and loss					
Portfolio companies	9	82.0		135.0	
Other financial investments	9	0.6		0.6	
			82.6		135.6
Investment in subsidiary undertakings	9,10		4.6		4.6
Trade and other receivables	11		–		4.6
Deferred tax asset	16		–		2.1
			87.2		146.9
Current assets					
Other receivables	11	–		–	
Current tax asset		0.1		–	
Cash and cash equivalents	12	6.2		26.6	
			6.3		26.6
Current liabilities					
Other payables	13	(32.0)		(31.9)	
Loans and borrowings	14	–		(52.8)	
			(32.0)		(84.7)
Net current liabilities			(25.7)		(58.1)
Total assets less current liabilities			61.5		88.8
Non-current liabilities					
Loans and borrowings	14	(39.4)		–	
Net assets			22.1		88.8
Equity attributable to equity holders					
Called up share capital	16	5.5		5.5	
Share premium account		1.2		1.2	
Capital reserve – realised		311.5		312.0	
Capital reserve – unrealised		(252.9)		(194.0)	
Revenue reserve		(43.2)		(35.9)	
Total equity			22.1		88.8

The Financial statements were approved on behalf of the Directors on 23rd March 2016.

Richard Stone
Chairman

Group cash flow statement

for the year ended 31st December 2015

	Notes	Year to		Year to	
		31st December 2015		31st December 2014	
		£m	£m	£m	£m
Cash flows from operating activities					
Cash flow from operations	21	(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 repayment		(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	12	6.5		26.6	

Company cash flow statement

for the year ended 31st December 2015

	Notes	Year to		Year to	
		31st December 2015		31st December 2014	
		£m	£m	£m	£m
Cash flows from operating activities					
Cash flow from operations	21	(4.4)		(4.1)	
Interest paid		(2.3)		(3.9)	
Tax received		–		–	
Net cash from operating activities		(6.7)		0.2	
Cash flows from investing activities					
Purchase of financial investments		(2.3)		–	
Sale of financial investments		8.2		24.2	
Net cash from investing activities		5.9		24.2	
Cash flows from financing activities					
Loan notes repayment		(54.0)		–	
Loan facility utilised		35.0		–	
Net cash outflow from financing activities		(19.0)		–	
(Decrease)/increase in cash and cash equivalents		(19.8)		24.4	
Opening cash and cash equivalents		26.6		5.5	
Effect of exchange rates and revaluation on cash and cash equivalents		(0.6)		(0.3)	
Closing cash and cash equivalents	12	6.2		26.6	

Notes to the Financial statements

for the year ended 31st December 2015

Note 1 Revenue

	2015		2014	
	£m	£m	£m	£m
Investment income				
Income from financial investments	6.0		11.0	
Income from other fixed interest securities	0.4		0.3	
		6.4		11.3

Income from financial investments is derived from the provision of capital to unquoted companies and represents accrued income arising on those investments. Where valuations reduce year on year, income may be reversed giving rise to a charge to the income statement. Income from other fixed interest securities represents interest on surplus cash.

Note 2 Administrative expenses

		2015 £m	2014 £m
Management expenses	Revenue	0.9	1.3
	Capital	0.9	1.3
Other administrative expenses	Revenue	6.8	1.8
Total administrative expenses		8.6	4.4
Staff costs (including Directors' remuneration)		0.9	1.0
Auditor's remuneration		0.1	0.1
Non-recurring exceptional costs (see below)		5.1	0.3
Staff costs:			
Salaries		0.7	0.5
Bonus		-	0.3
Social security costs		0.1	0.1
Pension, insurance and other costs		0.1	0.1
		0.9	1.0

Total administration expenses stated above includes £5.1 million of non-recurring exceptional costs (2014: £0.3 million) (see Note 3).

As at 31st December 2015, the number of employees of the Group was two (2014: two). The employees provide the Group's support services. The Directors' remuneration report is shown on pages 32 to 38. The total remuneration of the Directors during the year was £0.7 million (2014: £0.7 million). Total employer's national insurance contributions of the Directors was £0.1 million for the year.

Administrative costs which are shown above, include the costs of Non-Executive Directors and two employees, none of whom are investment executives.

The Company had one employee during the course of the year: Malcolm Fallen, Chief Executive Officer (2014: one).

Auditor's remuneration

During the year, Grant Thornton UK LLP earned the following fees:

	2015 £	2014 £
Fees payable to the Company's auditors for the audit of the Company's annual accounts	72,500	78,000
Fees payable to the Company's auditors for the audit of subsidiary undertakings	15,000	12,000
Fees payable to the Company's auditors and its associates for other services:		
– Corporation tax services	22,200	23,950
– Audit-related non-audit services	30,000	30,000
Auditor's remuneration	139,700	143,950

Note 3 Exceptional non-recurring costs for the Group

Exceptional non-recurring costs for the Group for the current year are made up as follows:

	2015 £m	2014 £m
Property costs	–	0.9
Property provision release	–	(0.6)
Property provision (write back)	(0.5)	(0.5)
Other costs	5.6	0.5
	5.1	0.3

Property costs relate to the cost of rent, rates and service charge from 1st January to 31st December, which are not regular operating costs of the underlying business. The property provision has been written-back to £nil as detailed in Note 19. Other costs relate to the impairment provision made against non-recoverable co-investment loans following the significant drop in the valuation of Expro.

