CANDOVER

2014

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.

Our portfolio currently comprises investments in five 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 an adequate net cash position has been achieved. The mechanisms to return cash will, where possible, take into account tax efficiency for shareholders and the cost of implementation.

Our assessment of Arle's realisation estimates means we currently believe that this return of cash could be substantially completed over the next three years.

Key metrics (at 31st December)

Net assets

£119.2m
-24%
2013: £156.3m

Net assets per share

545p
-24%
2013: 715p

Net debt

£27.3m
-£20.4m
2013: £47.7m

Loan-to-value ratio

20%
2013: 25%

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Chairman's letter

Our results for 2014 reflect the marked impact caused by the recent decline in the oil price on our largest investment, Expro International ('Expro'), the oil services company which represented 44% of Candover's portfolio at the start of the year. Our NAV has declined by 170p per share to 545p per share, with the write-down of Expro accounting for 141p of the overall decline. Whilst the portfolio managed by Arle has, in aggregate, seen an improvement in profitability compared to the prior year, the decline in comparable valuation multiples across the oil sector has led to the drop in the valuation of Expro.

At the end of 2013, we refinanced our debt obligations, including extending the maturity to 31st December 2015, based on an expected profile of realisations by Arle. Over the course of the year, realisations from the portfolio have been in line with expectations, helping to reduce our net debt by over £20 million. The repayment of our debt is wholly linked to the continued successful realisation of the portfolio by Arle. The Board, together with its advisers, continues to track progress closely, whilst actively considering alternative sources of funding in the event that the level of cash inflows from realisations falls short of expectations or realisations are delayed.

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 the investment manager.

At the end of the year, Lord Jay of Ewelme GCMG retired from the Board. On behalf of the Board, I would like to thank him for the significant contribution which he made since his appointment in 2008 and recognise his support and guidance through some of the most challenging times faced by the Company.

Given the strategy for the Company, we have concluded that it is not appropriate to replace Lord Jay. As a result, Jan Oosterveld has assumed the roles of Senior Independent Director and Chairman of the Nominations Committee, in addition to his role as Chairman of the Remuneration Committee.

In September 2014, the revised UK Code of Corporate Governance was published. The revised Code applies to accounting years commencing on or after 1st October 2014 and does not, therefore, require the Company to make any changes within this report or adopt any new policies. The Board continues to be committed to the highest standards of corporate governance and keeps the requirements under review, applying the aspects of the Code which are relevant to the business in the context of our strategy to return cash to shareholders.

Whilst 2014 has seen an improvement in the trading performance of the portfolio and a series of smaller realisations by Arle, the impact of the recent fall in oil prices has adversely impacted on the valuation of Expro, our largest investment, and potentially delayed its realisation in the near term. As the portfolio becomes ever more concentrated, it is this type of external systemic shock which can adversely impact on our sole objective to optimise the long term value of our investments by returning cash to shareholders as soon as is practical. We will continue to track Arle's progress over the year ahead as it manages and prepares to realise the remainder of the portfolio.

Richard Stone
Chairman
26th March 2015

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 545p at 31st December 2014 represented a 24% decrease over the year from 31st December 2013 (715p) with the decline occurring in the second half of 2014 following the stability seen over the first six months. The full year decrease compares to an increase in the FTSE All-Share Index of 1.2% over the same period.

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 the US private placement ('US PP') loan notes. 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 overall value of the portfolio decreased by £31.4 million (144p per share) over the year, comprising reductions in valuations of 137p per share together with adverse foreign currency movements of 7p per share. The principal movement within the portfolio was a £35.2 million decrease in the valuation of Expro, offset in part by a £4.4 million favourable foreign currency gain. The reduction reflected the rapid decline in the oil price feeding through to a drop in the comparable valuation multiples for companies in the oil services sector. The value of Parques increased by £4.9 million, before an adverse foreign currency movement of £2.4 million, reflecting improved underlying performance in the business.

During 2014, Candover's recurring administrative expenses reduced by a further 16%, helping to minimise the adverse impact of costs on NAV performance. Finance costs were also £6 million lower following the refinancing completed at the end of 2013. The movements are set out in Table 1 of the Financial review.

Net debt

Net debt during the year decreased by £20.4 million to £27.3 million at 31st December 2014 (31st December 2013: £47.7 million). Inflows from realisations of £33.1 million were offset by operating and financing costs, together with the adverse impact of foreign currency where the strength of the US Dollar relative to Sterling resulted in the Sterling value of the US Dollar denominated US PP loan notes increasing by £3.2 million.

Our loan-to-value ratio saw a corresponding improvement to 20.1% at 31st December 2014 down from 24.9% at 31st December 2013.

Loan note obligations

The Company successfully refinanced its 2007 US PP loan notes in December 2013 with a new issue of US private placement loan notes maturing in December 2015. Based on Arle's current projections, the level of realisations in 2015 should provide the Company with access to sufficient resources to meet the repayment obligations under the terms of the new note purchase agreement.

However, the Company does not (and cannot) control the realisation process. Furthermore, given the uncertainties in any M&A or flotation process, there remains a risk that, if sufficient realisations are not achieved by our investment manager over the remainder of the year, new sources of finance might be required to provide additional liquidity to repay the US noteholders. The Company, together with its advisers, is actively exploring a range of options in the event that further funding were to be required.

Foreign currency
Candover's foreign currency exposure was simplified at the time of its refinancing in late 2013. At that time, all of the Company's debt was US Dollar denominated, offsetting the currency exposure of the investment in Expro, a US Dollar investment. Over the course of 2014, the relative strength of the US Dollar against Sterling has resulted in a net £1.2 million positive impact on NAV.

The remaining investments are Euro denominated. As a consequence, this unhedged position may continue to create volatility in Candover's NAV, as experienced over the course of 2014 when the weakness of the Euro relative to Sterling resulted in a £6.0 million adverse impact on the valuation of the portfolio. The continued weakness of the Euro following the year end will have eroded further the portfolio's value.

Realisation activity
Arle has been successful in progressing realisations during 2014 with Candover receiving a total of £33.1 million from investment inflows.

The disposals of Innovia and DX raised £20.2 million, including the carried interest crystallised by the Innovia transaction, during the first half of the year. Over the course of the last six months, aggregate realisation proceeds of £12.9 million have been received from the disposal of minority interests in Ono and Get, including carried interest arising on the Ono transaction, along with a number of smaller receipts from past escrow and deferred consideration agreements.

Management of the Candover Funds
Following two extension periods to its original eight-year life, the Candover 2001 Fund terminated on 12th June 2013 and, following the realisation of all its remaining investments during 2014, is now being liquidated by Arle. The Limited Partners of the Candover 2005 Fund have agreed to extend the original ten-year term of this Fund by a further two years until March 2017.

Outlook
The progress made by Arle in realising a number of small investments during 2014, together with a broadly based improvement in the portfolio's trading, offer some encouragement as we enter the current year. However, this is tempered by the potential impact on Expro of the sharp reversal in the oil sector's outlook.

We will continue to keep a tight control on the costs of the business to minimise erosion of NAV, and Arle will continue with its stewardship of the portfolio to enhance the values of the portfolio companies prior to their realisation.

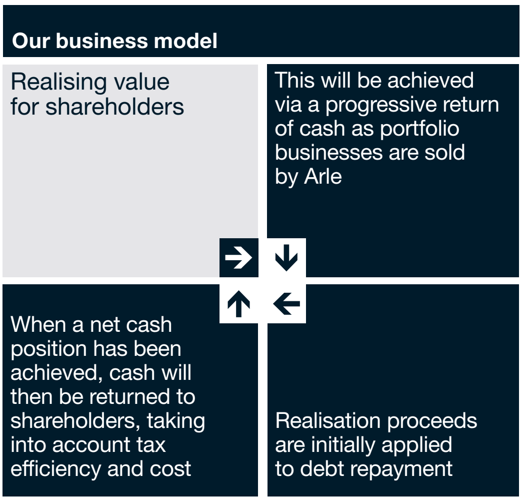
Malcolm Fallen
Chief Executive Officer
26th March 2015

Strategic report

The Directors present the Strategic report of the Company for the year ended 31st December 2014, including an assessment of the risks impacting the Company.

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 Company's main activity is to focus solely on returning cash to investors over time as 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 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. The Board has decided that it is prudent that no money should be returned to shareholders until the Company has fully repaid the outstanding loan notes, which can be repaid, at par, at any time prior to their maturity date in December 2015. The one exception may be dividends that need to be paid in order to meet investment trust obligations.

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

A number of performance measures are utilised by the Board in assessing progress against the Company's objectives. The Key Performance Indicators ('KPIs') used to measure the progress of the Company are:

– The movement in net asset value per ordinary share
– Net debt
– Loan-to-value ratio.

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 Company 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 Company'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	Risk mitigation
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 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. However, the need to increase the underlying operating performance within the portfolio may place greater stress on the manager's skills and capability. In part this has been mitigated by the recruitment of a number of senior industrialists by the manager. The Company will continue to track the performance of the investment manager pursuant to the terms of its investment management agreement.
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 Company's returns could be disproportionately negative and could trigger breaches of the arrangements with noteholders. Regular reviews of all portfolio investments and monitoring of realisation timelines is completed by the investment manager. As realisations occur and the Company moves to a net cash position, the impact of the risk is materially reduced.
Risk summary: Company's operational model fails	**Risk mitigation:** While the portfolio performance will determine the returns to the Company, 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 Company 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	Risk mitigation
Risk summary: Company's capital structure results in an inability to maximise value	**Risk mitigation:** The Company's obligations to its noteholders include a requirement to maintain a loan-to-value ratio of less than 0.4:1. The Company regularly monitors its financial position (cash/net debt) and undertakes sensitivity testing.

Risk summary: Failure to meet financial commitments	**Risk mitigation:** It is possible that the failure of the investment manager to realise sufficient value on a timely basis from the investments could lead to a failure to meet the obligations under its 2013 US PP note agreement which requires full repayment at the end of 2015. The Company actively monitors the level of indebtedness and covenants as well as tracking the progress which the investment manager is making towards realising the investments. The Company, together with its advisers, is actively exploring a range of options in the event that further funding were to be required.
Risk summary: Financial market risks impacting on NAV	**Risk mitigation:** The Company'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 Company is able to mitigate this risk by the use of hedging techniques and regular forecasts of its liquidity position.
Risk summary: Counterparty risk resulting in loss	**Risk mitigation:** The failure of a contractual counterparty in a financial transaction entered into by the Company 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.

Operational risk

Risk summary: Failure of operational systems and procedures at the Company's third party service providers	**Risk mitigation:** The Company 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 Company's investments. The Company monitors the services provided by third parties to ensure they meet the Company's objectives and as a means to assess whether operational performance is adversely affecting the Company.
Risk summary: Change in regulatory or legislative environment	**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 Company'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.

