Candover Investments plc/Interim financial statement/2011

Candover is a listed investment trust, focussed on optimising the long-term value of the underlying investments in its portfolio for its shareholders. We expect to achieve this via a progressive return of cash over time as portfolio realisations are achieved by the investment manager, Arle Capital LLP (Arle).

Arle is an independent private equity partnership established in April 2011 via the sale of Candover Partners Limited (CPL) to some of its investment team. Arle is the manager of the Candover 2001, 2005 and 2008 Funds.

Key metrics

Net assets
£183.4m
Net assets were £183.4 million at 30th June 2011, an increase of 3.1% compared to £177.9 million at 31st December 2010

Ratio of net debt to net assets
21.6%
The ratio of net debt to net assets was 21.6% at 30th June 2011, compared to 51.2% at 31st December 2010

Net assets per share
839p
Net assets per share increased by 3.1% to 839p for the six months to 30th June 2011 compared to 814p at 31st December 2010

Loan-to-value covenant
18.8%
The loan-to-value covenant ratio was 18.8% at 30th June 2011. At 31st December 2010 this ratio was 32.6%

Net debt
£39.6m
Net debt was £39.6 million at 30th June 2011, compared to £91.0 million at 31st December 2010

Outstanding investment commitments
£12.9m
Uncalled Candover 2005 Fund co-investment commitments were £12.9 million at 30th June 2011, compared to £38.9 million at 31st December 2010

References in this interim financial statement to Candover or the Company mean Candover Investments plc and/or, where appropriate, one or more of its subsidiaries

Dear Shareholder

Our focus during the first half of the year was to complete the two disposals which we had identified as crucial to achieving our strategy of a progressive return of cash to shareholders, namely the sale of CPL to Arle and the sale of a strip of our investments in the portfolio.

These transactions were completed in April and have underpinned the transformation of the Company's stability, with the uncertainty and volatility currently being seen in global markets only serving to reinforce the benefits of the successful completion of the disposals. Our net debt position has been significantly reduced, the covenant position markedly improved, and the level of outstanding liabilities to the Candover 2005 Fund has further decreased.

Net assets per share have increased by 3.1% during the six months to 30th June 2011, which compares with a rise in the FTSE All-Share of 1.1% over the same period. The increase has been driven by valuation uplifts in some of the underlying portfolio companies, notably Capital Safety Group.

Following the completion of the transactions I have taken over as Chairman following the retirement of Gerry Grimstone and we have appointed a new non-executive director, Scott Longhurst, to take over my previous Board position of Chair of the Audit, Risk and Valuation Committee.

We continue to believe that there is significant unrealised value in the portfolio and we will work closely with our manager whose responsibility it is to optimise the timings and value of disposals. Whilst the medium term economic outlook remains unclear, and recessionary pressures may slow recovery and growth, the significant active management and restructuring initiatives that have been undertaken across the portfolio over the last 18 months should ensure that these companies are better positioned to operate successfully in an uncertain climate.

Your Board will consider the most efficient mechanism, consistent with our Investment Trust status, to return cash to shareholders in the future. We also remain focused on ensuring the Company's administrative costs are minimised.

Richard Stone
Chairman
30th August 2011

Business and financial review

Completion of the disposals

The sale of the strip and the disposal of CPL to Arle were completed on 19th April 2011. The strip sale comprised the disposal of 29.1% of certain of our investments which generated proceeds of £64.6 million. This compared to the cash proceeds of £60.0 million disclosed in the year-end accounts. As a consequence of the exercise of rights by certain tag investors, proceeds received by Candover were reduced by £0.4 million, but increased by £5.0 million because the strip disposal completion mechanism allowed us to sell to the purchaser, at cost, 29.1% of any follow on investments made between 6th December 2010 and the date of completion.

The sale of the strip has significantly improved our net debt position and loan-to-value covenant. Net debt reduced from £91.0 million at the year-end to £39.6 million as at 30th June 2011 after taking into account new follow-on investments made in the first half. The loan-to-value covenant was reduced from 32.6% to 18.8%. Additionally, our outstanding Candover 2005 Fund co-investment commitments have reduced to £12.9 million as a result of both the follow-on investments made during the period and the transfer to the strip purchaser of the remaining pro-rata co-investment commitments.

Following completion of the sale of the strip, an offer was made for voluntary prepayment of the loan notes up to a maximum of the cash proceeds received of £64.6 million. As a result of this offer, prepayment at par of £27.2 million was made on 31st May 2011 which will reduce our financing costs going forward.

The disposal of CPL to Arle has created a fully independent private equity manager, with whom we have an arm's length contract for the management of our assets. Whilst Arle will continue to be the manager of Candover's portfolio assets, the current administration services arrangement that exists between the two parties, and which covers the provision of company secretarial and financial administration services, will be transferred to a third party during the second half of the year.

Net asset value per share

Net assets per share increased by 3.1% from 814p to 839p over the six months to 30th June 2011. This compares with a rise in the FTSE All-Share of 1.1% over the same period.