Note 4 Finance costs

	2015 £m	2014 £m
Interest on loans and borrowings	3.2	2.4
Finance costs	Revenue 3.2	2.4

	2015 £m	2014 £m
Interest on loans and borrowings	3.2	2.4
Finance costs	Capital 3.2	2.4

Notes to the Financial statements

for the year ended 31st December 2015 cont.

Note 5 Taxation

The relationship between the expected tax charge based on the effective tax rate of 20.25% (2014: 21.5%) and the tax charge actually recognised in the Statement of comprehensive income can be reconciled as below. As the Company is an investment trust, no tax is payable on capital gains made during the period; consequently the profit before tax used in the reconciliation below relates solely to the revenue column of the Statement of comprehensive income.

	2015 £m	2014 £m
(Loss)/profit before taxation	(4.5)	5.8
Tax rate ¹	20.25%	21.5%
Expected tax charge	(0.9)	1.2
Adjustments for tax-rate differences:		
– Other non-deductible expense	(0.3)	0.3
– Unutilised losses carried forward	2.1	–
– Capitalised expenses (net of taxable income)	(0.9)	(1.5)
Tax charge for the year	–	–

1 The tax rate represents the weighted average of tax rates applicable in the year 2015

Please refer to Note 15 for information on the deferred tax assets and liabilities. The analysis of the charge is as follows:

	2015 £m	2014 £m
Current tax	–	–
UK corporation tax on profits for the year	–	–
Adjustments in respect of previous years	–	–
Overseas taxation	–	–
Total current tax	–	–
Deferred tax	–	–
Origination and reversal of temporary differences	–	–
Adjustment in respect of previous years	–	–
Adjustment in respect of recognition of tax losses	(2.1)	(0.9)
Total deferred tax	(2.1)	(0.9)
Tax on ordinary activities	–	–
Tax charge for the year	(2.1)	(0.9)

The Company carries on business as an investment trust and has been accepted as an approved investment trust by HM Revenue & Customs under Sections 1158 and 1159 of the Corporation Tax Act 2010, subject to the Company continuing to meet eligibility conditions. The Directors are of the opinion that the Company has conducted its affairs in a manner which will satisfy the conditions for continued approval.

Note 6 Profit for the financial year

As permitted by section 408 of the Companies Act 2006, the Company has not included its own Statement of comprehensive income in these Financial statements. The Group loss after tax for the year includes a loss of £66.7 million (2014: £38.1 million) which is dealt with in the Financial statements of the Company.

Note 7 Dividends

No dividends were paid in 2015 (2014: £nil). No final dividend is proposed for 2015.

Note 8 Earnings per share

The calculation of earnings and net asset values per share is based on the following:

	2015 £m	2014 £m
Revenue return	(6.6)	4.9
Capital loss	(59.4)	(42.0)
Loss after tax	(66.0)	(37.1)
Net assets	53.2	119.2

	2015 million	2014 million
Weighted average number of shares – basic	21.9	21.9
Weighted average number of shares – diluted	21.9	21.9

At the year end there were 21,856,615 ordinary shares in issue. Treasury shares and outstanding options were taken into account when calculating the earnings per share.

Notes to the Financial statements

for the year ended 31st December 2015 cont.

Note 9 Financial investments designated at fair value through profit and loss and investment in subsidiary undertakings

	Other financial investments £m	Portfolio companies £m	Total £m
Group 2015			
Valuation at 1st January 2015	0.6	135.0	135.6
Additions	–	2.3	2.3
Disposals	–	(8.2)	(8.2)
Unrealised depreciation	–	(47.1)	(47.1)
Valuation at 31st December 2015	0.6	82.0	82.6
Reconciliation			
Cost of investments	0.6	265.0	265.6
Net unrealised write-down of investments	–	(183.0)	(183.0)
Valuation at 31st December 2015	0.6	82.0	82.6
Group 2014			
Valuation at 1st January 2014	6.0	185.2	191.2
Additions	–	–	–
Disposals	(5.4)	(18.8)	(24.2)
Unrealised depreciation	–	(31.4)	(31.4)
Valuation at 31st December 2014	0.6	135.0	135.6
Reconciliation			
Cost of investments	0.6	267.7	268.3
Net unrealised write-down of investments	–	(132.7)	(132.7)
Valuation at 31st December 2014	0.6	135.0	135.6

	Shares in subsidiary undertakings £m	Other financial investments £m	Portfolio companies £m	Total £m
Company 2015				
Valuation at 1st January 2015	4.6	0.6	135.0	140.2
Additions	–	–	2.3	2.3
Disposals	–	–	(8.2)	(8.2)
Unrealised depreciation	–	–	(47.1)	(47.1)
Valuation at 31st December 2015	4.6	0.6	82.0	87.2
Reconciliation				
Cost of investments	4.6	0.6	265.0	270.2
Net unrealised write-down of investments	–	–	(183.0)	(183.0)
Valuation at 31st December 2015	4.6	0.6	82.0	87.2
Company 2014				
Valuation at 1st January 2014	4.6	6.0	185.2	195.8
Additions	–	–	–	–
Disposals	–	(5.4)	(18.8)	(24.2)
Unrealised write-down	–	–	(31.4)	(31.4)
Valuation at 31st December 2014	4.6	0.6	135.0	140.2
Reconciliation				
Cost of investments	4.6	0.6	267.7	272.9
Net unrealised write-down of investments	–	–	(132.7)	(132.7)
Valuation at 31st December 2014	4.6	0.6	135.0	195.8

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for the year ended 31st December 2015 cont.