Strategic report cont.
Risk review

People

Risk summary:	Risk mitigation:
Inadequate Board composition, inadequate corporate governance and loss of executive skills and knowledge	The Company'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 Company 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.

Social, community, human rights and environmental issues
The Company 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 the Company'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 Company 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 the Company 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. The Company 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 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.

As at 31st December 2014, the Group employed two employees; one male Executive Director and one female employee: therefore the employee gender breakdown of the Group is 50:50.

Information regarding Candover's employees is given in Note 2 to the Financial statements on page 58 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
26th March 2015

Financial review

Net asset value per share

Net asset value per share after exceptional non-recurring costs was 545p, representing a full year decrease of 24% since 31st December 2013 (715p) and a decrease of 25% since 30th June 2014 (722p).

The decrease of 170p per share was split between the gain on disposal of investments (+37p), a decrease in constant currency investment values (-137p), overall adverse currency movements (-23p), and the impact of ongoing and non-recurring business costs (-47p). These costs comprised loan note interest, the investment manager's fee and general administration costs.

Table 1	£m	p/share
Net asset value at 31st December 2013	156.3	715
Loss on financial instruments and other income[1]	(21.8)	(100)
Recurring administrative expenses	(4.1)	(19)
Finance costs recurring	(4.8)	(22)
Others (including tax)	(1.0)	(5)
Currency impact:		
– Unrealised investments	(1.6)	(7)
– Restatement of cash and cash equivalents	(0.3)	(1)
– Translation of loan	(3.2)	(15)
Exceptional non-recurring losses: property provision unwind, partial release of property provision and provision against non-recoverable co-investment loans	(0.3)	(1)
Net asset value at 31st December 2014 as reported	119.2	545

1 Stated before unfavourable currency impact of £1.6 million

Investments

The valuation of investments, including carried interest and accrued loan note interest, was £135.6 million at 31st December 2014 (31st December 2013: £191.2 million). Valuations decreased for the year by £29.8 million, before currency effects and after adjusting for disposals, representing a decrease of 18% on the value of these investments over their 31st December 2013 value. The overall decrease of 19% in the value of the portfolio was £31.4 million, which included £1.6 million of unfavourable foreign currency movements reflecting the relative 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 2013	191.2
Disposals at valuation	(24.2)
Additions at cost	–
Investments adjusted for additions and disposals	167.0
Revaluation of investments:	
– Valuation movements before currency impact	(29.8)
– Currency impact on unrealised investments	(1.6)
Investments at 31st December 2014	135.6

Net debt and loan-to-value covenant

Candover's net debt decreased from £47.7 million at 31st December 2013 to £27.3 million at 31st December 2014. This reflects net investment inflows of £33.1 million including carried interest received, offset by interest paid of £3.9 million, and operating expenses. The loan-to-value ratio of the Company's net debt improved to 20.1% compared to 24.9% at 31st December 2013.

Table 3	31st December 2014 £m	31st December 2013 £m
Loans and borrowings	**52.8**	48.6
Deferred costs	**1.1**	2.1
Value of bonds	**53.9**	50.7
Cash	**(26.6)**	(3.0)
Net debt	**27.3**	47.7

Profit before and after tax

Net revenue profit before tax and exceptional non-recurring losses from operations for the year was a profit of £6.1 million compared to a profit of £1.1 million in the prior year.

Exceptional non-recurring loss of £0.3 million (2013: £0.6 million) comprises the effect of the unwinding of the discount applied to the property provision and provision made against non-recoverable co-investment loans, offset in part by the partial release of the property provision.

Reported net revenue profit after taxation was £4.9 million compared to £2.5 million in the prior year.

Manager's portfolio review

Introduction

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

Portfolio overview

The Candover Funds portfolio continued to perform well in 2014, and collectively the portfolio of investments reported a 3.1% increase in revenues and a 5.9% increase in EBITDA in the year ended 31st December 2014. This was driven by strong earnings growth at Technogym and Stork. Despite improvement in earnings, geo-political volatility towards the end of the year and a dramatic fall in the oil price meant that the strong trading performance was not reflected in the combined valuation of the Funds. Whilst the performance of the Candover Funds managed by Arle was flat over the year, the valuation of the unrealised investments decreased by 5% compared to the valuation at 31st December 2013, whereas the valuation of Candover's unrealised portfolio fell by 19%. The main difference between Candover's performance and the performance of the Funds' unrealised investments reflects the combined effect of: (i) Expro representing a larger proportion of Candover's portfolio compared to the proportion held by the Funds; and (ii) the cumulative dilutive impact on Candover's holding in Expro as a result of Candover not providing follow-on investment in Expro alongside the Candover 2008 Fund since January 2010.

Arle made good progress in optimising the operational and financial performance of its portfolio companies in readiness for exit and sold four companies during the course of the year. DX Group was successfully floated on AIM at a market capitalisation of £200 million, with the Candover Funds selling their full share at listing. Innovia Group was acquired by an investor syndicate, managed by Arle, for €498 million. The Funds also saw exits of minority positions in Ono which was sold to Vodafone for an enterprise value of €7.2 billion and Get which was sold to TDC for NOK 13.8 billion. The portfolio is increasingly concentrated and at 31st December 2014, the four largest investments, Expro, Stork, Parques and Technogym together represented 96% of the overall value.

Expro International

Expro, the international oilfield services company, performed consistently in the first half of its financial year beginning 1st April 2014. In September, Expro issued a US$1.3 billion Term Loan, the proceeds of which were used to repay the outstanding senior secured notes as well as part of its mezzanine finance. Whilst Expro continues to win a number of valuable new contracts and maintains a strong position in a high growth niche market, the sharp fall in the price of Brent crude oil since June 2014 has impacted activity across the sector.

Parques Reunidos

Parques, a global operator of attraction and water parks, enjoyed strong trading during the year due to renewed consumer confidence in Spain and Italy as well as a good performance in the US. During the year, the shareholders invested €33 million in the group to drive organic growth within the existing portfolio, and upgrade some parks which have been earmarked for expansion. This continues to yield results, with the number of visitors increasing in Europe during the summer. Parques also won significant new management contracts, including an agreement with Dubai Parks and Resorts LLC to operate both Motiongate and Bollywood Parks in Dubai. In July, Parques acquired Miami Seaquarium and in September sold 14 US Family Entertainment Centres and one water park.

Stork BV

Stork BV comprises two discrete and separately financed entities: Stork (formerly STS) which provides knowledge-based asset integrity services to energy companies, and Fokker Technologies ('Fokker') which manufactures components and systems for the global aerospace industry. In January 2013, independent governance structures and boards were put in place, thereby completing the separation of the two businesses that began in 2012 and which is intended to lay the foundation for future exit scenarios.

Stork
Following a difficult year in 2013, the improvement plans put in place have resulted in a significantly improved trading performance in 2014, with sales and EBITDA well ahead of prior year. Trading has been positively impacted by both higher activity as well as the cost cutting initiatives that were implemented throughout the second half of 2013 and throughout 2014.

Fokker
Trading at Fokker in 2014 was strong with EBITDA ahead of prior year and budget. The EBITDA outperformance to prior year was driven by operational improvements on the Design & Build programmes and improved margins in the Services business.

Technogym
Technogym enjoyed significant growth in 2014, due to increased sales volumes of its latest product ranges and optimisation of internal processes. The underlying growth fundamentals for fitness and wellness remain strong and emerging economies such as Latin America and China present significant opportunities for Technogym. The company continues to expand its presence and operations in these regions.

Hilding Anders
Hilding Anders, the leading manufacturer of beds and mattresses in Europe, Russia and Asia, witnessed good trading across its regions during the year, with Russia outperforming. However, the significant depreciation of the Rouble has adversely impacted the company's earnings.

Realisations
Arle exited from four businesses during the year. In February, DX Group floated on AIM generating proceeds of £34.4 million (Candover's share £3.4 million). Innovia Group was acquired on behalf of an investor syndicate generating proceeds of £140.9 million (Candover's share £16.8 million including carried interest of £6.2 million). Ono was sold to Vodafone generating proceeds of £41.7 million (Candover's share £5.2 million including carried interest of £1.9 million), and Get was sold to TDC generating proceeds of £69.6 million (Candover's share £5.9 million).

The principal realisations during 2014 are set out in Table 1 (below).

Table 1	Candover £m	Total proceeds £m	Type
Portfolio			
DX Group	3.4	34.4	IPO
Innovia Group	10.6	115.8	Private equity sale
Ono	3.3	34.3	Trade sale
Get	5.9	69.6	Trade sale
Other			
Candover 2001 Fund carried interest	8.1	32.5	Crystallisation of carried interest
Total realisations – 2014	**31.3**	**286.6**	

Manager's portfolio review cont.

Portfolio composition
The portfolio is largely based in Western Europe. Whilst the UK represented 31% of the £135 million investments by value, the portfolio companies themselves are well diversified in the regions and sectors in which they trade.

Portfolio valuation review
Whilst the portfolio generated a 5.9% EBITDA improvement over the year to 31st December 2014, the energy sector downgrade has impacted the trading comparables for Expro which has resulted in the valuation of the unrealised investments declining by 5% year-on-year. The decrease in the value of Candover's co-investments in the portfolio of £31.4 million (144p per share) represented a 19% reduction on its value at the start of the year, after adjusting for additions and disposals. The main difference between Candover's performance and the performance of the Funds reflects the combined effect of Expro representing a larger proportion of Candover's portfolio compared to the proportion held by the Funds together with the cumulative dilutive impact on Candover's holding in Expro as a result of Candover not providing follow-on investment in Expro alongside the Candover 2008 Fund since January 2010.

Expro was written down reflecting the current turbulent market environment, which has seen the spot price of Brent crude oil fall from US$111 a barrel at 30th June 2014 to US$55 at 31st December 2014. However, the downward movement was partially offset by Parques which was written up to reflect its stronger trading performance.

Table 2 (below) shows the valuation movement by reference to each portfolio company.