The increase in the period was driven by the uplift in portfolio company valuations of £13.1 million before currency movements, being 7.4% of opening net assets, offset by the management and financing costs of the Company. Included within the valuation uplifts in the period is an increase in the valuation of Capital Safety Group of £9.9 million before currency movements as a result of the strong trading in the business over the period. The valuation of Candover's interest in Expro International, excluding currency movements, has reduced by £3.2 million. This arose due to the dilutive effect of Expro International's recent capital raising; Candover has follow-on obligations with respect to the 2005 Fund investment in Expro International but not the 2008 Fund.

As previously reported, the majority of our portfolio investments are denominated in Euros and US Dollars with our debt primarily denominated in US Dollars, although hedged through swaps to Euros. Whilst currency movements can have a material impact on net assets, the impact has been muted over the first half of the year. The Board continues to monitor currency exposure and the appropriateness of the hedges currently in place on a regular basis.

Table 1 summarises the movement in net assets over the first half.

Table 1

	£m	£m	p/share	p/share
Net asset value at 31st December 2010 as reported		**177.9**		**814**
Gain on financial instruments at fair value through profit and loss before currency[1]	5.0		22	
Profit after taxation	2.6		12	
Capitalised expenses (net of tax)	(2.6)		(12)	
Others	(0.3)		(1)	
		4.7		**21**
Currency impact:				
– Unrealised investments	3.9		18	
– Restatement of cash and cash equivalents	3.1		14	
– Translation of loan and swap balances	(6.2)		(28)	
		0.8		**4**
Net asset value at 30th June 2011 as reported		**183.4**		**839**

1 Includes valuation movements as shown in Table 2 of £13.1 million but excludes increases in accrued investment income of £8.1 million (recognised in profit after taxation)

Investments

The valuation of investments at 30th June 2011, including accrued loan note interest, was £233.9 million. Candover made follow-on investments of £21.8 million in the period under our existing contractual obligations, including £5.0 million that was sold to the strip purchaser at cost, and a further £1.3 million that will be sold post the period end under the terms of the strip disposal completion mechanism.

Table 2 summarises the movement in our investments over the first half.

Table 2

	£m	£m
Investments at 31st December 2010[1]		**310.0**
Disposals at valuation		(32.5)
Additions at cost		21.8
Investments realised on sale of strip		(82.4)
Investments adjusted for transactions in period		**216.9**
Revaluation of investments:		
– Valuation movements before currency	13.1	
– Currency impact on unrealised investments	3.9	
		17.0
Investments at 30th June 2011		**233.9**

1 Comprises financial investments designated at fair value through profit and loss account at 31st December 2010 of £230.0 million together with financial investments held for resale of £80.0 million comprising £77.4 million relating to the strip and £2.6 million relating to ICG

An additional benefit arising from the sale of the strip has been to reduce the concentration of net assets. At 30th June the three largest investments represented 80.0% of net asset value, compared to 103.0% at the year-end.

Net debt position

Candover's net debt has fallen from £91.0 million at 31st December 2010 to £39.6 million at 30th June 2011. This reflects the receipt of the proceeds from the sale of the strip of £64.6 million, net investment inflows of £10.9 million, offset by the settlement of exceptional costs of £10.5 million which were provided for at the year-end, adverse currency movements of £3.1 million and the operating and financing costs paid over the first six months.

Table 3 analyses our net debt.

Table 3

	30th June 2011 £m	31st December 2010 £m
Loans and borrowings	**168.9**	200.5
Fair value hedge adjustment	**(15.3)**	(16.5)
Deferred costs	**0.7**	1.0
Value of loan notes	**154.3**	185.0
Value of related swaps	**(3.1)**	(14.1)
Cash	**(111.6)**	(79.9)
Net debt	**39.6**	91.0

Following the sale of the strip, an offer was made for voluntary prepayment of the loan notes up to a maximum of the proceeds received of £64.6 million. Following the offer process a prepayment at par of £27.2 million was made on 31st May 2011 leading to a reduction in the gross debt position.

The outstanding commitment to the Candover 2005 Fund fell to £12.9 million over the period from £38.9 million at the year end, due to follow-on investments and the transfer to the strip purchaser of the remaining pro-rata co-investment commitments.

Net revenue before tax

For the six month period net revenue before exceptional items and tax was a profit of £4.4 million compared to a loss of £6.8 million in the comparable period.

Including capitalised costs of £2.6 million, total administrative and finance costs in the period were £6.8 million (2010: £6.8 million), which included £2.1 million of management fees payable to Arle linked to the value of investments managed and £3.2 million of financing costs.

Board

As was reported in the year-end accounts, following completion of the disposals Gerry Grimstone stood down as Chairman and retired from the Board and Richard Stone, a non-executive member of the Board for the last six years, was appointed as his successor. A new non-executive director, Scott Longhurst, was appointed in May and has taken over from Richard as Chair of the Audit, Risk and Valuation Committee. Scott is currently Group Finance Director of Anglian Water Group, a former FTSE listed company which was taken private by a consortium of private equity investors in 2006. His experience of both the PLC and private equity environments, and his background in the energy and energy services sectors will be very relevant to Candover.