Investments at fair value include:

	2015 £m	2014 £m
Group		
UK		
Unquoted at Directors' valuation	0.5	41.8
Europe		
Unquoted at Directors' valuation	82.1	93.8
	82.6	135.6
	2015 £m	2014 £m
Company		
UK		
Unquoted at Directors' valuation	0.5	41.8
Europe		
Unquoted at Directors' valuation	82.1	93.8
	82.6	135.6

Interests in the Candover 2005 and 2008 Funds (other financial investments)

The Company is a Special Limited Partner in the Candover 2005 Fund and is entitled to participate in profits after a minimum rate of return has been achieved by the Limited Partners. This profit entitlement is referred to as the carried interest and held at fair value through profit and loss.

As at 31st December 2015 Candover's investments as a Special Limited Partner in 2005 Funds were valued at £0.4 million (2014: £0.4 million).

Note 10 Subsidiary undertakings

	Nature of business	Country of incorporation	Issued share capital
Candover Services Limited ¹	Administration and management company	England and Wales	£4,400,000 ordinary

1 Wholly owned directly by Candover Investments plc

Note 11 Trade and other receivables

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Amounts falling due within one year				
Trade receivables	–	0.1	–	–
Social security and other taxes	0.2	0.1	0.1	–
	0.2	0.2	0.1	–
Amounts falling due after more than one year				
Trade receivables	3.5	8.5	–	4.6
	3.7	8.7	0.1	4.6

Note 12 Cash and cash equivalents

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Listed fixed interest securities and money market funds	5.9	26.5	5.9	26.5
Cash at bank and in hand	0.6	0.1	0.3	0.1
	6.5	26.6	6.2	26.6

Additional commentary on the holdings of cash and cash equivalents is provided in Note 22.3.

Note 13 Trade and other payables

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Amounts due to Group undertakings	–	–	31.9	31.5
Accruals and deferred income	0.2	0.5	0.1	0.4
	0.2	0.5	32.0	31.9

Note 14 Loans and borrowings

	Group		Company	
	2015 £m	2014 £m	2015 £m	2014 £m
Loans and borrowings due within one year or less	–	52.8	–	52.8
Loan and borrowings due between one and five years	39.4	–	39.4	–

Notes to the Financial statements

for the year ended 31st December 2015 cont.

	Rate	Group		Company	
		2015 £m	2014 £m	2015 £m	2014 £m
Issued under the US private placement					
Series Y (US\$83.9 million due 31st December 2015)	7.02%	-	53.9	-	53.9
Deferred costs under the US private placement		-	(1.1)	-	(1.1)
17Capital LLP loan facilities:					
Loan payable including capitalised accrued interest	20.6%	39.7	-	39.7	-
Deferred cost – 17Capital LLP loan facilities transaction fees		(0.3)	-	(0.3)	-
		39.4	52.8	39.4	52.8

The 20.6% is the effective interest rate based on anticipated cash flows.

Note 15 Deferred tax assets and liabilities

No temporary differences resulting from investments in subsidiary undertakings qualified for recognition as deferred tax assets or liabilities. Under the current fiscal environment, disposals of these entities are exempt from capital gains taxes.

Deferred taxes arising from temporary differences can be summarised as follows:

	2015		2014	
	Deferred tax asset £m	Deferred tax liabilities £m	Deferred tax asset £m	Deferred tax liabilities £m
Group and Company				
Deferred tax at 1st January 2015	2.1	-	3.0	-
Deferred tax credit/(charge) in profit and loss account:				
Prior year	-	-	-	-
Current year	(2.1)	-	(0.9)	-
Deferred tax at 31st December 2015	-	-	2.1	-

Other temporary differences arise primarily in respect of contributions into the EBT and in relation to tax losses carried forward which have been assessed for recoverability against future earnings.

The Group has carried forward tax losses of £115.7 million (2014: £93.7 million) and therefore an unrecognised deferred tax asset of £23.1 million (2014: £18.7 million). Of the deferred tax asset, £20.2 million (2014: £15.6 million) relates to losses carried forward, of which £20.2 million (2014: £15.6 million) relates to the Company.

Note 16 Share capital

	2015		2014	
	Number	£m	Number	£m
Authorised:				
Ordinary shares of 25p each	29,000,000	7.3	29,000,000	7.3
Allotted, called up and fully paid:				
Ordinary shares of 25p each at 1st January and 31st December (including shares held in treasury)	21,856,615	5.5	21,856,615	5.5
Ordinary shares of 25p each at 1st January and 31st December (excluding shares held in treasury)	21,778,580	5.5	21,778,580	5.5

No ordinary shares were bought by the Company to be held in treasury (2014: nil).