Table 2 Portfolio company	Residual cost[1] £m	Valuation at 31st December 2013 £m	Additions and disposals £m	Valuation movement excluding FX[2] £m	Valuation movement attributable to FX[2] £m	**Valuation at 31st December 2014 £m**	**Valuation movement pence per share[2]**
Expro International	92.1	72.6	–	(35.2)	4.4	**41.8**	**(141)**
Parques Reunidos	31.8	37.4	–	4.9	(2.4)	**39.9**	**11**
Stork BV	45.6	34.5	–	(1.4)	(2.2)	**30.9**	**(16)**
Technogym	29.2	16.2	–	1.9	(1.0)	**17.1**	**4**
Hilding Anders	24.3	5.7	–	–	(0.4)	**5.3**	**(2)**
All investments[3]	**223.0**	**166.4**	**–**	**(29.8)**	**(1.6)**	**135.0**	**(144)**
Candover 2001 Fund carried interest	–	5.6	(5.6)	–	–	**–**	**–**
Other investments[4]	**67.6**	**19.2**	**(18.6)**	**–**	**–**	**0.6**	**–**
Total	**290.6**	**191.2**	**(24.2)**	**(29.8)**	**(1.6)**	**135.6**	**(144)**

1 Residual cost is original cost less realisations to date
2 Compared to the valuation at 31st December 2013
3 Excluding Candover 2001 Fund carried interest
4 Represents assets sold in 2014 and other co-investments

1 Expro International

Industry sector:	**Energy**
Geography:	**UK**
Date of investment:	**July 2008**
Residual cost of investment £m:	**92.1**
Directors' valuation £m:	**41.8**
Change over prior valuation £m:	**(30.8)**
Effective equity interest (fully diluted):	**4.7%**
% of Candover's net assets:	**35.1%**
Basis of valuation:	**Multiple of earnings**
Dividends received £m:	**–**
Year end:	**March 2014**
Sales:	**US$1,385m**
Earnings[1]:	**US$385m**

Expro is a leading oilfield service 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 5,000 employees across 50 countries, Expro offers a global service solution.

The company delivered a strong financial performance in FY 2014, with earnings 33% ahead of prior year. H1 2015 was operationally solid for Expro and the company has secured a number of new contracts.

In September 2014, Expro issued a US$1.3 billion Term Loan, the proceeds of which were used to repay the outstanding senior secured loan notes as well as part of its mezzanine finance.

However, since the end of June 2014, the spot price of Brent crude oil has fallen from US$111 a barrel to US$55 at 31st December 2014 which has impacted activity across the sector.

As a result of the sector downgrade, the valuation has been written down by £30.8 million, a decrease of 141p per share after favourable currency movements of £4.4 million.

Company website
www.exprogroup.com

Manager's portfolio review cont.

2 Parques Reunidos	
Industry sector:	**Services**
Geography:	**Spain**
Date of investment:	**March 2007**
Residual cost of investment £m:	**31.8**
Directors' valuation £m:	**39.9**
Change over prior valuation £m:	**2.5**
Effective equity interest (fully diluted):	**3.9%**
% of Candover's net assets:	**33.5%**
Basis of valuation:	**Multiple of earnings**
Dividends received £m:	**–**
Year end:	**September 2014**
Sales:	**€549.4m**
Earnings[1]:	**€172.1m**

Parques is one of the world's leading operators of attraction parks. The company enjoys strong positions in all its key markets and the majority of its parks are the leading family attractions in their respective surrounding areas. Parques operates 56 sites across 12 countries, attracting around 22 million visitors each year. These include theme or amusement parks, nature and animal parks, water parks, family entertainment centres and cable cars.

Parques traded well in the year to September 2014, reporting year-on-year EBITDA growth for the first time since the global financial crisis. Trading was positively impacted by the improved economic environment in Southern Europe, which resulted in renewed consumer confidence which drove a strong trading performance in Spain and Italy, both of which reported an increase in the number of visitors. In addition, trading in the US was significantly better than in the prior financial year. The company continued to make good progress in driving organic growth through the successful roll-out of marketing and yield management initiatives.

In addition to the organic growth initiatives, the company acquired Miami Seaquarium and sold a number of its Family Entertainment Centers in the US. Going forwards, Parques will continue to make selective acquisitions.

In 2015, Parques will continue to focus on developing and implementing the organic growth initiatives, integrating Miami Seaquarium into the group and identifying new management contracts. The investment was written up by £2.5 million (11p per share) after an adverse foreign exchange movement of £2.4 million.

Company website
www.parquesreunidos.com

3 Stork BV

Industry sector:	**Industrials**
Geography:	**The Netherlands**
Date of investment:	**January 2008**
Residual cost of investment £m:	**45.6**
Directors' valuation £m:	**30.9**
Change over prior valuation £m:	**(3.6)**
Effective equity interest (fully diluted):	**4.6%**
% of Candover's net assets:	**25.9%**
Basis of valuation:	**Multiple of earnings**
Dividends received £m:	**–**
Year end:	**December 2013**
Sales:	**€2,208m**
Earnings[1]:	**€134m**

Stork BV, the Dutch engineering conglomerate, separated its two subsidiaries, Fokker and Stork (formerly STS), during 2012. Stork BV, in aggregate, was valued at £30.9 million at the end of 2014, a reduction of £3.6 million (16p per share) after an adverse foreign exchange movement of £2.2 million.

Stork
Stork is a global provider of knowledge-based asset integrity services for the oil and gas, power and chemical sectors and employs 16,500 people across the UK & Africa, Continental Europe, the Middle East, Asia Pacific and the Americas. Stork helps customers reduce risk, assure safety and improve asset performance. Customers' profits are enhanced through innovative services and solutions during the lifecycle of the asset. Core activities include maintenance, modification and overhaul (MMO), asset integrity (optimise performance and efficiencies), inspection and testing.

Stork traded well during 2014 due to the initiatives put in place by the new management team in 2013. This progress, combined with volume improvements and good cost control, resulted in Stork reporting sales and EBITDA significantly ahead of prior year and budget. The order book remains strong and ahead of prior year.

In 2015, given its exposure to the more fixed operating expenditure of the oil and gas market, Stork will focus on controlled revenue and margin growth through increasing value added services and continued risk management and cost control.

Fokker Technologies
Fokker is active in the civil, defence and service sectors of Aerospace spread over 75 different aircraft types. Fokker designs and builds business units (aerostructures, wiring, landing gear) and produces over 7,000 advanced components for the global aerospace industry. The company also supplies integrated parts availability services and MRO (maintenance, repair and overhaul) services to aircraft owners and operators worldwide. R&D and production and service facilities are located in Europe as well as the Americas and Asia.

2014 EBITDA was ahead of prior year. The Design and Build businesses traded ahead of prior year driven by strong performances by the majority of its programmes. The Services business stepped up significantly from a disappointing 2013 result due to improved margins and restructuring measures. Fokker's order book remains strong as customers continue to seek innovative solutions applying advanced technologies and programmes which Fokker is presently moving from development into the commercial/volume phase.

In 2015, Fokker will continue to drive through the operational improvements identified during the strategic review in early 2014.

Company website
www.stork.com
www.fokker.com

Manager's portfolio review cont.

4 Technogym

Industry sector:	**Industrials**
Geography:	**Italy**
Date of investment:	**August 2008**
Residual cost of investment £m:	**29.2**
Directors' valuation £m:	**17.1**
Change over prior valuation £m:	**0.9**
Effective equity interest (fully diluted):	**3.2%**
% of Candover's net assets:	**14.3%**
Basis of valuation:	**Multiple of earnings**
Dividends received £m:	**–**
Year end:	**December 2013**
Sales:	**€411m**
Earnings[1]:	**€37m**

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.

In 2014, the company enjoyed significant growth due to an improved trading environment resulting from the strength of the US Dollar against the Euro, the launch of new equipment as well as the implementation of internal optimisation programmes.

In 2015, Technogym will continue to focus on delivering growth through increased penetration of its new product range, geographical expansion and internal process efficiencies. The investment was written up by £0.9 million (4p per share) after an adverse exchange rate movement of £1.0 million.

Company website
www.technogym.com

5 Hilding Anders

Industry sector:	**Industrials**
Geography:	**Sweden**
Date of investment:	**December 2006**
Residual cost of investment £m:	**24.3**
Directors' valuation £m:	**5.3**
Change over prior valuation £m:	**(0.4)**
Effective equity interest (fully diluted):	**4.3%**
% of Candover's net assets:	**4.4%**
Basis of valuation:	**Multiple of earnings**
Dividends received £m:	**–**
Year end:	**December 2013**
Sales:	**SEK 7,496m**
Earnings[1]:	**SEK 737m**

Hilding Anders is Europe's largest bed and mattress manufacturer and is headquartered in Sweden. It operates in more than 40 countries in Europe and Asia, has 24 manufacturing facilities and circa 9,000 employees. Hilding Anders offers an innovative and diverse portfolio of beds and mattresses sold mainly to major furniture retailers and bedding specialists in Western Europe and through own retail outlets in Russia, Croatia and China. The company has a balanced portfolio of private label and branded products. It has grown both organically and through 14 acquisitions and, in more recent years, has significantly reinforced its presence in emerging markets and grown together as one company.

Hilding Anders traded well in 2014 reporting like-for-like sales and profitability ahead of prior year. Europe returned to growth in nearly all markets. France and Benelux, in particular, experienced double digit growth while trading in Northern Europe continued to be strong. Russia remains the outperformer reporting significant year-on-year growth of over 30%. However, despite the strong trading performance, profitability has been impacted by the significant translation effect from the depreciation of the Rouble during the course of the year.

In 2015, Hilding Anders will continue to focus on its operational excellence strategy encompassing four key strategic areas and 14 projects where improvements are monitored continuously. The four key areas of focus include enhancing its sales approach and supply chain, streamlining and improving the portfolio offering, and safeguarding growth in emerging markets.

The value of the investment was written down by £0.4 million due to adverse foreign exchange movements (2p per share).

Company website
www.hildinganders.com

Update on Fund terms
Following two extensions to the original eight year life, the Candover 2001 Fund terminated on 12th June 2013. The final two companies were sold during the year and the 2001 Fund is now in liquidation.

Following a two-year extension, the follow on investment period for the Candover 2005 Fund terminated on 26th August 2013. No further amounts can be called down for investment in the Fund. The ten year term of the Fund would have come to an end on 26th August 2015, but consent has been granted by the Limited Partners to extend the Fund to March 2017.

The investment period for the Candover 2008 Fund terminated on 12th January 2010. Follow on investments can be made until 12th January 2017 with €42 million available for follow on investment in Expro. Candover has no remaining commitment in respect of the 2008 Fund.

Outlook for 2015
Arle continues to work with the portfolio management teams to optimise the operational and financial performance of each portfolio company and to prepare the businesses for exit. As and when Arle and management consider market and trading conditions to be favourable, we will seek to execute realisations.

The portfolio
Analysis by value at 31st December 2014 (representing 100% of the Arle managed portfolio)

By valuation method
1. Multiple of earnings 100%

By region
1. United Kingdom 31%
2. Spain 30%
3. Benelux 23%
4. Italy 12%
5. Scandinavia 4%

By sector
1. Energy & Natural Resources 31%
2. Industrials 39%
3. Services 30%

By age
1. Greater than 5 years 100%

Arle Capital Partners Limited
26th March 2015

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 amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. 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.