Dividend

The Board continues to believe that it is not appropriate to recommence paying dividends to shareholders at this stage, particularly in the light of the current deficit on the Company's revenue reserves. However we will be reviewing the situation in the context of our focus on delivering a progressive return of cash to shareholders over time.

Outlook

Whilst the first half of the year has seen an increase in net assets of 3.1%, the market turmoil since the period end has reinforced the benefits of the successful completion of the sale of the strip in protecting and securing shareholder value. The Company's balance sheet has been significantly strengthened and we have an independent and stable investment manager focused on realising the significant underlying value in the existing portfolio. The Company is well positioned to undertake a progressive return of cash over time as portfolio realisations occur and a net cash position has been achieved.

Manager's report

Ten largest investments

Analysis by value as at 30th June 2011

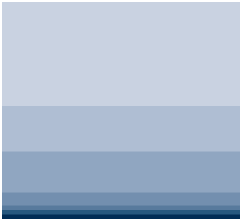
By valuation method

- Multiple of earnings 100%

By sector

- Industrials 49%
- Energy 28%
- Leisure 19%
- Financials 2%
- Support services 2%

By region



- United Kingdom 48%
- Benelux 21%
- Spain 19%
- Italy 6%
- France 2%
- Switzerland 2%
- Scandinavia 2%

By age

- 2-3 years 61%
- 3-4 years 23%
- 4-5 years 2%
- >5 years 14%

Arle Capital LLP

Arle is an independent private equity partnership established in April 2011 via the sale of CPL to some of its investment team. Arle is manager of the Candover 2001, 2005 and 2008 Funds in which Candover is a co-investor. The Funds have a combined portfolio of 13 investments.

Arle's focus is on continuing to explore ways to enhance the portfolio's value through an active ownership strategy that encompasses both organic and acquisitive growth, ensuring that each business has strong leadership, a robust strategy and a sustainable capital structure and is therefore well positioned for growth. Arle intends to raise new funds in due course which it will deploy in mid-market buyouts in the industrials, services and energy sectors located in the 'North Sea Rim' (the UK, Benelux, German speaking Europe and the Nordics).

Overview

In the first six months of 2011 the net asset value of investments managed by Arle grew by 9.0% to €2.3 billion (Plc's share: €246.5 million). The major contributor to the uplift was Capital Safety Group which traded strongly during the period. Parques Reunidos, Qioptiq and Technogym also saw positive movements in their valuations. The period to 30th June, whilst still uncertain in outlook, represented a period of relative stability given the events that have unfolded in the the global markets since July. The European private equity market displayed a renewed level of confidence with buyouts in particular showing increases in both volume and value: 209 transactions worth €37.9 billion completed compared to 179 worth €21.3 billion a year earlier. Corporates with strong balance sheets, private equity houses with committed capital to invest, and improving debt markets were all contributory factors.

Trading in the portfolio companies benefitted from these conditions with overall revenues growing by 5.0% compared to a decline of 1.4% in the prior year period. This was driven in particular by demand from emerging markets and a generally accommodative monetary environment supporting investment. Profitability in parts of the portfolio however continued to be impacted by rising raw material prices given the exposure to the industrials sector, but there are now signs that commodity prices have started to soften.

Investments

During the six months to 30th June 2011, Candover invested £21.7 million (prior to the sale to the strip purchaser of its pro-rata share) in add-on investments in the following portfolio companies alongside the Candover Funds:

- £1.4 million in Capital Safety Group to fund an acquisition in Colombia to further consolidate the business's position in a high growth market;

- £0.6 million in EurotaxGlass's to finance a small acquisition in Finland with an advanced technology platform;
- £16.6 million in Parques Reunidos to refinance existing equity bridge arrangements; and
- £3.1 million in Expro International to fund growth capex requirements and prepare the business for an increase in market activity.

The oilfield services market in which Expro International operates has experienced a challenging three years but there are now some strong indicators that point to the start of an upcycle. Demand for oil saw its single largest year-on-year increase for over 30 years in 2010 and further growth is anticipated. Spare capacity in the market is expected to shrink, leading to continued structural supply challenges across the industry. This is likely to result in increased investment in exploration activities, particularly in marginal oilfields, fuelled further by oil prices in excess of $100.00 a barrel. As a result, service provider pricing power is beginning to return in key areas such as deep-water rigs and subsea infrastructure given the limited supply and lengthy time to market. Expro International is seeing signs of increased customer activity, particularly in the North Sea, with its own capex requirements growing as its order book improves quarter-on-quarter. We continue to believe that the company is well positioned to maximise the opportunities offered by the medium to long-term fundamentals of the sector.

The table below shows the investments made by Candover and the Funds in the six months to 30th June 2011:

Portfolio company	Candover £m	Funds £m
Capital Safety Group	1.4	8.3
EurotaxGlass's	0.6	3.6
Expro International	3.1	47.3
Parques Reunidos	16.6	100.7
Other	0.1	–
Total investments	**21.8**	**159.9**

Of this £21.8 million, £5.0 million was transferred at cost in the period to the strip purchaser, and a further £1.3 million will be transferred post the period end.