Notifiable interests in the Company's shares

Set out below are the names of those persons who, insofar as the Company is aware as at 16th March 2016, are interested directly or indirectly in 3% or more of the issued share capital of the Company:

	Number of ordinary shares of 25p each	% of voting rights
Deutsche Asset Management	2,614,952	12.01
Ironsides Partners	1,884,546	8.65
BP Investment Management	1,345,743	6.18
CG Asset Management	1,327,400	6.10
ISP Securities Zurich	1,056,812	4.85
Merseyside Pension Fund	800,000	3.67

Note 17 Capital commitments

The Group had no outstanding commitments or contingent liabilities as at 31st December 2015 (2014: £nil).

Note 18 Operating lease commitments

The Group's total commitments under generally non-cancellable operating leases, all relating to office rentals, are set out below:

	2015 £m	2014 £m
Within one year	–	0.5
Between one and five years	–	–
More than five years	–	–
	–	0.5

Notes to the Financial statements

for the year ended 31st December 2015 cont.

Note 19 Provisions

	2015 £m	2014 £m
At 1st January 2015	0.5	1.6
Provision used in the period	–	(0.7)
Effect of unwinding discount	–	0.1
Property provision write back	(0.5)	(0.5)
At 31st December 2015	–	0.5

The Company is the ultimate guarantor of a leasehold property that has a lease which expired on 31st December 2014. Provision was made for the estimated fair value of unavoidable lease payments together with an estimate of the associated cost of rates, service charges and reinstatement under the terms of the lease. At 31st December 2015, the provision was written back to £nil, following full and final settlement in relation to these agreements.

Note 20 Unrealised gains/(losses) on financial instruments at fair value through profit and loss

	2015 £m	2014 £m
Loss on revaluation of investments and cash equivalents	(54.4)	(39.9)

Note 21 Reconciliation of operating income to net cash flow from operating activities

	2015 £m	2014 £m
Group		
Total income	6.4	11.3
Administrative expenses	(3.5)	(4.1)
Operating income	2.9	7.2
Increase in trade and other receivables ¹	(6.7)	(1.3)
Decrease in trade and other payables	(0.3)	(2.3)
Net cash (outflow)/inflow from operating activities	(4.1)	3.6

¹ Includes accrued portfolio income recognised within Financial investments shown under Non-current assets on the Group statement of financial position

	2015 £m	2014 £m
Company		
Total income	6.2	11.9
Administrative expenses	(3.5)	(5.2)
Operating income	2.7	5.9
Increase in trade and other receivables ¹	(7.2)	(1.3)
Increase/(decrease) in trade and other payables	0.1	(0.5)
Net cash (outflow)/inflow from operating activities	(4.4)	4.1

1 Includes accrued portfolio income recognised within Financial investments shown under Non-current assets on the Group statement of financial position

Note 22 Financial risk management

The Company and Group's activities expose the Group to a variety of financial risks arising from its investment in equities and other instruments for the long-term so as to achieve its investment objectives. Underlying investments in investee companies take the form of equity and debt investments treated as single investments designated at fair value through profit or loss. In pursuing its investment objectives, the Group is exposed to a variety of risks that could result in either a reduction in the Group's net assets or a reduction of the profits available for dividends.

These risks include market risk (comprising valuation currency risk and interest rate risk), liquidity risk and credit risk. The Board of the Company oversees the Group's risk management and the Directors' approach to the management of these risks is set out below.

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below have not changed from the previous accounting period.

Summary of financial instruments held

Group Assets as per statement of financial position	2015		Total £m
	Loans and receivables £m	Assets at fair value through profit and loss £m	
Trade and other receivables excluding prepayments	3.7	–	3.7
Financial investments designated at fair value through profit and loss	–	82.6	82.6
Cash and cash equivalents	6.5	–	6.5
	10.2	82.6	92.8

Notes to the Financial statements

for the year ended 31st December 2015 cont.

Prepayments are excluded from trade and other receivables' balance as this analysis is only required for financial instruments.

Group Liabilities as per statement of financial position	2015	
	Other financial liabilities at total amortised cost £m	Total £m
Loans and borrowings	39.4	39.4
Trade and other payables excluding non-financial liabilities	0.2	0.2
	39.6	39.6

Comparatives for 2014 were:

Group Assets as per statement of financial position	2014		
	Loans and receivables £m	Assets at fair value through profit and loss £m	Total £m
Trade and other receivables excluding prepayments	8.7	–	8.7
Financial investments designated at fair value through profit and loss	–	135.6	135.6
Cash and cash equivalents	26.6	–	3.0
	35.3	135.6	170.9

Prepayments are excluded from trade and other receivables' balance as this analysis is only required for financial instruments.