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 Boxwood Limited.

Jan Oosterveld – Non-Executive 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 Alent plc (retiring 7th May 2015), and Barco NV.

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.

Lord Jay of Ewelme GCMG – Senior Independent Director, was appointed to the Board in January 2008 and served on the Board throughout the year. Lord Jay retired from the Board with effect from 31st December 2014.

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 2014.

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 which 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 advisor 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 that holds the 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 Funds.

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 subsidiary for the year to 31st December 2014 appear on pages 44 to 79.

The Group's net revenue profit from operations before taxation for the year was £5.8 million (2013: £0.5 million). Capital return for the year was a loss of £42.0 million (2013: Profit £21.0 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 and 9 to 17.

The Directors do not recommend the payment of a final dividend for 2014 (2013: 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, Jan Oosterveld and Scott Longhurst will retire and, being eligible, will offer themselves for re-election at the Annual General Meeting. The terms of appointment of Richard Stone, Jan Oosterveld and Scott Longhurst and their remuneration, are 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 26th March 2015, 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 66, sets out the details of the Company's capital structure.

(iii) Major interests in Shares
As at 17th March 2015, 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 66.

(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 a way 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 26th March 2015, 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:

Note Purchase Agreement dated 17th December 2013 between the Company and certain financial institutions in respect of US$83.9 million 7.02% Senior Secured Notes due 31st December 2015 (the 'Notes'). Under this agreement, the Company is required to give written notice to the holders of the Notes within 21 days of a change of control taking place and offer to prepay the entire unpaid principal amount of the Notes held by each holder together with interest thereon within 45 days of the Company issuing a change of control notice. Each noteholder is required to accept or reject the prepayment offer within 30 days or a longer period specified by the Company.

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 13th May 2015.

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 (2013: £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 page 9. In addition, the Risk review (included within the Strategic report on pages 5 to 8) and Note 22 to the Financial statements on pages 68 to 79 respectively, includes 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 2007 US PP loan notes in December 2013 with a new issue of US PP loan notes maturing in December 2015. The Company has fully complied with the terms of the US PP agreement during the year. Furthermore, the Board has considered the forecast headroom relative to the covenants in the US PP agreement, and concluded no covenant breaches are anticipated. Arle's current projected level of realisations in 2015 should provide the Company with access to sufficient resources to meet the repayment obligations under the terms of the new note purchase agreement.

However, the Company does not (and cannot) control the realisation process. Furthermore, given the uncertainties in any M&A or flotation process, there remains a risk that, if sufficient realisations are not achieved by our investment manager over the remainder of the year, new sources of finance might be required to provide additional liquidity to repay the US noteholders. The Company, together with its advisers, is actively exploring a range of options in the event that further funding were to be required.

As a result 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
26th March 2015

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 1 October 2014. The Company has decided not to implement the revisions early and to adopt the revised code for the period commencing on 1 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 2014. 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 review on a regular basis. Given the current size of the Board, Committees, 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 Responsibilties
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 five times during 2014 (2013: seven times). Attendance at Board and Committee meetings is set out in Table 1.

The principal matters considered by the Board during 2014 (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	**5**	**6**	**4**	**3**
Richard Stone	5	6	4	3
Malcolm Fallen	5	N/A	N/A	N/A
Lord Jay*	5	6	4	3
Jan Oosterveld	5	6	4	3
Scott Longhurst	5	6	4	3

*Lord Jay resigned from the Board with effect from 31st December 2014

Corporate governance cont.

Pursuant to the Code, the Board had appointed one of the Non-Executive Directors, Lord Jay, to act as Senior Independent Director ('SID') on 20th May 2010. On confirmation of Lord Jay's retirement, Jan Oosterveld assumed the position of Senior Independent Director 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 t o 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. Notwithstanding that the Chairman has served on the Board for more than nine years, 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 2014.

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 Lord Jay. On confirmation of Lord Jay's retirement, Jan Oosterveld assumed the Chairmanship of the Committee with effect from 1st January 2015. 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 2014 (2013: two 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 2014, 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.

Corporate governance cont.

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 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 46.

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, which 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 (Arle) 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 2014.

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. Lord Jay was also a member of the Committee in the year under review. 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 2014 (2013: 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 on-going basis and formally reviewed every five years; the last review being held during the year to 31st December 2010. 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 2014, relating to the statutory audit of the Company's Financial statements and the audit of the Company's subsidiary pursuant to legislation (2013: £0.1 million). The fees are explained in further detail in Note 2 to the accounts on page 59.

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. Lord Jay was also a member of the Committee in the year under review. 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 four occasions in 2014 (2013: 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, 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 81.

On behalf of the Board

Malcolm Fallen
Chief Executive Officer

34 Lime Street
London EC3M 7AT
26th March 2015

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 2014;
(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').

In accordance with the statutory requirements, the Company will be putting the remuneration policy to a triennial binding shareholder vote, the first of which was at the Annual General Meeting held on 12th May 2014. The Annual Report outlining the implementation progress of the remuneration policy will also be put to shareholders for annual approval by ordinary resolution. The vote will be advisory, however, if the resolution fails to pass during a year where the Remuneration Policy was not put to a members' resolution, the Company will automatically need to put the policy to a vote of its members the following year. The Annual Report will be put to shareholder vote at the Annual General meeting to be held on 13th May 2015.

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), Lord Jay, Scott Longhurst and Richard Stone; all of whom were Non-Executive Directors and independent of the investment manager. Lord Jay resigned his directorship as of 31st December 2014 and shall not be replaced.

The full Remuneration Committee, which meets as often as necessary to discharge its duties, met on four occasions in 2014 (2013: 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 policy, 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 2014. The Company is next expected to submit its policy on the remuneration of its Directors to members at the Annual General Meeting in 2017. 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.

The Company did not receive professional advice in support of its remuneration policy during 2014.

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

Additionally, in 2014, a bonus was provided to Executive Directors to act as an incentive in achieving the performance objectives which are agreed annually and regularly reviewed by the Remuneration Committee. Performance measures are individually defined and linked directly to the goals of the Company that underpin its strategy of progressively returning cash to shareholders as the portfolio is realised by the investment manager. All objectives were required to be achieved in order to receive a 100% bonus.

In light of the progress towards a controlled wind down of the Company achieved over the last two years and the future difficulty to attribute success set against easily defined performance measures, the performance related elements of the Executive Directors remuneration package have been removed with effect from 1st January 2015.

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

The remuneration package for Malcolm Fallen in 2014 comprised both fixed and variable elements, including salary, an annual performance-related bonus and pension contributions. There were no long-term incentives, given the Company's plan to undertake an orderly process of winding down its investment portfolio and progressively distributing the proceeds to shareholders.

On 18th November 2014 the Board agreed a revised remuneration structure, to take effect from 1st January 2015, comprising solely of a fixed salary of £500,000 with no further pension contributions or performance-related bonus. As part of the revised remuneration package Mr Fallen is required to invest £10,000 of his gross monthly salary, net of taxation, in the shares of the Company throughout 2015.

Base salary

Malcolm 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.

Discretionary performance-related bonus

The 2014 annual discretionary performance-related bonus was capped at 100% of salary earned in the financial year and was based upon achieving agreed performance objectives that were intended to further the primary aim of the Company. From 1st January 2015, the bonus has been removed from the remuneration package. Malcolm Fallen's performance objectives for 2014 were specifically targeted on continuing to deliver the strategic plan presented and approved by shareholders in late 2011. In particular, these focused on continuing to reduce recurring administration costs; completing the restructuring and liquidation of the Company's subsidiaries; establishing an appropriate strategy to manage the foreign currency exposures; and undertaking an initial appraisal of the options for the return of cash to shareholders. In respect of the financial year ended 31st December 2014, a bonus of 100% of his base salary was awarded based on performance against these objectives.

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. 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. With effect from 1st January 2015 the Executive Director will not be paid a bonus or other performance related fees.

Non-Executive Directors' fees

	2015 **£**	2014 £
Non-Executive Chairman	**70,000**	70,000
Audit, Risk and Valuation Committee Chairman	**35,000**	35,000
Remuneration Committee Chairman	**35,000**	35,000
Senior Independent Director	**32,500**	32,500
Board member	**30,000**	30,000

Directors' emoluments (audited)

Total emoluments received by individual Directors during the year ended 31st December 2014 were as follows:

Single Total Figure Table for 2014 and 2013

	2014 Salaries/ Directors' fees £000	Performance related benefits for conditions achieved in 2014 period £000	Pension-related benefits[3] 2014 £000	Taxable benefits 2014 £000	Total emoluments[1] £000	2013 Salaries/ Directors' fees £000	Performance related benefits for conditions achieved in 2013 period £000	Pension-related benefits[3] 2013 £000	Taxable benefits 2013 £000	Total emoluments[1] £000
Executive Director										
Malcolm Fallen[1]	**246.0**	**246.0**	**49.2**	**10.3**	**551.5**	246.0	246.0	49.2	10.5	551.7
Non-Executive Directors[2]										
Richard Stone	**70.0**	**–**	**–**	**–**	**70.0**	70.0	–	–	–	70.0
Lord Jay	**32.5**	**–**	**–**	**–**	**32.5**	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	**418.5**	**246.0**	**49.2**	**10.3**	**724.0**	418.5	246.0	49.2	10.5	724.2

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 Non-Executive Directors in 2014
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:

	2009 £000	2010 £000	2011 £000	2012 £000	2013 £000	2014 £000
Total remuneration	250.6[1]	881.6	663.6	550.2	551.7	551.5
Percentage of performance related benefits as a percentage of maximum	78%	100%	100%	100%	100%	100%

1 Represents remuneration from recruitment in September 2009

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. 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 2014	Ordinary shares purchased/ (disposed)	Ordinary shares of 25p each at 31st December 2014
Malcolm Fallen	**5,000**	12,500	**17,500**
Richard Stone	**10,000**	–	**10,000**
Lord Jay	**1,600**	–	**1,600**
Jan Oosterveld	**2,500**	–	**2,500**
Scott Longhurst	**1,500**	–	**1,500**
Total	**20,600**	–	**33,100**

Subsequent to the end of the year, Malcolm Fallen's interest in Shares has increased by 3,084 Ordinary shares. The increase reflects regular purchases made in February and March in line with the terms of his revised remuneration package described above.

All the holdings of the Directors are beneficial.

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 Boxwood Limited. He is remunerated by both and retained remuneration during the financial year as follows:

Innovia Films (Holding 1) Limited:	£125,000
Boxwood Limited:	£25,000

Pension costs (audited)
Malcolm Fallen was entitled to receive a contribution of 20% of his base salary by way of pension contributions. He received £49,200 as payment in lieu of these contributions in 2014 (2013: £49,200).