Realisations

The Candover Funds managed by Arle, and Candover, achieved realisation proceeds totalling £277.9 million in the six months to 30th June 2011. Candover's share was £97.3 million, with £64.6 million coming from the disposal of the strip of certain of its portfolio assets.

In January 2011, Candover and the Candover 2001 Fund realised its holding in Equity Trust which was sold to Doughty Hanson. This generated initial cash proceeds for Candover of £13.7 million, including £3.9 million of carried interest. An additional deferred payment of £5.3 million was paid in June. In addition, carried interest of £2.0 million relating to the deferred payment was received in July. The total proceeds received by the Candover 2001 Fund resulted in an investment multiple of 1.5x the original investment.

In March 2011, Candover received £11.0 million from the early redemption of the guaranteed, interest accruing deferred consideration relating to Ontex. This included further carried interest of £3.1 million in respect of the Candover 2001 Fund.

In addition, Candover completed the sale of its interests in the ICG 2000 and 2003 Funds, generating total proceeds of £2.5 million.

Table 1 shows a summary of realisations in the six month period to 30th June 2011.

Valuations

Over the last six months, despite the challenging trading environment across Europe and the US, nine of the top ten investments have seen an increase in revenues on a 12 month rolling basis compared to the year-end position.

The ten largest companies represent 92.3% of the portfolio, with the Candover 2001 Fund carried interest representing a further 5.0%. Within the portfolio, Expro International accounts for 25.2% of the value, therefore movements in its valuation have a significant impact on the value of the portfolio and net asset value. The valuation of Candover's interest in Expro International, excluding currency movements, has reduced by £3.2 million. This arose due to

Table 1

Company	Capital proceeds Candover £m	Capital proceeds Funds £m	Exit route
Strip assets	64.6	–	Partial sale of portfolio assets
Equity Trust	15.1	118.2	Private equity sale
Ontex	7.9	61.6	Deferred payment
Candover 2001 Fund carried interest	6.9	–	Crystallisation of carried interest
ICG 2000 Fund	0.2	–	Sale of fund interest
ICG 2003 Fund	2.3	–	Sale of fund interest
Other	0.3	0.8	
Total realisations to 30th June 2011	**97.3**	**180.6**	
Candover 2001 Fund carried interest	2.0	–	Crystallisation of carried interest
Total realisations post 30th June 2011	**2.0**	**0.0**	

the dilutive effect of Expro International's recent $250.0 million capital raising; Candover has follow-on obligations with respect to the Candover 2005 Fund investment in Expro International but not the Candover 2008 Fund.

Capital Safety Group experienced a material increase in value following strong trading across all regions in which it operates. Earnings on a 12 month rolling basis were 21.0% ahead of the position at 30th June 2010 and 8.0% ahead of the position at December 2010. The valuation of the business has increased by £9.4 million after deducting £0. 5 million of exchange loss.

Other portfolio companies which experienced increases in valuations following strong trading momentum were Parques Reunidos, Technogym and Qioptiq.

The portfolio is largely based in Western Europe with a strong focus on the industrials sector. Whilst the UK represents 48.0% of the investments by value, the companies themselves are well diversified in the regions in which they trade. The portfolio is mostly exposed to the industrials sector via investments in Stork, Capital Safety, Qioptiq, Technogym and Hilding Anders.

The Candover Funds

During the period, Candover and the Limited Partners in the 2001 Fund agreed to extend the term of the Candover 2001 Fund by a further two years to 13th June 2013 to allow the remaining investments to be realised at an optimum time and value. Since the period end, Candover and the Limited Partners in the Candover 2005 Fund have agreed to extend the term of the follow-on investment period of that Fund by two years to 26th August 2013 in order to ensure that the remaining capital in the Fund can continue to be available, if required, to support portfolio company growth. In addition, the Preston Partnership, purchaser of the strip of investments sold by Candover in April 2011, was admitted as a co-investor alongside Candover in the Candover 2005 and 2008 Funds.

Outlook

The outlook in the second half of the year has become noticeably more uncertain driven by the US credit rating downgrade, escalating sovereign debt problems in the Eurozone, and weak economic data in the US and Eurozone in particular. A combination of these factors has led to a reassessment of economic growth, a significant re-rating in the equity markets and a flight to safety. Whilst we think this backdrop will continue to cause increased volatility in the second half of 2011 and into 2012, we remain confident that GDP growth will continue to be supported by an accommodative monetary policy, and that provided politicians and central banks can ensure enough liquidity in the banking system, growth, in particular in developing markets, will support global and European GDP increases. This should ensure that any slip back into recession is avoided. This, coupled with our ongoing active management of the portfolio, should continue to create value in our businesses and allow us to look at some selective realisations.

