Report and accounts 2000

candover

Candover* organises and invests principally in large buyouts. Our primary objectives are to achieve above average capital gains from our investments and to earn satisfactory income for our shareholders. We do this by working in partnership with management teams to acquire companies in the UK and continental Europe and build substantial businesses with excellent prospects.

Contents

*References in this report and accounts to 'Candover' mean Candover Investments plc and/or, where appropriate, one or more of its subsidiaries.

Highlights

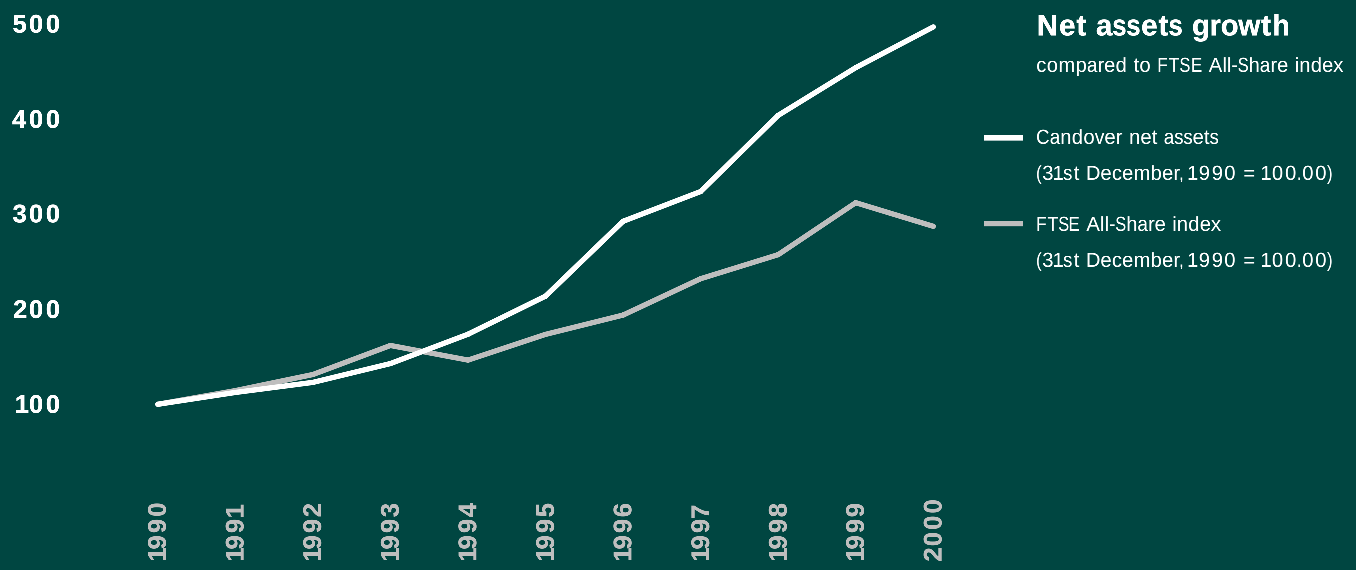
Total net assets up **+10%**
from £225.0m in 1999 to £246.6m in 2000

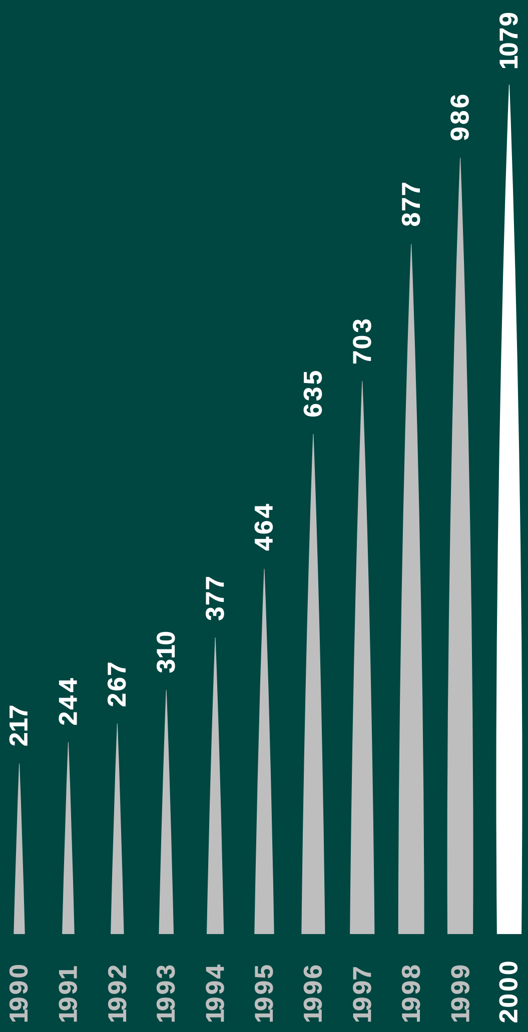
Net assets per share up **+9%**
from 986p in 1999 to 1079p in 2000