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 2013 £000	Total emoluments 2014 £000	% change
Malcolm Fallen	551.7	551.5	0

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 2014.

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.

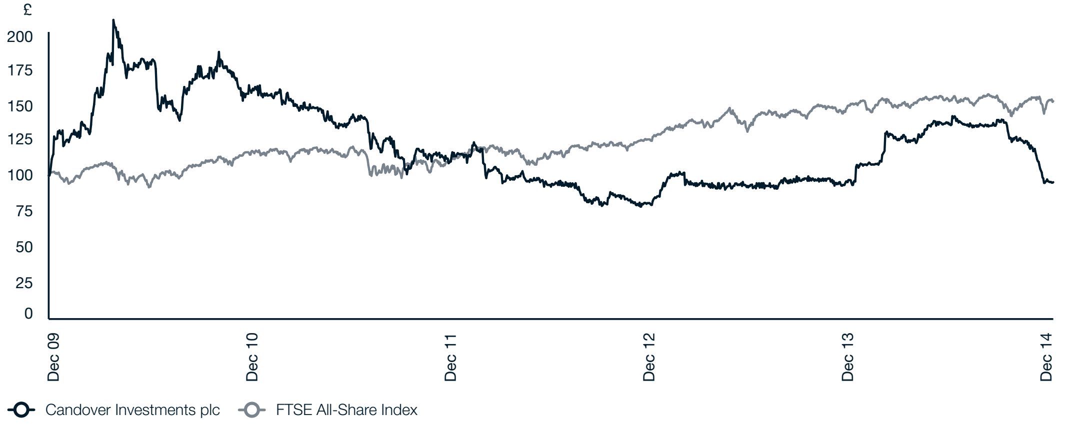
	Date of contract	Notice period	Unexpired term
Executive Director			
Malcolm Fallen	9th September 2009	Terminable on 12 months’ notice by either party	No fixed expiry date
Non-Executive Directors			
Richard Stone	19th April 2011	Terminable on 3 months’ notice by either party	Appointment reviewed annually 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 2009 of £100 and with dividends reinvested for the five years to 31st December 2014. 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 12th May 2014, shareholders approved the Directors’ remuneration report in respect of the year ended 31st December 2013, with the following votes cast:

Votes for: 94.56% Votes Against: 5.40% Votes Withheld: 0.00% Votes Discretion: 0.04%

While the resolution to approve the Directors’ remuneration report for the year ended 31st December 2013 was passed, the Directors noted the number against the motion and also considered the changes in market practice. On 18th November 2014 the Board agreed a revised remuneration structure, to take effect from 1st January 2015, comprising solely of a fixed salary with no further pension contributions or performance-related bonus. In addition, the Chief Executive is required to invest a proportion of his monthly salary in the shares of the Company. The Remuneration Committee is therefore comfortable that the policy addresses shareholder concerns whilst providing a competitive remuneration package to both retain and recompense the Chief Executive Officer for his skills and expertise.

On behalf of the Board

Jan Oosterveld
Chairman of the Remuneration Committee
26th March 2015

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 2014.

Role & 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;
- Review 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;
- Make recommendations to the Board in relation to the appointment, reappointment 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 (2013: 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 about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company in confidence.

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 independent annual control assessment of IPES, the Company's administrator ('the Administrator') 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 the 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 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 the Company'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 to 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 following page sets out the key areas of risk identified and how the Committee addressed the issues.

Significant issues	Actions to address issue
Management controls – potential management override of controls to perpetrate fraud as a result of the ability to manipulate accounting records that otherwise appear to be operating effectively.	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. In addition, the Committee meets with the Administrator on a regular basis and is able to review the operation of both management controls and the performance of the Administrator.
Valuation of investments – Portfolio valuations may be materially overstated and any gains or losses materially overstated or understated as appropriate.	Review and comparison against independent valuation sources, factoring in elements such as covenant breaches, and market trends. Discussions with the portfolio auditors are undertaken by the auditor and reported to the Committee. Valuations are compared to the Company's own internal valuation guidelines to ensure consistency. The Committee and the Board review portfolio performance through meeting with and challenging the investment manager on a regular basis in order to identify significant matters that may impact on valuations or realisations. Detailed portfolio valuations are considered twice each year by the Committee and the Board, and they receive confirmation from the investment manager that the valuation basis is appropriate and in line with relevant accounting standards.
Going concern – At the beginning 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.	The Committee and Board continue to explore a variety of options to address the potential liquidity issue. Advisers have been retained by the Company to assist in developing these options and support it in negotiations.

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 are fair, balanced and understandable, as required under the UK Corporate Governance Code dated September 2012, the Board has requested that the Committee advise on whether it considers that the Annual Report and Financial statements fulfil 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 2014, 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
26th March 2015

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 2014, 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 2014, 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
26th March 2015

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 Company's affairs as at 31st December 2014 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- 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.

Emphasis of Matter – Going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of disclosures made in the Accounting policies note on going concern on page 47, concerning the Group's ability to meet the December 2015 repayment of its outstanding loan notes. The Board has considered the realisation projections provided by the investment manager which include the assumption that certain realisations will be made prior to the loan notes falling due, but note that there is a risk that if insufficient realisations are achieved, there would be a shortfall in the cash required to meet the loan repayments. The Board will continue to monitor the outlook carefully and is actively exploring, with its appointed advisers, a range of alternative new sources of liquidity, should there be a material change in the investment manager's realisation assumptions. However, at the time of this report, no financing arrangements have been agreed beyond December 2015. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

What we have audited
Candover Investments plc's financial statements 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.

Our assessment of risk
Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual transactions, balances or disclosures.

Unquoted Investments
The risk: Unquoted investments are the largest asset class in the financial statements (comprising 78% of the Group's total assets) and are designated at fair value through profit or loss in accordance with International Accounting Standards (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.

Our response: Our work included but was not restricted to:

- documenting and assessing the design and implementation of the investment valuation process and controls in place;
- obtaining an understanding of 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;
- the use of valuation experts to inform 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 against 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 such as earnings and net debt position to investee company management information and testing their arithmetical accuracy;

- 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 unlisted 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 Committee also identified the valuation of investments as a significant issue. The action that the Audit Committee took in relation to this risk is set out in the Report of the Audit Committee on page 41.

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

Materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the Group financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the group financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the Group financial statements as a whole.

We established materiality for the Group financial statements as a whole to be £2.27 million which is 1.3% of the Group's total assets. This benchmark is considered the most appropriate as, in our view, it is a key driver of the Group's performance. We determined group performance materiality to be 75% of Group financial statement materiality for the audit of the Group financial statements and determined the threshold at which we will communicate misstatements to the Audit Committee to be £0.12 million. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. We also determined a lower level of specific materiality for other areas such as directors' remuneration and related party transactions.

For the Group statement of comprehensive income, we determined that misstatements of lesser amounts than materiality for the group financial statements as a whole would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for the revenue column of the group statement of comprehensive income to be £0.6 million.

For the financial information of the subsidiary undertaking, we set our materiality based on a proportion of Group materiality appropriate to the relative scale of the business.

Overview of the scope of our audit

We conducted our audit in accordance with International Standards on Auditing (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. 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 is outsourced to third-party service providers. Accordingly, our audit work is focussed on obtaining an understanding of, and evaluating, internal controls at the Group and its 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. Our audit scope included a full audit of the financial statements of the Company, Candover Investments plc, and the financial information of its subsidiary undertaking, Candover Services Limited.

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

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
We have nothing to report in respect of the following:

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 Committee which we consider should have been disclosed.

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’ statement, set out on page 23, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company’s compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

Responsibilities for the financial statements and the audit
What an audit of financial statements involves:
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council’s website at www.frc.org.uk/auditscopeukprivate.

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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

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.

Paul Flatley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

26th March 2015

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 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.

No capital payments against the US PP loan notes are due until December 2015. The Board has considered the latest realisation projections provided by the investment manager, which include the assumption, amongst others, that certain realisations will be made prior to the US PP loan notes falling due. Based on those realisation projections and assumptions, and reflecting appropriate sensitivities over the period up to December 2015, sufficient cash resources will be available to meet the repayments.

However, there is an underlying risk that, if insufficient realisations are achieved by the investment manager prior to December 2015, there would be a shortfall in the cash required to meet the loan note repayments. The Board has concluded that the combination of these circumstances represents a material uncertainty, which may cast significant doubt on the Group's ability to continue as a going concern, therefore meaning that the Company may be unable to realise its assets or meet its liabilities in the normal course of business. Consequently, the Board will continue to monitor the outlook carefully and is actively exploring, with its appointed advisers, a range of alternative new sources of liquidity, should there be a material change in the investment manager's assumptions.

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, having made appropriate enquiries after considering and taking in to account the matters described above. 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 (2013: 50% to capital and 50% to revenue).

Accounting policies cont.

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 and was therefore applicable for this year. 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 new 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 that being consolidated. In assessing the impact of the new guidelines, critical judgments 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 appropriate to consolidated 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 13 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 a non-call option embedded within preference shares, is recognised as 'revenue' in profit or loss on the statement of comprehensive income. Changes in the value of the non-call option 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-for-trading with capital gains, losses and fair value movements accounted for in the statement of comprehensive income, and taken to capital reserves due to the fact that such balances are held for future investment in financial investments.

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, net of the impact of any designated hedging arrangements.

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

Accounting policies cont.

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.