Ten largest investments

at 30th June 2011

Investment	Residual cost of investment £m	Valuation at 31st December 2010 £m[1]	Valuation movement excluding FX £m
1. Expro International Oilfield services	92.8	64.3	(3.2)
2. Stork Engineering conglomerate	34.7	43.6	–
3. Parques Reunidos Operator of attraction parks	30.0	37.3	2.6
4. Capital Safety Group Fall protection equipment	9.7	14.7	9.9
5. Qioptiq Optical engineering	6.8	12.1	1.3
6. Technogym Premium fitness equipment and wellness products	29.2	11.4	1.1
7. Innovia Films Transparent and coated films and polymer bank notes	2.7	4.8	–
8. Alma Consulting Group Cost reduction and tax recovery services	14.9	4.5	–
9. EurotaxGlass's Automotive data intelligence	14.5	4.4	–
10. Hilding Anders Bed and mattress manufacturer	24.3	3.9	–

1 Pro forma basis for sale of strip completion mechanism and adjusted for additions and disposals in the period

Valuation movement attributable to FX £m	**Valuation at 30th June 2011 £m**	Effective equity interest (fully diluted)	% of net assets	Basis of valuation
(2.2)	**58.9**	4.8%	32.1%	Multiple of earnings
2.2	**45.8**	4.5%	25.0%	Multiple of earnings
1.8	**41.7**	4.0%	22.7%	Multiple of earnings
(0.5)	**24.1**	5.1%	13.1%	Multiple of earnings
0.6	**14.0**	5.1%	7.6%	Multiple of earnings
0.5	**13.0**	3.2%	7.1%	Multiple of earnings
0.2	**5.0**	5.7%	2.7%	Multiple of earnings
0.2	**4.7**	3.9%	2.6%	Multiple of earnings
0.2	**4.6**	5.6%	2.5%	Multiple of earnings
0.2	**4.1**	3.9%	2.2%	Multiple of earnings

Principal risks and uncertainties

Details of the principal risks and uncertainties facing the Group were set out in the risk review on pages 38 to 41 of the 2010 Report and Accounts, a copy of which is available on our website (www.candoverinvestments.com).

The principal risks and uncertainties identified in the 2010 Annual Report, and the policies and procedures for minimising these risks and uncertainties, remain unchanged and each of them has the potential to affect the Group's results during the remainder of 2011. Our views on the current market conditions are reflected in the business and financial review and the manager's report.

Statement of directors' responsibilities

The directors of Candover Investments plc confirm that, to the best of their knowledge, the condensed set of financial statements in this interim report have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the EU, gives a fair view of the assets, liabilities, financial position and profit or loss of Candover Investments plc, or the undertakings included in the consolidation as a whole and that the Manager's report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

The directors of Candover Investments plc are listed on the page entitled further information in this interim financial statement.

By order of the Board

Philip Price
Company Secretary
30th August 2011

Independent review report to Candover Investments plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30th June 2011 which comprises the Group statement of comprehensive income, Group statement of changes in equity, Group statement of financial position, Group cash flow statement and the related notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in a review 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, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting,' as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30th June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Grant Thornton UK LLP
Auditor
London
30th August 2011