Profits up **+11%**
from £10.5m in 1999 to £11.7m in 2000

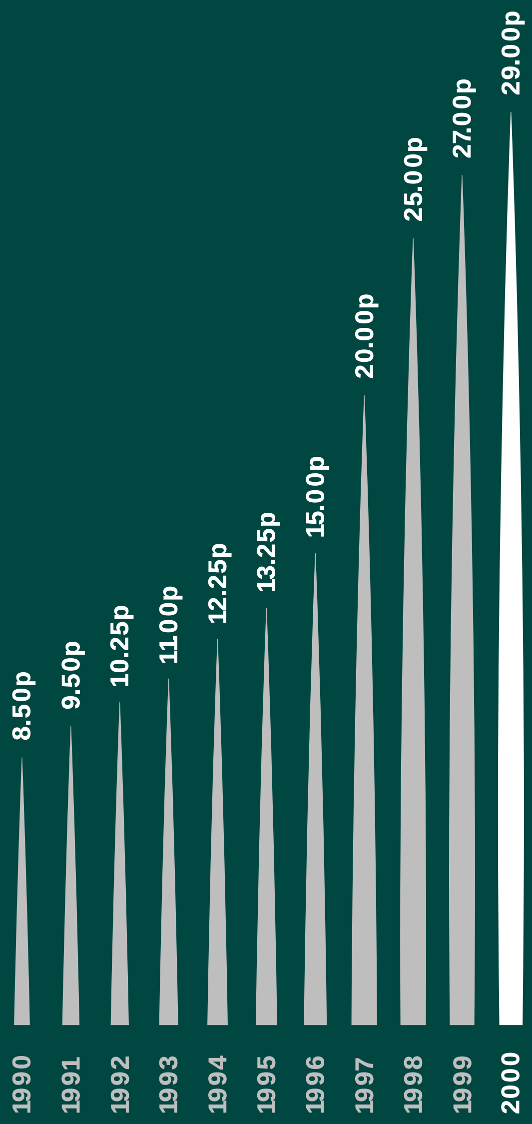
Final dividend up 8% to 20.0p. Total dividend up from 27p in 1999 to 29p in 2000 **+7%**