Exceptional items
Additional provisions and costs relating to the onerous property contracts 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 47);
- 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 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;
- 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)
- 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 2014

		Year to 31st December 2014			Year to 31st December 2013		
	Notes	**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/(losses)		**–**	**4.8**	**4.8**	–	(1.6)	(1.6)
Unrealised (losses)/gains	20	**–**	**(39.9)**	**(39.9)**	–	27.7	27.7
Total		**–**	**(35.1)**	**(35.1)**	–	26.1	26.1
Revenue/(expense)							
Investment and other income	1	**11.3**	**–**	**11.3**	10.2	–	10.2
Total		**11.3**	**–**	**11.3**	10.2	–	10.2
Recurring administrative expenses	2	**(2.8)**	**(1.3)**	**(4.1)**	(3.7)	(1.2)	(4.9)
Exceptional non-recurring costs	3	**(0.3)**	**–**	**(0.3)**	(0.6)	–	(0.6)
Profit/(loss) before finance costs and taxation		**8.2**	**(36.4)**	**(28.2)**	5.9	24.9	30.8
Finance costs	4	**(2.4)**	**(2.4)**	**(4.8)**	(5.4)	(5.4)	(10.8)
Exchange movements on borrowings		**–**	**(3.2)**	**(3.2)**	–	1.5	1.5
Profit/(loss) before taxation		**5.8**	**(42.0)**	**(36.2)**	0.5	21.0	21.5
Analysed between:							
Profit/(loss) before exceptional non-recurring costs		**6.1**	**(42.0)**	**(35.9)**	1.1	21.0	22.1
Exceptional non-recurring costs		**(0.3)**	**–**	**(0.3)**	(0.6)	–	(0.6)
Taxation	5	**(0.9)**	**–**	**(0.9)**	2.0	–	2.0
Profit/(loss) after taxation		**4.9**	**(42.0)**	**(37.1)**	2.5	21.0	23.5
Total comprehensive income/(loss)		**4.9**	**(42.0)**	**(37.1)**	2.5	21.0	23.5
Earnings/(loss) per ordinary share:							
Total earnings/(loss) per share – basic and diluted	8	**22p**	**(192p)**	**(170p)**	11p	96p	107p

1 The total column represents the Group statement of comprehensive income under IFRS
i All of the gain/(loss) for the year and the total comprehensive income/(loss) for the year are attributable to the owners of the Company
ii The supplementary revenue and capital columns are presented for information purposes as recommended by the Statement of Recommended Practice issued by the Association of Investment Companies

Group statement of changes in equity
for the year ended 31st December 2014

	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)
Loss after tax		–	–	–	(7.7)	(34.3)	4.9	(37.1)
Total comprehensive income		–	–	–	(7.7)	(34.3)	4.9	(37.1)
Balance at 31st December 2014		**5.5**	**1.2**	**(0.1)**	**310.4**	**(193.5)**	**(4.3)**	**119.2**

	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 2013		5.5	1.2	(0.1)	320.4	(182.5)	(11.7)	132.8
Net revenue after tax		–	–	–	–	–	2.5	2.5
Unrealised gain on financial instruments	20	–	–	–	–	27.7	–	27.7
Realised gain/(loss) on financial instruments	22.6	–	–	–	4.3	(5.9)	–	(1.6)
Exchange movements on borrowing		–	–	–	–	1.5	–	1.5
Costs net of tax		–	–	–	(6.6)	–	–	(6.6)
Profit after tax		–	–	–	(2.3)	23.3	2.5	23.5
Total comprehensive income		–	–	–	(2.3)	23.3	2.5	23.5
Balance at 31st December 2013		5.5	1.2	(0.1)	318.1	(159.2)	(9.2)	156.3

Company statement of changes in equity
for the year ended 31st December 2014

	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)
Profit after tax		–	–	(7.7)	(34.3)	3.9	(38.1)
Total comprehensive income		–	–	(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**

	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 2013		5.5	1.2	321.8	(182.8)	(41.9)	103.8
Net revenue after tax		–	–	–	–	2.1	2.1
Unrealised loss on financial instruments	20	–	–	–	27.7	–	27.7
Realised gain/(loss) on financial instruments		–	–	4.5	(6.1)	–	(1.6)
Exchange movements on borrowing		–	–	–	1.5	–	1.5
Costs net of tax		–	–	(6.6)	–	–	(6.6)
Profit after tax		–	–	(2.1)	23.1	2.1	23.1
Total comprehensive income		–	–	(2.1)	23.1	2.1	23.1
Balance at 31st December 2013		5.5	1.2	319.7	(159.7)	(39.8)	126.9

Group statement of financial position
at 31st December 2014

		31st December 2014		31st December 2013	
	Notes	£m	£m	£m	£m
Non-current assets					
Financial investments designated at fair value through profit and loss					
Portfolio companies	9	**135.0**		185.2	
Other financial investments	9	**0.6**		6.0	
			135.6		191.2
Trade and other receivables	11		**8.5**		9.0
Deferred tax asset	15		**2.1**		3.0
			146.2		203.2
Current assets					
Trade and other receivables	11	**0.1**		1.4	
Social security and other taxes	11	**0.1**		0.1	
Cash and cash equivalents	12	**26.6**		3.0	
			26.8		4.5
Current liabilities					
Other payables	13	**(0.5)**		(1.2)	
Provisions	19	**(0.5)**		(1.6)	
Loans and borrowings	14	**(52.8)**		–	
			(53.8)		(2.8)
Net current (liabilities)/assets			**(27.0)**		1.7
Total assets less current liabilities			**119.2**		204.9
Non-current liabilities					
Loans and borrowings	14		**–**		(48.6)
Net assets			**119.2**		156.3
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			**310.4**		318.1
Capital reserve – unrealised			**(193.5)**		(159.2)
Revenue reserve			**(4.3)**		(9.2)
Total equity			**119.2**		156.3
Net asset value per share					
Basic			**545p**		715p
Diluted			**545p**		715p

Company statement of financial position
at 31st December 2014

	Notes	**31st December 2014** £m	**31st December 2014** £m	31st December 2013 £m	31st December 2013 £m
Non-current assets					
Financial investments designated at fair value through profit and loss					
Portfolio companies	9	**135.0**		185.2	
Other financial investments	9	**0.6**		6.0	
			135.6		191.2
Investment in subsidiary undertakings	9,10		**4.6**		4.6
Trade and other receivables	11		**4.6**		4.7
Deferred tax asset	15		**2.1**		3.0
			146.9		203.5
Current assets					
Other receivables	11	**–**		1.4	
Social security and other taxes	11	**–**		0.1	
Cash and cash equivalents	12	**26.6**		2.5	
			26.6		4.0
Current liabilities					
Other payables	13	**(31.9)**		(32.0)	
Loans and borrowings	14	**(52.8)**		–	
			(84.7)		(32.0)
Net current assets			**(58.1)**		(28.0)
Total assets less current liabilities			**88.8**		175.5
Non-current liabilities					
Loans and borrowings	14	**–**		(48.6)	
Net assets			**88.8**		126.9
Equity attributable to equity holders					
Called up share capital	16		**5.5**		5.5
Share premium account			**1.2**		1.2
Capital reserve – realised			**312.0**		319.7
Capital reserve – unrealised			**(194.0)**		(159.7)
Revenue reserve			**(35.9)**		(39.8)
Total equity			**88.8**		126.9

The Financial statements were approved on behalf of the Directors on 26th March 2015.

Richard Stone
Chairman

Group cash flow statement
for the year ended 31st December 2014

		Year to 31st December 2014		Year to 31st December 2013	
	Notes	**£m**	**£m**	£m	£m
Cash flows from operating activities					
Cash flow from operations	21		**3.6**		(4.5)
Interest paid			**(3.9)**		(12.2)
Tax received			**–**		–
Net cash outflow from operating activities			**(0.3)**		(16.7)
Cash flows from investing activities					
Purchase of financial investments		**–**		(5.0)	
Sale of financial investments		**24.2**		9.8	
Net cash inflow from investing activities			**24.2**		4.8
Cash flows from financing activities					
Loan notes issued		**–**		49.2	
Loan notes repaid		**–**		(150.7)	
Net cash outflow from financing activities			**–**		(101.5)
Increase/(Decrease) in cash and cash equivalents			**23.9**		(113.4)
Opening cash and cash equivalents			**3.0**		117.7
Effect of exchange rates and revaluation on cash and cash equivalents			**(0.3)**		(1.3)
Closing cash and cash equivalents	12		**26.6**		3.0

Company cash flow statement
for the year ended 31st December 2014

	Notes	Year to 31st December 2014 £m	Year to 31st December 2014 £m	Year to 31st December 2013 £m	Year to 31st December 2013 £m
Cash flows from operating activities					
Cash flow from operations	21		**4.1**		(4.2)
Interest paid			**(3.9)**		(12.2)
Tax received			**–**		–
Net cash from operating activities			**0.2**		(16.4)
Cash flows from investing activities					
Purchase of financial investments		**–**		(5.0)	
Sale of financial investments		**24.2**		9.8	
Net cash from investing activities			**24.2**		4.8
Cash flows from financing activities					
Loan notes issue		**–**		49.2	
Loan notes repayment		**–**		(150.7)	
Net cash outflow from financing activities			**–**		(101.5)
Increase/(decrease) in cash and cash equivalents			**24.4**		(113.1)
Opening cash and cash equivalents			**2.5**		116.9
Effect of exchange rates and revaluation on cash and cash equivalents			**(0.3)**		(1.3)
Closing cash and cash equivalents	12		**26.6**		2.5

Notes to the Financial statements
for the year ended 31st December 2014

Note 1 Revenue

	2014		2013	
	£m	**£m**	£m	£m
Investment income				
Income from financial investments	**11.0**		9.3	
Income from other fixed interest securities	**0.3**		0.9	
		11.3		10.2

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

		2014 £m	2013 £m
Management expenses	Revenue	**1.3**	1.2
	Capital	**1.3**	1.2
Other administrative expenses	Revenue	**1.8**	3.1
Total administrative expenses		**4.4**	5.5
Other administrative expenses include:			
Staff costs (including Directors' remuneration)		**1.0**	0.9
Auditor's remuneration		**0.1**	0.1
Non-recurring exceptional costs (see below)		**0.3**	0.6

	2014 £m	2013 £m
Staff costs:		
Salaries	**0.5**	0.5
Bonus	**0.3**	0.2
Social security costs	**0.1**	0.1
Pension, insurance and other costs	**0.1**	0.1
	1.0	0.9

Total administration expenses stated above includes £0.3 million of non-recurring exceptional costs (2013: £0.6 million) (see Note 3).

As at 31st December 2014, the number of employees of the Group was two (2013: 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 (2013: £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 (2013: one).

Auditor's remuneration

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

	2014 £m	2013 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**0.1**	0.1
Fees payable to the Company's auditors and its associates for other services:		
Other services	**–**	–
Auditor's remuneration	**0.1**	0.1

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:

	2014 £m	2013 £m
Property costs	**0.9**	1.2
Property provision release	**(0.6)**	(1.2)
Property provision write back	**(0.5)**	–
Other costs	**0.5**	0.6
	0.3	0.6

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 by £0.5 million as detailed in Note 19.

Other costs relate to a provision against non recourse co-investment loans and the liquidation costs of subsidiaries.

Note 4 Finance costs

		2014 £m	2013 £m
Interest on loans and borrowings		**2.4**	3.2
Release of fair value hedge adjustment on early repayment of loans		**–**	(1.6)
Makewhole payable on refinancing of loan notes		**–**	3.8
Finance costs	Revenue	**2.4**	5.4

		2014 £m	2013 £m
Interest on loans and borrowings		**2.4**	3.2
Release of fair value hedge adjustment on early repayment of loans		**–**	(1.6)
Makewhole payable on refinancing of loan notes		**–**	3.8
Finance costs	Capital	**2.4**	5.4

Following the refinancing and settlement of Series A loan notes on 20th December 2013, the unamortised portion of the historic fair value hedge, which was previously being amortised over the contractual life of the instrument, was released to the Group's statement of comprehensive income in 2013.