Group statement of comprehensive income

for the period ended 30th June 2011

£ million Unaudited	Six months to 30th June 2011 Revenue	 Capital	 Total	Six months to 30th June 2010 Revenue	 Capital	 Total	Year to 31st December 2010 Revenue	 Capital	 Total
Gain/(loss) on financial instruments at fair value through profit and loss									
Realised gains and losses	**–**	**–**	**–**	–	(2.8)	(2.8)	–	(2.7)	(2.7)
Unrealised gains and losses	**–**	**6.3**	**6.3**	–	(18.8)	(18.8)	–	2.1	2.1
	–	**6.3**	**6.3**	–	(21.6)	(21.6)	–	(0.6)	(0.6)
Revenue									
Investment and other income	**8.6**	**–**	**8.6**	(2.9)	–	(2.9)	8.1	–	8.1
Recurring administrative expenses	**(2.6)**	**(1.0)**	**(3.6)**	(2.5)	(1.4)	(3.9)	(4.5)	(2.5)	(7.0)
Exceptional non-recurring costs	–	–	–	–	–	–	(5.1)	–	(5.1)
Profit/(loss) before finance costs and taxation	**6.0**	**5.3**	**11.3**	(5.4)	(23.0)	(28.4)	(1.5)	(3.1)	(4.6)
Finance costs	**(1.6)**	**(1.6)**	**(3.2)**	(1.4)	(1.5)	(2.9)	(3.3)	(3.2)	(6.5)
Movement in the fair value of derivatives	**–**	**(0.3)**	**(0.3)**	–	0.3	0.3	–	(0.8)	(0.8)
Exchange movements on borrowings	**–**	**(0.3)**	**(0.3)**	–	1.8	1.8	–	0.8	0.8
Profit/(loss) before taxation	**4.4**	**3.1**	**7.5**	(6.8)	(22.4)	(29.2)	(4.8)	(6.3)	(11.1)
Analysed between:									
Profit/(loss) before exceptional non-recurring costs	**4.4**	**3.1**	**7.5**	(6.8)	(22.4)	(29.2)	0.3	(6.3)	(6.0)
Exceptional non-recurring costs	**–**	**–**	**–**	–	–	–	(5.1)	–	(5.1)
Taxation	**–**	**–**	**–**	(0.7)	–	(0.7)	3.4	–	3.4
Profit/(loss) after taxation from continuing operations	**4.4**	**3.1**	**7.5**	(7.5)	(22.4)	(29.9)	(1.4)	(6.3)	(7.7)
(Loss)/gain from CPL disposal group ('discontinued operations')	**(1.8)**	**–**	**(1.8)**	0.6	–	0.6	(21.7)	–	(21.7)
Loss relating to assets subject to the strip disposal ('discontinued operations')	**–**	**–**	**–**	–	–	–	–	(19.6)	(19.6)
Profit/(loss) after taxation	**2.6**	**3.1**	**5.7**	(6.9)	(22.4)	(29.3)	(23.1)	(25.9)	(49.0)
Other comprehensive income:									
Exchange differences on translation of foreign operations	**(0.2)**	**–**	**(0.2)**	(0.3)	–	(0.3)	(0.1)	–	(0.1)
Total comprehensive income	**2.4**	**3.1**	**5.5**	(7.2)	(22.4)	(29.6)	(23.2)	(25.9)	(49.1)
Earnings per ordinary share:									
Continuing operations – basic and diluted	**20p**	**14p**	**34p**	(34p)	(102p)	(136p)	(7p)	(29p)	(36p)
Discontinued operations – basic and diluted	**(9p)**	**–**	**(9p)**	1p	–	1p	(99p)	(90p)	(189p)
Total earnings per share – basic and diluted	**11p**	**14p**	**26p**	(33p)	(102p)	(135p)	(106p)	(119p)	(225p)
Dividends paid (£ millions)	**–**	**–**	**–**	–	–	–	–	–	–

The total column represents the group statement of comprehensive income under IFRS. 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.

All of the profit for the period and the total comprehensive income for the period is attributable to the owners of the Company.

No interim dividend is proposed.

Group statement of changes in equity

for the period ended 30th June 2011

£ million Unaudited	Called up share capital	Share premium account	Other reserves	Capital reserve – realised	Capital reserve – unrealised	Revenue reserve	Total equity
Balance at 1st January 2011	**5.5**	**1.2**	**0.1**	**360.5**	**(187.4)**	**(2.0)**	**177.9**
Net revenue after tax	–	–	–	–	–	2.6	2.6
Unrealised gain on financial instruments	–	–	–	–	6.3	–	6.3
Realised (loss)/gain on financial instruments	–	–	–	(42.7)	42.7	–	–
Movement in fair value of derivatives	–	–	–	–	(0.3)	–	(0.3)
Exchange movements on borrowing	–	–	–		(0.3)	–	(0.3)
Costs net of tax	–	–	–	(2.6)	–	–	(2.6)
Profit after tax	–	–	–	(45.3)	48.4	2.6	5.7
Other comprehensive income							
Exchange differences on translation of foreign operations	–	–	(0.2)	–	–	–	(0.2)
Total comprehensive income	–	–	(0.2)	–	–	–	(0.2)
Balance at 30th June 2011	**5.5**	**1.2**	**(0.1)**	**315.2**	**(139.0)**	**0.6**	**183.4**
Unaudited							
Balance at 1st January 2010	**5.5**	**1.2**	**0.2**	**359.5**	**(160.5)**	**21.1**	**227.0**
Net revenue after tax	–	–	–	–	–	(6.9)	(6.9)
Unrealised loss on financial instruments	–	–	–	–	(18.8)	–	(18.8)
Realised gain/(loss) on financial instruments	–	–	–	3.2	(6.0)	–	(2.8)
Movement in fair value of derivatives	–	–	–	–	0.3	–	0.3
Exchange movements on borrowing	–	–	–	–	1.8	–	1.8
Costs net of tax	–	–	–	(2.9)	–	–	(2.9)
Profit/(loss) after tax	–	–	–	0.3	(22.7)	(6.9)	(29.3)
Other comprehensive income							
Exchange differences on translation of foreign operations	–	–	(0.3)	–	–	–	(0.3)
Total comprehensive income	–	–	(0.3)	0.3	(22.7)	(6.9)	(29.6)
Balance at 30th June 2010	**5.5**	**1.2**	**(0.1)**	**359.8**	**(183.2)**	**14.2**	**197.4**
Audited							
Balance at 1st January 2010	**5.5**	**1.2**	**0.2**	**359.5**	**(160.5)**	**21.1**	**227.0**
Net revenue after tax	–	–	–	–	–	(23.1)	(23.1)
Unrealised loss on financial instruments	–	–	–	–	2.1	–	2.1
Realised gain/(loss) on financial instruments	–	–	–	6.7	(9.4)	–	(2.7)
Movement in fair value of derivatives	–	–	–	–	(0.8)	–	(0.8)
Loss relating to assets subject to the strip disposal – discontinued operations	–	–	–	–	(19.6)	–	(19.6)
Exchange movements on borrowing	–	–	–	–	0.8	–	0.8
Costs net of tax	–	–	–	(5.7)	–	–	(5.7)
Profit/(loss) after tax	–	–	–	1.0	(26.9)	(23.1)	(49.0)
Other comprehensive income							
Exchange differences on translation of foreign operations	–	–	(0.1)	–	–	–	(0.1)
Total comprehensive income	–	–	(0.1)	1.0	(26.9)	(23.1)	(49.1)
Balance at 31st December 2010	**5.5**	**1.2**	**0.1**	**360.5**	**(187.4)**	**(2.0)**	**177.9**