Group Liabilities as per statement of financial position	2014	
	Other financial liabilities at total amortised cost £m	Total £m
Loans and borrowings	52.8	52.8
Trade and other payables excluding non-financial liabilities	0.5	0.5
	53.3	53.3

Company Assets as per statement of financial position	2015		Total £m
	Loans and receivables £m	Assets at fair value through profit and loss £m	
Trade and other receivables excluding prepayments	0.1	–	0.1
Financial investments designated at fair value through profit and loss	–	82.6	82.6
Cash and cash equivalents	6.2	–	6.2
	6.3	82.6	88.9

Prepayments are excluded from trade and other receivables' balance as this analysis is only required for financial instruments.

Company Liabilities as per statement of financial position	2015		Total £m
	Other financial liabilities at total amortised cost £m		
Loans and borrowings		39.4	39.4
Trade and other payables excluding non-financial liabilities		32.0	32.0
		71.4	71.4

Comparatives for 2014 were:

Company Assets as per statement of financial position	2014		Total £m
	Loans and receivables £m	Assets at fair value through profit and loss £m	
Trade and other receivables excluding prepayments	4.6	–	4.6
Financial investments designated at fair value through profit and loss	–	135.6	135.6
Cash and cash equivalents	26.6	–	26.6
	31.2	135.6	166.8

Prepayments are excluded from trade and other receivables' balance as this analysis is only required for financial instruments.

Company Liabilities as per statement of financial position	2014		Total £m
	Other financial liabilities at total amortised cost £m		
Loans and borrowings		52.8	52.8
Trade and other payables excluding non-financial liabilities		31.9	31.9
		84.7	84.7

Notes to the Financial statements

for the year ended 31st December 2015 cont.

Note 22.1 Valuation/market price risk

The Group's exposure to valuation risk mainly comprises of movements in the value of its investments. A breakdown of the Group's portfolio is given on page 14 and a detailed analysis of the largest investments is given on pages 14 to 16. All underlying investments are valued at fair value by the Directors in accordance with the Group's valuation policy. It should be noted that at 31st December 2015, 82% (2014: 100%) of the Group's underlying investments were valued on the multiple of earnings basis. Hence, future changes in comparable earnings multiples of publicly quoted companies, which we use to value our unquoted holdings, will impact the valuations of the portfolio companies, as would changes in the trading results of portfolio companies.

The table below, which captures the effect of the relative gearing of the underlying investments, summarises the effect that any fluctuation in market multiples would have on the valuation of the Group's portfolio:

	Increase £m	Decrease £m
Fixed asset investments at fair value through profit and loss at 31st December 2015	82.0	82.0
10% changes in comparable multiples	13.5	(12.4)
Adjusted fair value of investments	95.5	69.6
Percentage of current fair value of investments	16.5%	(15.1)%

Valuation sensitivity

The Group's sensitivity to valuation risk will be affected by changes in the Group's levels of borrowing and liquidity. Any reduction in the value of the portfolio will be amplified by our level of indebtedness: the ratio of net debt to net assets was 62% at 31st December 2015 (2014: 23%).

Management of the risk

The exposure to market risk is monitored based on the overall level of market risk on the whole of the investment portfolio on an ongoing basis. The Board monitors valuation risk by reviewing and approving the valuation of the portfolio.

Concentration risk

As disclosed, the Group is no longer making new investments. This will mean that as and when realisations occur the portfolio becomes more concentrated. Over-exposure to a particular sector or geography could increase the impact of adverse changes in macroeconomic or market conditions on the Group. The portfolio is subject to periodic reviews by the Board in order to monitor exposure to any one sector or geography and to monitor the exposure to larger investments.

As at 31st December 2015, the remaining five investments represented 99.3% of the overall investment portfolio (2014: 99.6%), of which the underlying exposure to Parques Reunidos accounted for 52.5% of the investment portfolio (2014: 29.4%), or 81.6% of net assets (2014: 33.5%).

Note 22.2 Liquidity risk

This is the risk that the Group will encounter difficulty in meeting obligations associated with uncalled commitments and financial liabilities. Further information on how the Company mitigates the risk of failure to meet financial commitments can be found in the Strategic report (see page 7).

As at 31st December 2015 the Group had no outstanding co-investment commitments (2014: £nil).

It should be noted that in addition to the movements in comparable multiples other significant factors, including covenant concerns and recent relevant market transactions, are taken into account in arriving at the individual investment valuations.

Financial liabilities

The remaining contractual maturities of the financial liabilities at 31st December 2015, based on the earliest date on which payment can be required, were as follows:

	2015				2014			
	3 months or less £m	Not more than 1 year £m	More than 1 year £m	Total £m	3 months or less £m	Not more than 1 year £m	More than 1 year £m	Total £m
Group and Company								
Borrowings under the US private placement loan notes	-	-	-	-	-	-	53.9	53.9
Borrowings under the 17Capital LLP loan facilities ¹	-	-	39.7	39.7	-	-	-	-
	-	-	39.7	39.7	-	-	53.9	53.9

1 Includes capitalised interest

Note 22.3 Currency risk

Certain of the Group's assets, liabilities, income and expenses are denominated in currencies other than Sterling (the Group's functional currency and in which it reports its results), primarily with respect to the Euro and the US Dollar. Foreign exchange risk arises when future investment transactions and recognised assets and liabilities are denominated in currency that is not the entity's functional currency. As a result, movements in exchange rates may affect the Sterling value of those items.