Notes to the Financial statements
for the year ended 31st December 2014 cont.

Note 5 Taxation

The relationship between the expected tax charge based on the effective tax rate of 21.5% (2013: 23.3%) 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.

	2014 £m	2013 £m
Profit before taxation	**5.8**	0.4
Tax rate[1]	**21.5%**	23.3%
Expected tax charge	**1.2**	–
Adjustments for tax-rate differences:		
– Differences between capital allowances and depreciation	**–**	(0.1)
– Other non-deductible expense	**0.3**	–
– Non-taxable dividends	**–**	–
– Other timing differences	**–**	–
– Unutilised losses carried forward	**–**	0.1
– Capitalised expenses (net of taxable income)	**(1.5)**	–
UK corporation tax charge at 21.5% (2013: 23.3%) apportioned to revenue	**–**	–

1 The tax rate represents the weighted average of tax rates applicable in the year 2014

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

	2014 £m	2013 £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	**(0.9)**	2.0
Total deferred tax	**(0.9)**	2.0
Tax on ordinary activities	**–**	–
Tax (charge)/credit for the year	**(0.9)**	2.0

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 £38.1 million (2013: profit £23.1 million) which is dealt with in the financial statements of the Company.

Note 7 Dividends

No dividends were paid in 2014 (2013: £nil). No final dividend is proposed for 2014.

Note 8 Earnings per share

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

	2014 £m	2013 £m
Revenue return	**4.9**	2.5
Capital (loss)/return	**(42.0)**	21.0
(Loss)/gain after tax	**(37.1)**	23.5
Net assets	**119.2**	156.3

	2014 million	2013 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 were taken into account when calculating the earnings per share.

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 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**

*Includes accrued portfolio income of £8.5 million recognised as revenue in the Group statement of comprehensive income

Notes to the Financial statements
for the year ended 31st December 2014 cont.

	Other financial investments £m	Portfolio companies £m	**Total £m**
Group 2013			
Valuation at 1st January 2013	8.4	155.1	**163.5**
Additions	–	5.0	**5.0**
Disposals	(3.9)	(8.2)	**(12.1)**
Unrealised appreciation	1.5	33.3	**34.8**
Valuation at 31st December 2013	6.0	185.2	**191.2**
Reconciliation			
Cost of investments	3.3	295.2	**298.5**
Net unrealised appreciation/(write-down) of investments	2.7	(110.0)	**(107.3)**
Valuation at 31st December 2013	6.0	185.2	**191.2**

	Shares in subsidiary undertakings £m	Other financial investments £m	Portfolio companies £m	**Total £m**
Company 2014				
Valuation at 1st January 2014	4.6	6.0	185.2	**195.8**
Additions	–	–	–	**–**
Disposals	–	(5.4)	(18.8)	**(24.2)**
Unrealised appreciation*	–	–	(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	**140.2**

*Includes accrued portfolio income of £8.5 million recognised as revenue

	Shares in subsidiary undertakings £m	Other financial investments £m	Portfolio companies £m	**Total £m**
Company 2013				
Valuation at 1st January 2013	4.6	8.4	149.6	**162.6**
Additions	–	–	5.0	**5.0**
Disposals	–	(3.9)	(8.2)	**(12.1)**
Unrealised appreciation	–	1.5	38.8	**40.3**
Valuation at 31st December 2013	4.6	6.0	185.2	**195.8**
Reconciliation				
Cost of investments	4.8	3.3	295.2	**303.3**
Net unrealised appreciation/ (write-down) of investments	(0.2)	2.7	(110.0)	**(107.5)**
Valuation at 31st December 2013	4.6	6.0	185.2	**195.8**

Investments at fair value include:

	2014 £m	2013 £m
Group		
UK		
Unquoted at Directors' valuation	**41.8**	84.9
Europe		
Unquoted at Directors' valuation	**93.8**	106.3
	135.6	191.2

	2014 £m	2013 £m
Company		
UK		
Unquoted at Directors' valuation	**41.8**	89.5
Europe		
Unquoted at Directors' valuation	**93.8**	106.3
	135.6	195.8

Notes to the Financial statements
for the year ended 31st December 2014 cont.

Interests in the Candover 2005 and 2008 Funds (other financial investments)
ACPL is the manager of the Candover 2005 and 2008 Funds. In view of the excessive length, the name and address of each partnership will be enclosed within the Company's next annual return as permitted under section 410 of the Companies Act 2006.

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.

As at 31st December 2014 Candover's investment as a Special Limited Partner in the 2005 Fund was valued at £0.4 million (2013: £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 the holding company

Note 11 Trade and other receivables

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Amounts falling due within one year				
Trade receivables	**0.1**	1.3	**–**	1.3
Social security and other taxes	**0.1**	0.1	**–**	0.1
Other receivables	**–**	–	**–**	–
Prepayments and accrued income	**–**	0.1	**–**	0.1
	0.2	1.5	**–**	1.5
Amounts falling due after more than one year				
Trade receivables	**8.5**	9.0	**4.6**	4.7
	8.7	10.5	**4.6**	6.2

Note 12 Cash and cash equivalents

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Listed fixed interest securities and money market funds	**26.5**	2.4	**26.5**	2.4
Cash at bank and in hand	**0.1**	0.6	**0.1**	0.1
	26.6	3.0	**26.6**	2.5

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

Note 13 Trade and other payables

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Other payables	**–**	0.7	**31.5**	31.4
Accruals and deferred income	**0.5**	0.5	**0.4**	0.6
	0.5	1.2	**31.9**	32.0

Note 14 Loans and borrowings

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Loans and borrowings due within one year or less	**52.8**	–	**52.8**	–
Loans and borrowings due between one and five years	**–**	48.6	**–**	48.6

		Group		Company	
	Rate	**2014 £m**	2013 £m	**2014 £m**	2013 £m
Issued under the US private placement					
Series Y (US$83.9 million due 31st December 2015)	7.02%	**53.9**	50.7	**53.9**	50.7
Deferred costs under the US private placement		**(1.1)**	(2.1)	**(1.1)**	(2.1)
		52.8	48.6	**52.8**	48.6

Series Y are repayable at par before maturity date from the proceeds of realisations.

Note 15 Deferred tax assets and liabilities

No temporary differences resulting from investments 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:

	2014		2013	
	Deferred tax asset £m	**Deferred tax liabilities £m**	Deferred tax asset £m	Deferred tax liabilities £m
Group and Company				
Deferred tax at 1st January	**3.0**	**–**	1.0	–
Deferred tax credit/(charge) in profit and loss account:				
Prior year	**–**	**–**	–	–
Current year	**(0.9)**	**–**	2.0	–
Deferred tax at 31st December	**2.1**	**–**	3.0	–

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 £93.7 million and therefore an unrecognised deferred tax asset of £18.7 million, of which £15.6 million relates to losses carried forward. Of these, £15.6 million relate to the Company.

Notes to the Financial statements
for the year ended 31st December 2014 cont.

Note 16 Share capital

	2014 Number	2014 £m	2013 Number	2013 £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 (2013: 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 17th March 2015, 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
Ironsides Partners	3,273,047	15.0
BP Investment Management	1,345,743	6.2
Barwon Investment Partners	1,235,840	5.7
Merseyside Pension Fund	800,000	3.7
Aberdeen Asset Management Limited	758,528	3.5
Norges Bank Investment Mgt	653,000	3.0

Note 17 Capital commitments and contingent liabilities
The Group had no outstanding commitments or contingent liabilities as at 31 December 2014 (2013: 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:

	2014 £m	2013 £m
Within one year	**0.5**	1.4
Between one and five years	**–**	–
More than 5 years	**–**	–
	0.5	1.4

See Note 19 for details of provision against future lease commitments.

Note 19 Provisions

	2014 £m	2013 £m
At 1st January	**1.6**	2.6
Provision used in the period	**(0.7)**	(1.2)
Effect of unwinding discount	**0.1**	0.2
Property provision write back	**(0.5)**	–
At 31st December	**0.5**	1.6

The Company is the ultimate guarantor of a leasehold property that had a lease which expired in 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.

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

	2014 £m	2013 £m
(Loss)/gain on revaluation of investments and cash equivalents	**(39.9)**	27.7

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

	2014 £m	2013 £m
Group		
Total income	**11.3**	10.2
Administrative recurring expenses	**(4.1)**	(4.9)
Operating income	**7.2**	5.3
Increase in trade and other receivables	**(1.3)**	(6.4)
Decrease in trade and other payables	**(2.3)**	(3.4)
Net cash inflow/(outflow) from operating activities	**3.6**	(4.5)

	2014 £m	2013 £m
Company		
Total income	**11.1**	9.9
Administrative recurring expenses	**(5.2)**	(5.8)
Operating income	**5.9**	4.1
Increase in trade and other receivables	**(1.3)**	(6.3)
Decrease in trade and other payables	**(0.5)**	(2.0)
Net cash inflow/(outflow) from operating activities	**4.1**	(4.2)

Notes to the Financial statements
for the year ended 31st December 2014 cont.

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

	2014		
Group **Assets as per statement of financial position**	**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**	**–**	**26.6**
	35.3	**135.6**	**170.9**

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

	2014	
Group **Liabilities as per statement of financial position**	**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**

Comparatives for 2013 were:

	2013		
Group **Assets as per statement of financial position**	Loans and receivables £m	Assets at fair value through profit and loss £m	Total £m
Trade and other receivables excluding prepayments	9.0	–	9.0
Financial investments designated at fair value through profit and loss	–	191.2	191.2
Cash and cash equivalents	3.0	–	3.0
	12.0	191.2	203.2

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**	2013 Other financial liabilities at total amortised cost £m	Total £m
Loans and borrowings	48.6	48.6
Trade and other payables excluding non financial liabilities	1.2	1.2
	49.8	49.8

Company **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	**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** **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	**31.9**	**31.9**
	84.7	**84.7**

Comparatives for 2013 were:

Company **Assets as per statement of financial position**	2013 Loans and receivables £m	Assets at fair value through profit and loss £m	Total £m
Trade and other receivables excluding prepayments	4.7	–	4.7
Financial investments designated at fair value through profit and loss	–	191.2	191.2
Cash and cash equivalents	2.5	–	2.5
	7.2	191.2	198.4

Notes to the Financial statements
for the year ended 31st December 2014 cont.