Group statement of financial position

at 30th June 2011

£ million Unaudited	Notes	**30th June 2011**		30th June 2010		31st December 2010	
Non-current assets							
Property, plant and equipment			**–**		2.4		0.1
Financial investments designated at fair value through profit and loss							
Investee companies	3	**221.4**		256.3		212.1	
Other financial investments	3	**12.5**		14.4		17.9	
			233.9		270.7		230.0
Trade and other receivables			**8.2**		5.3		6.5
Deferred tax asset			**3.5**		2.8		3.5
			245.6		281.2		240.1
Current assets							
Trade and other receivables		**1.0**		10.1		1.8	
Derivative financial instruments		**38.6**		49.3		44.1	
Current tax asset		**0.1**		0.1		0.1	
Cash and cash equivalents		**111.6**		100.1		78.9	
			151.3		159.6		124.9
Financial investments held for sale ('discontinued operations')			**–**		–		80.0
Assets of CPL disposal group ('discontinued operations')			**–**		–		2.3
			151.3		159.6		207.2
Current liabilities							
Trade and other payables		**(4.6)**		(7.4)		(15.9)	
Financial liability on equity commitments		**–**		(11.3)		–	
Derivative financial instruments		**(35.5)**		(21.1)		(29.9)	
Provisions		**(4.5)**		–		(4.5)	
			(44.6)		(39.8)		(50.3)
Derivative financial instruments ('discontinued operations')			**–**		–		(17.4)
Liabilities of CPL disposal group ('discontinued operations')			**–**		–		(1.2)
			(44.6)		(39.8)		(68.9)
Net current assets			**106.7**		119.8		138.3
Total assets less current liabilities			**352.3**		401.0		378.4
Non-current liabilities							
Loans and borrowings			**(168.9)**		(203.6)		(200.5)
Net assets			**183.4**		197.4		177.9
Equity attributable to equity holders							
Called up share capital			**5.5**		5.5		5.5
Share premium account			**1.2**		1.2		1.2
Other reserves			**(0.1)**		(0.1)		0.1
Capital reserve – realised			**315.2**		359.8		360.5
Capital reserve – unrealised			**(139.0)**		(183.2)		(187.4)
Revenue reserve			**0.6**		14.2		(2.0)
Total equity			**183.4**		197.4		177.9
Net asset value per share							
Basic			**839p**		903p		814p
Diluted			**839p**		903p		814p

Group cash flow statement

for the period ended 30th June 2011

£ million Unaudited	Notes		**Six months to 30th June 2011**		Six months to 30th June 2010		Year to 31st December 2010
Cash flow from operating activities							
Cash flow from operations	4		**(6.1)**		(10.2)		(15.2)
Interest paid			**(3.1)**		(3.0)		(6.1)
Tax reclaimed			**–**		0.7		0.8
Net cash from operating activities			**(9.2)**		(12.5)		(20.5)
Cash flows from investing activities							
Purchase of property, plant and equipment		**–**		(0.3)		(0.4)	
Purchase of financial investments		**(21.8)**		–		(34.7)	
Sale of property, plant and equipment		**–**		–		–	
Sale of financial investments*		**86.8**		16.6		35.5	
Net cash inflow from investing activities			**65.0**		16.3		0.4
Cash flows from financing activities							
Equity dividends paid		**–**		–		–	
Loan notes repayment		**(27.2)**		–		–	
Cash flows from financing activities			**(27.2)**		–		–
Increase/(decrease) in cash and cash equivalents			**28.6**		3.8		(20.1)
Opening cash and cash equivalents			**79.9**		106.3		106.3
Effect of exchange rates and revaluation on cash and cash equivalents			**3.1**		(10.0)		(6.3)
Closing cash and cash equivalents			**111.6**		100.1		79.9

* Whilst rolled-up loan note interest is disclosed within 'Financial investments designated at fair value through profit and loss' on the balance sheet, any interest received or receivable is shown within the revenue column of the 'Statement of comprehensive income' and so included in cash flow from operating activities above.

Notes to the financial statements

Note 1 – General information
This condensed consolidated half-year financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31st December 2010 were approved on 19th April 2011. These accounts which contained an unqualified audit report under Section 495 of the Companies Act 2006 and which did not make any statements under Section 498 of the Companies Act 2006, have been delivered to the Registrar of Companies in accordance with Section 441 of the Companies Act 2006.