Management of the risk

The Group's exposure to foreign currencies is monitored and reported to the Board on a regular basis. The risk to the Group is the foreign currency impact on the Group's net asset value and income following a movement in the rates of exchange to which the Group's assets, liabilities, income and expenses are exposed.

Foreign currency borrowings are used to limit the Group's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments. These borrowings are limited to currencies and amounts commensurate with the asset exposure to those currencies.

Notes to the Financial statements

for the year ended 31st December 2015 cont.

Foreign currency exposure

The fair values of the Group and Company's monetary items (including financial investments and derivative financial instruments) that have foreign currency exposure at 31st December are shown below:

Group	US\$ £m	Euro £m	Other £m
2015			
Cash and cash equivalents	–	6.1	–
Payables (interest payable)	–	–	–
Borrowings under the 17Capital LLP loan facilities	–	(39.7)	–
Foreign currency exposure on net monetary items	–	(33.6)	–
Investments at fair value through profit or loss	0.6	81.8	–
Total net foreign currency exposure	0.6	48.2	–

Group	US\$ £m	Euro £m	Other £m
2014			
Cash and cash equivalents	0.2	9.6	–
Payables (interest payable)	–	–	–
Borrowings under the 17Capital LLP loan facilities	(53.9)	–	–
Foreign currency exposure on net monetary items	(53.7)	9.6	–
Investments at fair value through profit or loss	41.8	93.6	–
Total net foreign currency exposure	(11.9)	103.2	–

Company	US\$ £m	Euro £m	Other £m
2015			
Cash and cash equivalents	–	6.1	–
Payables (interest payable)	–	–	–
Borrowings under the 17Capital LLP loan facilities	–	(39.7)	–
Foreign currency exposure on net monetary items	–	(33.6)	–
Investments at fair value through profit or loss	0.6	81.8	–
Total net foreign currency exposure	0.6	48.2	–

Company	US\$ £m	Euro £m	Other £m
2014			
Cash and cash equivalents	0.2	9.6	–
Payables (interest payable)	–	–	–
Borrowings under the 17Capital LLP loan facilities	(53.9)	–	–
Foreign currency exposure on net monetary items	(53.7)	9.6	–
Investments at fair value through profit or loss	41.8	93.6	–
Total net foreign currency exposure	(11.9)	103.2	–

Foreign currency sensitivity

The following table illustrates the sensitivity of the equity in regard to the Group's monetary financial assets and financial liabilities and the exchange rates for Sterling/US Dollar and Sterling/Euro.

It assumes the following changes in exchange rates:

Sterling/US Dollar	+/-10% (2014: 10%)
Sterling/Euro	+/-10% (2014: 10%)

These percentages have been determined based on a reasonable estimate of the potential volatility. The sensitivity analysis is based on the Group's monetary foreign currency financial instruments held at each statement of financial position date.

If Sterling had weakened/strengthened (amounts negative of those shown) against the currencies shown, this would have had the following effect:

	2015 (+/-10%)		2014 (+/-10%)	
	US\$ £m	Euro £m	US\$ £m	Euro £m
Gain attributable to equity shareholders	0.1	4.8	1.2	10.3
Loss attributable to equity shareholders	(0.1)	(4.8)	(1.2)	(10.3)

Note 22.4 Interest rate risk

Interest rate movements may affect:

- the fair value of the investments in fixed interest rate securities (including unquoted loans);
- the level of income receivable on cash and cash equivalents; and
- the interest payable on the Company's variable rate borrowings.

Management of the risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and funding decisions.

The majority of the financial investments that are interest-bearing bear fixed interest; as a result, the Group is not subject to significant amounts of cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates.

Any excess cash and cash equivalents are invested at short-term market interest rates, further reducing such risks. Proceeds from the sale of portfolio investments will be used to reduce net debt and this will also reduce the Company's net annual interest costs.

Interest rate exposure

The exposure for the Group and Company, at 31st December, of financial assets and financial liabilities to interest rate risk is shown by reference to:

- floating interest rates (i.e. giving cash flow interest rate risk) when the interest rate is due to be re-set; and
- fixed interest rates (i.e. giving fair value interest rate risk) when the financial instrument is due for repayment.

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for the year ended 31st December 2015 cont.