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**	2013 Other financial liabilities at total amortised cost £m	 Total £m
Loans and borrowings	48.6	48.6
Trade and other payables excluding non financial liabilities	32.0	32.0
	80.6	80.6

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 12 and a detailed analysis of the largest investments is given on pages 13 to 17. 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 2014, 100% (2013: 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 are used to value 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 2014	135.0	135.0
10% changes in comparable multiples	16.0	(11.5)
Adjusted fair value of investments	151.0	123.5
Percentage of current fair value of investments	11.8%	(8.5)%

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 the Group's level of indebtedness: the ratio of net debt to net assets was 23% at 31st December 2014 (2013: 31%).

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 2014, the remaining five investments represented 99.6% of the overall investment portfolio (ten largest investments in 2013 represented 97% of the total investment portfolio), of which the underlying exposure to Expro International accounted for 30.8% of the investment portfolio (2013: 37.9%), or 35.1% of net assets (2013: 47.0%).

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 31 December 2014 the Group had no outstanding co-investment commitments (2013: 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 2014, based on the earliest date on which payment can be required, were as follows:

	2014				2013			
	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[1]	**–**	**53.9**	**–**	**53.9**	–	–	50.7	50.7
Interest payable on US private placement loan	**–**	**–**	**–**	**–**	1.0	2.7	3.6	7.3
	–	**53.9**	**–**	**53.9**	1.0	2.7	54.3	58.0

1 The terms of issue of the US private placement loan notes require the Group to comply with a loan-to-value covenant.

The Company also has a restriction for liquidity purposes from the loan-to-value covenant of its US private placement loan notes, where the ratio of net debt to investments (2013: adjusted investments) should not exceed 40%. At year end, the ratio was 20.1% (2013: 24.9%).

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 a 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 and the related impact on the Company's loan-to-value covenant. 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 2014 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
2014			
Cash and cash equivalents	0.2	9.6	–
Payables (interest payable)	–	–	–
Borrowings under the US private placement loan notes	(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	–

Group	US$ £m	Euro £m	Other £m
2013			
Cash and cash equivalents	0.3	0.1	–
Payables (interest payable)	(0.1)	–	–
Borrowings under the US private placement loan notes	(50.7)	–	–
Foreign currency exposure on net monetary items	(50.5)	0.1	–
Investments at fair value through profit or loss	72.6	111.1	4.8
Total net foreign currency exposure	22.1	111.2	4.8

Company	US$ £m	Euro £m	Other £m
2014			
Cash and cash equivalents	0.2	9.6	–
Payables (interest payable)	–	–	–
Borrowings under the US private placement loan notes	(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
2013			
Cash and cash equivalents	0.3	0.1	–
Payables (interest payable)	(0.1)	–	–
Borrowings under the US private placement loan notes	(50.7)	–	–
Foreign currency exposure on net monetary items	(50.5)	0.1	–
Investments at fair value through profit or loss	72.6	111.1	4.8
Total net foreign currency exposure	22.1	111.2	4.8

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% (2013: 10%)
Sterling/Euro	+/-10% (2013: 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:

	2014 (+/-10%)		2013 (+/-10%)	
	US$ £m	**Euro £m**	US$ £m	Euro £m
Gain attributable to equity shareholders	**1.2**	**10.3**	2.2	11.1
Loss attributable to equity shareholders	**(1.2)**	**(10.3)**	(2.2)	(11.1)

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;
- 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. The proceeds are required to be made available to the 2013 noteholders to prepay the outstanding notes at par.

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.

Notes to the Financial statements
for the year ended 31st December 2014 cont.

Group	2014 Within 1 year £m	2014 More than 1 year £m	2014 Total £m	2013 Within 1 year £m	2013 More than 1 year £m	2013 Total £m
Exposure to floating interest rates						
Cash and cash equivalents	**26.6**	**–**	**26.6**	3.0	–	3.0
Borrowings under the US private placement loan notes	**–**	**–**	**–**	–	–	–
	26.6	**–**	**26.6**	3.0	–	3.0
Exposure to fixed interest rates						
Cash and cash equivalents	**–**	**–**	**–**	–	–	–
Investments at fair value through profit or loss	**–**	**135.6**	**135.6**	–	191.2	191.2
Borrowings under the US private placement loan notes	**(53.9)**	**–**	**(53.9)**	–	(50.7)	(50.7)
	(53.9)	**135.6**	**81.7**	–	140.5	140.5
Total exposure to interest rates	**(27.3)**	**135.6**	**108.3**	3.0	140.5	143.5

Company	2014 Within 1 year £m	2014 More than 1 year £m	2014 Total £m	2013 Within 1 year £m	2013 More than 1 year £m	2013 Total £m
Exposure to floating interest rates						
Cash and cash equivalents	**26.6**	**–**	**26.6**	2.5	–	2.5
Borrowings under the US private placement loan notes	**–**	**–**	**–**	–	–	–
	26.6	**–**	**26.6**	2.5	–	2.5
Exposure to fixed interest rates						
Cash and cash equivalents	**–**	**–**	**–**	–	–	–
Investments at fair value through profit or loss	**–**	**135.6**	**135.6**	–	191.2	191.2
Borrowings under the US private placement loan notes	**(53.9)**	**–**	**(53.9)**	–	(50.7)	(50.7)
	(53.9)	**135.6**	**81.7**	–	140.5	140.5
Total exposure to interest rates	**(27.3)**	**135.6**	**108.3**	2.5	140.5	143.0

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 (2013: no change); and
- Interest paid on borrowings on the US Private Placement loan notes series Y is fixed at a rate of 7.02%.

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 US private placement loan notes are fixed term and 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:

	2014		2013	
Group	**Statement of financial position £m**	**Maximum exposure £m**	Statement of financial position £m	Maximum exposure £m
Cash and cash equivalents	**26.6**	**26.6**	3.0	3.0
	26.6	**26.6**	3.0	3.0

	2014		2013	
Company	**Statement of financial position £m**	**Maximum exposure £m**	Statement of financial position £m	Maximum exposure £m
Cash and cash equivalents	**26.6**	**26.6**	2.5	2.5
	26.6	**26.6**	2.5	2.5

Trade receivables exist between related parties and are considered to be subject to valuation risk rather than credit risk.

Notes to the Financial statements
for the year ended 31st December 2014 cont.

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 that reflect 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 marker 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. Further details and a breakdown of Level 3 investments are included in Table 2 of the Managers' report on page 12.

Financial assets at fair value through profit or loss

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

	2013			
Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Continuing investments	–	–	191.2	191.2
Cash equivalents[1]	2.4	–	–	2.4
Total	2.4	–	191.2	193.6

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

	2013			
Company	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Continuing investments	–	–	191.2	191.2
Cash equivalents[1]	2.4	–	–	2.4
Total	2.4	–	191.2	193.6

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

Group	2014 Investments £m	Financial liabilities on equity commitments £m	**Total £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**

*Includes accrued portfolio income of £8.5 million recognised as revenue in the Group statement of comprehensive income

Group	2013 Investments £m	Financial liabilities on equity commitments £m	Total £m
Valuation at 1st January 2013	163.5	–	163.5
Additions	5.0	–	5.0
Disposal proceeds	(12.1)	–	(12.1)
Realised losses	(1.6)	–	(1.6)
Unrealised gains	36.4	–	36.4
Valuation at 31st December 2013	191.2	–	191.2

Company	2014 Investments £m	Financial liabilities on equity commitments £m	**Total £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**

*Includes accrued portfolio income of £8.5 million recognised as revenue

Valuations are based on earnings 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 alternative assumption could be to value the portfolio companies using the average market multiple of comparable listed companies, rather then the specific approach adopted. This would result in an unadjusted valuation of £131.2 million which is 3% lower than the current valuation. The multiples of the comparable basket of companies range from 5.1x to 15.2x (2013: 8.8x to 15.0x), with adjustments made to reflect the relative size and trading diversity between portfolio companies and the listed comparable companies of +28% to -30% (2013: +5% to -40%). These adjustments have an aggregate positive impact of £3.8 million, giving a year-end valuation of £135.0 million for portfolio companies (see Note 9).

Notes to the Financial statements
for the year ended 31st December 2014 cont.

Company	2013 Investments £m	Financial liabilities on equity commitments £m	Total £m
Valuation at 1st January 2013	158.0	(17.1)	140.9
Additions	5.0	–	5.0
Disposal proceeds	(12.1)	–	(12.1)
Realised losses	(1.6)	–	(1.6)
Unrealised gains	41.9	17.1	59.0
Valuation at 31st December 2013	191.2	–	191.2

There have been no transfers between levels for the year ended 31 December 2014.

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:

- the terms of issue of the US private placing of loan notes and multi-currency revolving facility require the Group's level of borrowings net of cash and cash equivalents not to exceed 40% of investments at fair value through profit or loss (subject to certain restrictions);
- 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 comprises:

	2014 £m	2013 £m
Debt		
Borrowings under the US private placement loan notes	**52.8**	48.6
	52.8	48.6
Equity		
Equity share capital	**5.5**	5.5
Retained earnings and other reserves	**113.7**	150.8
	119.2	156.3
Total capital	**172.0**	204.9
Debt as a % of total capital	**31%**	24%

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 interest in the Candover 2005 and 2008 Funds is disclosed in Note 9 on page 64.

The Company's subsidiary undertakings are listed in Note 10 on page 64, which includes a description of the nature of their business.

The directors of the Company 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 2014	26th February 2015
Candover Investments plc Annual General Meeting	13th May 2015
Interim announcement of results for the half year ended 30th June 2015	28th August 2015

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 26th March 2015 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

Candover Investments plc
34 Lime Street
London EC3M 7AT
Telephone: +44 (0)20 7489 9848
email: info@candover.com
website: www.candoverinvestments.com

Registered in England and Wales No. 1512178

Company Secretary
Ipes (UK) Limited
10 Lower Grosvenor Place
London SW1W 0EN
Telephone: +44 (0)20 7798 0900
Facsimile: +44 (0)20 7630 7177
email: candover@ipes.com

Solicitors
Ashurst LLP
Broadwalk House
5 Appold Street
London EC2A 2HA

Stockbrokers
Winterflood Securities
The Atrium Building Cannon Bridge House
25 Dowgate Hill
London EC4R 2GA

Registered auditors
Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London NW1 2EP

Bankers
Barclays Bank PLC
1 Churchill Place
London E14 5HP

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Telephone: 0871 664 0300 (from UK)*
+44 (0)20 8639 3399 (from Overseas)
Facsimile: +44 (0)20 8639 2220
email: shareholderenquiries@capita.co.uk

* Calls cost 10 pence per minute plus network extras
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Candover Investments plc
34 Lime Street
London EC3M 7AT

Telephone +44 (0)20 7489 9848

Email info@candover.com
Website www.candoverinvestments.com