Note 2 – Basis of accounting
The Group financial statements are prepared under International Financial Reporting Standards (IFRS) as adopted by the European Union. This statement has been prepared using accounting policies and presentation consistent with those applied in the preparation of the accounts for the Group for the year ended 31st December 2010, and in accordance with IAS 34 'Interim Financial Reporting' (Revised). New standards adopted this period are IAS 24 'Related Party Disclosures' (Revised) and IFRS 7 'Financial Instruments: Disclosures' (Revised).

Note 3 – Financial investments designated at fair value through profit and loss

£ million	**Six months to 30th June 2011**	Six months to 30th June 2010	Year to 31st December 2010
Opening valuation	**310.0**	319.9	319.9
Disposals at valuation	**(32.6)**	(15.1)	(33.1)
Additions at cost	**21.8**	–	34.7
Release of financial liability on equity commitments	**–**		(12.2)
Investments realised on sale of strip	**(82.3)**	–	–
Valuation movements	**17.0**	(34.1)	0.7
Closing valuation	**233.9**	270.7	310.0

Note 4 – Reconciliation of operating income to net cash flow from operating activities

£ million	**Six months to 30th June 2011**	Six months to 30th June 2010	Year to 31st December 2010
Total income	**8.6**	3.9	8.1
Administrative expenses	**(5.5)**	(10.1)	(27.5)
Operating profit/(loss)	**3.1**	(6.2)	(19.4)
Decrease/(increase) in trade and other receivables	**3.2**	1.7	(6.7)
(Decrease)/increase in trade and other payables	**(12.4)**	(6.3)	7.9
Depreciation	**–**	0.4	0.9
Exceptional depreciation	**–**	–	2.1
Loss on disposal of fixed assets	**–**	0.2	–
Net cash (outflow) from operating activities	**(6.1)**	(10.2)	(15.2)

Note 5 – Loss from CPL disposal group ('discontinued operations')
The disposal of CPL to Arle, an entity formed by the executives of CPL, was completed on 19th April 2011. Under the terms of the sale and purchase agreement the disposal for nominal consideration was structured by reference to the 31st December 2010 balance sheet of CPL at which point CPL would only retain net assets equivalent to the minimum required level of regulatory capital of £50,000. In addition, under the terms of the disposal, the right to the economic interest in CPL, the discontinued business of Candover, passed to Arle effective from 1st January 2011. Whilst final completion was subject to a number of remaining conditions, notably regulatory clearances, restrictions were agreed in the sale and purchase agreement to prevent the distribution of dividends from CPL as well as requirements as to how CPL would be managed in the ordinary course of business up to the point the transaction became unconditional in all respects. The disposal completed on the terms set out in both the circular to shareholders dated 6th December 2010 and consistent with the presentation of the results for the year ended 31st December 2010.

In the six months ended 30th June 2011 additional costs relating to the discontinued Candover Group of £1.8 million were provided covering additional advisor costs due to the extended timeline to complete the disposals, redundancy costs and administrative costs relating to the separation of the businesses.

Exceptional costs include no increase on the onerous lease provision of £4.5 million made at 31st December 2010 following the disposal of CPL.

Note 6 – Related party transactions
The nature of the Company's interest in the Candover 1997, 2001, 2005 and 2008 Funds is disclosed in note 13 on page 73 of the 2010 Report and Accounts.

As at 30th June 2011, Candover's investments as a Special Limited Partner in the Candover 2001, 2005 and 2008 Funds were valued at £11.9 million, £nil and £nil respectively (31st December 2010 Candover 2001 Fund £17.5 million, Candover 2005 Fund £0.2 million, and Candover 2008 Fund £nil). The movement in valuation of the Candover 2001 Fund is due mainly to realisations.

During the period the Company undertook transactions with Arle (formerly CPL), the disposal of which to former executives of Candover completed on 19th April 2011 such that this is no longer viewed as a related party. During the period Arle provided investment and administration services to the Company, for which the Company was charged £2.2 million (2010 comparative period: £2.8 million).

Note 7 – Outstanding commitments
At 30th June 2011, the Company had an outstanding commitment to fund investments alongside the Candover 2005 Fund of £12.9 million (31st December 2010: £38.9 million).

Further information

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.

ISA status
The Board has considered the ISA status of Candover's shares and for the time being considers that a decision to make Candover's shares eligible for inclusion in an ISA will impose constraints on the Company's investment criteria that will not be in the overall interests of shareholders.

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

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Non-executive Chairman, Nominations Committee Chairman

M J Fallen
Chief Executive Officer

Lord Jay of Ewelme GCMG §*†
Non-executive, Senior Independent Director

S R J Longhurst §*†
Non-executive, Audit, Risk and Valuation Committee Chairman

J Oosterveld §*†
Non-executive, Remuneration Committee Chairman

* Member of the Remuneration Committee
§ Member of the Audit, Risk and Valuation Committee
† Member of the Nominations committee

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