Group	2015			2014		
	Within 1 year £m	More than 1 year £m	Total £m	Within 1 year £m	More than 1 year £m	Total £m
Exposure to floating interest rates						
Cash and cash equivalents	6.5	–	6.5	26.6	–	26.6
	6.5	–	6.5	26.6	–	26.6
Exposure to fixed interest rates						
Cash and cash equivalents	–	–	–	–	–	–
Investments at fair value through profit or loss	–	82.6	82.6	–	135.6	135.6
Borrowings under the US private placement loan notes	–	–	–	(53.9)	–	(53.9)
Borrowings under the 17Capital LLP loan facilities	–	(39.7)	(39.7)	–	–	–
	–	42.9	42.9	(53.9)	135.6	81.7
Total exposure to interest rates	6.5	42.9	49.4	(27.3)	135.6	108.3

Company	2015			2014		
	Within 1 year £m	More than 1 year £m	Total £m	Within 1 year £m	More than 1 year £m	Total £m
Exposure to floating interest rates						
Cash and cash equivalents	6.2	–	6.2	26.6	–	26.6
	6.2	–	6.2	26.6	–	26.6
Exposure to fixed interest rates						
Cash and cash equivalents	–	–	–	–	–	–
Investments at fair value through profit or loss	–	82.6	82.6	–	135.6	135.6
Borrowings under the US private placement loan notes	–	–	–	(53.9)	–	(53.9)
Borrowings under the 17Capital LLP loan facilities	–	(39.7)	(39.7)	–	–	–
	–	42.9	42.9	(53.9)	135.6	81.7
Total exposure to interest rates	6.2	42.9	49.1	(27.3)	135.6	108.3

Interest receivable and finance costs are at the following rates:

- Interest received on cash and cash equivalents is managed to achieve a margin over LIBOR or its foreign currency equivalent (2014: no change);
- Interest paid on borrowings on the US Private Placement loan notes series Y is fixed at a rate of 7.02%; and
- Interest on borrowings on the 17Capital LLP loan facilities are based on an effective interest rate of 20.6%.

Interest rate sensitivity

The Group's loan note investments are held at fair value through profit or loss and valued in conjunction with the equity investment in the relevant portfolio company. The nature of these instruments, and Candover's holding composition compared to other investors, is such that interest rate movements are not likely to give a material change in the overall fair value of the investments.

As cash and cash equivalents are invested at short-term market rates, for fixed short-term periods and held to maturity, they are not significantly impacted in respect of fair value by movements in interest rates. As borrowings under the 17Capital LLP loan facilities are held at amortised cost, the movement in interest rates does not impact upon their carrying value.

Note 22.5 Credit risk

The Group's exposure to credit risk principally arises from its investment in short-dated listed fixed income securities, money market instruments and its cash deposits.

Management of the risk

This risk is managed as follows:

- where an investment is made in an unquoted loan to a private equity investment, it is made as part of the overall equity and debt investment package and the recoverability of the debt is assessed as part of the overall investment process;
- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Group of default;
- exposure to individual financial institutions is minimised by the Group spreading its cash across a number of liquidity funds and banks;
- cash equivalents consist of short-dated listed fixed income securities and money market instruments, with a credit rating of AA- or above; and
- at bank is held only with major UK banks with high quality external credit ratings or government support.

Credit risk exposure

In summary, compared to the amounts included in the statement of financial position, the maximum exposure to credit risk at 31st December was as follows:

Group	2015		2014	
	Statement of financial position £m	Maximum exposure £m	Statement of financial position £m	Maximum exposure £m
Cash and cash equivalents	6.5	6.5	26.6	26.6
	6.5	6.5	26.6	26.6

Company	2015		2014	
	Statement of financial position £m	Maximum exposure £m	Statement of financial position £m	Maximum exposure £m
Cash and cash equivalents	6.2	6.2	26.6	26.6
	6.2	6.2	26.6	26.6

Trade payables exist between Group companies. Credit risk in relation to these payables is considered to be immaterial.

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Note 22.6 Fair value hierarchy measurements and disclosures

IFRS 13 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices including interest rates, yield curves, volatilities, prepayment speeds, credit risks and default rates) or other market corroborated inputs.
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The valuation policy is explained on page 18.

The table below sets out fair value hierarchy under the IFRS 7 fair value disclosures and IFRS 13 fair value measurement:

Financial assets at fair value through profit or loss

Group	2015			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Continuing equity investments	–	–	82.6	82.6
Cash equivalents ¹	6.5	–	–	6.5
Total	6.5	–	82.6	89.1

Group	2014			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Continuing equity investments	–	–	135.6	135.6
Cash equivalents ¹	26.6	–	–	26.6
Total	26.6	–	135.6	162.2

Company	2015			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Continuing equity investments	–	–	82.6	82.6
Cash equivalents ¹	6.2	–	–	6.2
Total	6.2	–	82.6	88.8

Company	2014			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Continuing equity investments	–	–	135.6	135.6
Cash equivalents ¹	26.6	–	–	26.6
Total	26.6	–	135.6	162.2

1 These are short-dated listed fixed income securities and money market instruments which meet the definition of cash and cash equivalents

Group	2015		Total £m
	Investments £m	Financial liabilities on equity commitments £m	
Valuation at 1st January 2015	135.6	–	135.6
Additions	2.3	–	2.3
Disposal proceeds	(8.8)	–	(8.8)
Realised gains	0.6	–	0.6
Unrealised losses	(47.1)	–	(47.1)
Valuation at 31st December 2015	82.6	–	82.6

Group	2014		Total £m
	Investments £m	Financial liabilities on equity commitments £m	
Valuation at 1st January 2014	191.2	–	191.2
Additions	–	–	–
Disposal proceeds	(29.0)	–	(29.0)
Realised gains	4.8	–	4.8
Unrealised losses	(31.4)	–	(31.4)
Valuation at 31st December 2014	135.6	–	191.2

Company	2015		Total £m
	Equity investments £m	Financial liabilities on equity commitments £m	
Valuation at 1st January 2015	135.6	–	135.6
Additions	2.3	–	2.3
Disposal proceeds	(8.8)	–	(8.8)
Realised gains	0.6	–	0.6
Unrealised losses	(47.1)	–	(47.1)
Valuation at 31st December 2015	82.6	–	82.6

Valuations are based on earning multiples as derived from comparable listed companies. Level 3 investments are sensitive to assumptions made when ascertaining fair value as described in the valuation policy on page 18. Using an alternative assumption could have a significant impact on the fair value of Level 3 investments. A reasonable assumption could be to value the portfolio companies using the average market multiple of comparable listed companies, rather than the specific approach adopted. This would result in an unadjusted valuation of £131.2 million which is 60% higher than the current valuation. The multiples of the comparable basket of companies range from 8.3x to 10.6x (2014: 5.1x to 15.2x), with adjustments made to reflect the relative size and trading diversity between portfolio companies and listed comparable companies of +1% to -41% (2014: +28% to -30%). These adjustments have an aggregate positive impact of £49.2 million giving a year-end valuation of £82.0 million of portfolio companies (see Note 9).

Notes to the Financial statements

for the year ended 31st December 2015 cont.

Company	2014		Total £m
	Investments £m	Financial liabilities on equity commitments £m	
Valuation at 1st January 2014	191.2	–	191.2
Additions	–	–	–
Disposal proceeds	(29.0)	–	(29.0)
Realised gains	4.8	–	4.8
Unrealised losses	(31.4)	–	(31.4)
Valuation at 31st December 2014	135.6	–	135.6

There have been no transfers between levels for the year ended 31st December 2015.

Note 22.7 Capital management and policies and procedures

The Group's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to maximise the income and capital return to its equity shareholders.

The Group's objectives, policies and processes for managing capital are unchanged from the preceding accounting period.

The Company is subject to several externally imposed capital requirements:

- as a public company, the Company has to have a minimum share capital of £50,000;
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law; and
- to retain its status as an investment trust, the Company is required to comply with the regulations of section 1158/9 of the Corporation Taxes Act 2010.

These requirements are unchanged since last year and the Group and the Company have complied with them.

The Group's capital at 31st December 2015 comprises:

	2015 £m	2014 £m
Debt		
Borrowings under the US private placement loan notes	–	52.8
Borrowings under the 17Capital LLP loan facilities	39.4	–
	39.4	52.8
Equity		
Equity share capital	5.5	5.5
Retained earnings and other reserves	47.7	113.7
	53.2	119.2
Total capital	92.6	172.0
Debt as a % of total capital	43%	31%

The Board monitors and reviews the broad structure of the Group's capital on an ongoing basis.

This review includes:

- the planned level of gearing, which takes account of senior management's views on the market;
- the need to buy back equity shares, either for cancellation or to hold in treasury, which takes account of the difference between the net asset value per share and the share price (i.e. the level of share price discount or premium);
- the need for new issues of equity shares, including issues from treasury; and
- the extent to which revenue, in excess of that which is required to be distributed, should be retained.

Note 23 Related party transactions

The Company's subsidiary undertaking is listed in Note 10 on page 67, which includes a description of the nature of its business. During the year, management charges of £0.3 million (2014: £1.4 million) were charged by Candover Services Limited. Amounts due to Candover Services Limited at the year end are listed in Note 13 on page 67.

The Directors of the Company and the Group are considered to be key management personnel. Remuneration to key management personnel is disclosed in the Directors' remuneration report on pages 32 to 38.

Shareholder information

Financial calendar

Event	Date
Preliminary announcement of results for the year ended 31st December 2015	26th February 2016
Candover Investments plc Annual General Meeting	12th May 2016
Interim announcement of results for the half year ended 30th June 2016	24th August 2016

Share price

The Company's shares are listed on the London Stock Exchange under share code 'CDI'. The share price is available on our website at www.candoverinvestments.com.

Information about Candover

For the latest information about Candover Investments plc, visit our website: www.candoverinvestments.com.

Capita share portal

Candover's registrars, Capita Asset Services, offer a share portal service which enables registered shareholders to manage their Candover shareholdings quickly and easily online. Once registered for this service, it is possible for a shareholder to view their Candover shareholding, recent share trades and dividend payments, to obtain current valuations, to update their address or amend a dividend mandate (e.g. to enable dividends to be paid directly into the shareholder's bank account) and to vote online at shareholder meetings. For further information visit www.capitashareportal.com.

Total voting rights

As at 23rd March 2016 the Company's issued share capital consisted of 21,778,580 ordinary shares with a nominal value of 25 pence each. A further 78,035 ordinary shares are held in treasury. The above figure of 21,778,580 ordinary shares is subject to change. However until otherwise announced that figure may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change in their interest in, the share capital of the Company under the Disclosure and Transparency Rules published by the Financial Conduct Authority.

Candover and advisers

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