The results in pictures

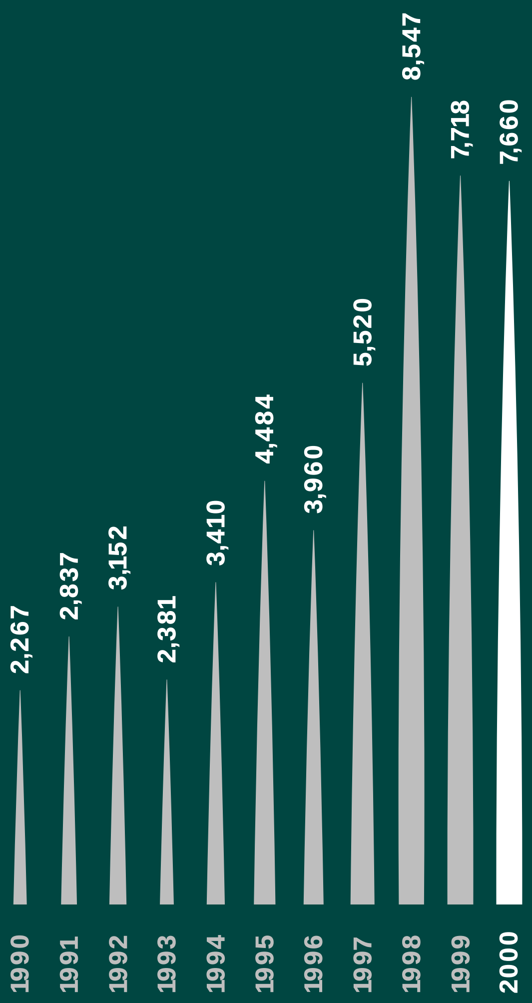




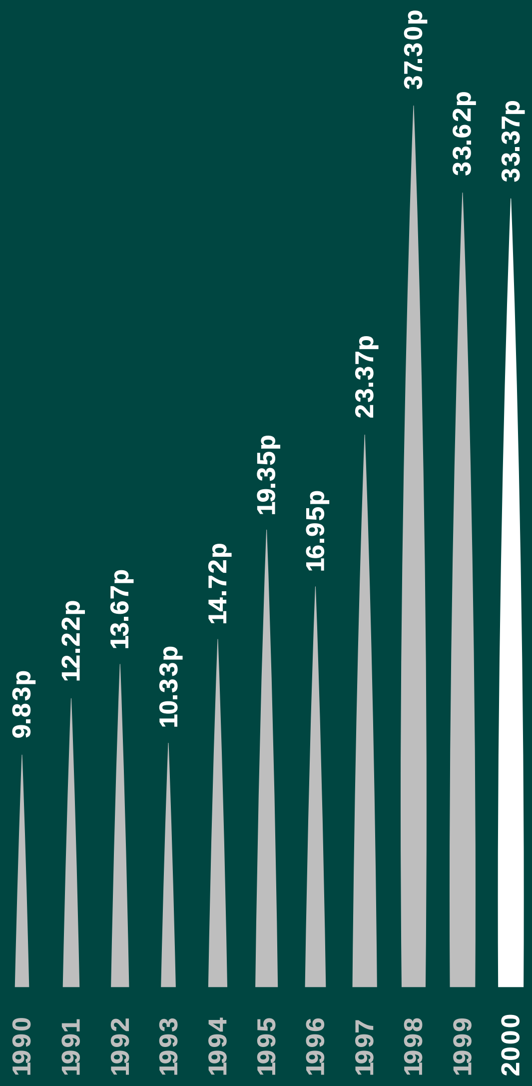
Net assets per share



Net dividend per share



Profit after taxation in £ thousands



Earnings per share fully diluted

Chairman's statement

Introduction

Candover's net assets increased by 9.6% during 2000. Total realisation proceeds amounted to £5 million in the six months to December and £29 million during 2000 compared to £27 million in 1999.

The pace of investment by Candover during the six months to December increased to £25.4 million compared to £12.9 million in the first half of 2000 – a total of £38.3 million for the year (1999 – £50 million).

Two further realisations have been completed since the year end and one additional investment has been made. In addition, we have entered into an agreement to lead the buyout of a leading frozen food retailer in France and, at €920 million, this is one of the largest buyouts yet undertaken in that country.

I have noted in previous statements that the growth in net assets will be affected by the increasing trend to fewer but larger investments and realisations. This has continued to be the case during 2000.

Results for 2000

As at 31st December, 2000 the net assets attributable to the ordinary shares, after including current asset investments at market or directors' valuation, less attributable taxation, were £246.6 million compared to £225.0 million at 31st December, 1999, an increase of 9.6%. Net assets per share were 1079p compared with 986p at 31st December, 1999 (and 1060p at 30th June, 2000). This increase in net assets per share over the 12 months to 31st December, 2000 of 9.4% compares with a decrease of 7.9% in the FTSE All-Share Index over the same period.

The growth in net assets was principally due to the increase of £20.6 million in the valuation of our investments during the year, the most significant of which was the increase of £7.2 million in the value assigned to Candover's share of the carried interest in the 1994 Fund.

As at 31st December, 2000 Candover and the 1994 Fund held 4.4 million shares in Crown Castle International Corporation (CCIC), of which Candover itself held 0.9 million. At that date, these were valued at $27.06 per share, the mid-market closing price. Candover's own shareholding in CCIC was, therefore, valued at 31st December, 2000 at $25.1 million (£16.8 million). Since that date, Candover's and the 1994 Fund's holding in CCIC has been realised at an average price of $23.14 per share.

Although over the 12 months to 31st December, 2000 there was a small (£1.1 million) increase in the value of Candover's holding in CCIC, in the six months from 30th June, 2000 there was a decline of £4.4 million, equivalent to 19p per share.

The value ascribed to Candover's share of the carried interest in the 1994 Fund was increased to £26.9 million (118p per share), from £24.1 million (105p per share) at 30th June, 2000 and £19.7 million (or 86p per share) at 31st December, 1999.

Profits before tax for the year were £11.7 million compared with £10.5 million for the twelve months to 31st December, 1999. The increase in profits was mainly due to higher income receivable from fixed asset investments of £1.0 million.

The valuation of fixed asset investments at 31st December, 2000 was £188.9 million (1999: £153.5 million) after taking into account downward adjustments of £2.9 million. These downward adjustments were mainly due to the decline in the value of our listed share portfolio. At the year end, cash and liquid assets totalled £59.6 million (1999: £73.1 million). Listed shares (excluding the shareholding in CCIC) at the year end totalled £12.7 million (1999 – £16.5 million), representing 5.2% of our net assets (1999 – 7.3%).

Dividends

At the half year the Board decided to increase the interim dividend by 5.9% from 8.5p to 9p per share. The Board has decided to pay a final dividend of 20p per share (18.5p in 1999) making a dividend total of 29p per share against 27p in the previous year, an increase of 7.4%. Payment of the dividend will be made on 24th May, 2001 to holders on the register at 4th May, 2001.

Board and staff

During the second half of the year the executive team was increased by three. Jean-Michel Coulot joined as a Director of Candover Partners from Paribas Affaires Industrielles (PAI) in Paris where he was in charge of PAI's investment in the manufacturing sector. He has been involved in many transactions in France and will be responsible for originating and transacting deals in his native country. Eric-Joost Ernst joined us as an investment manager from Arthur D Little in Rotterdam where he worked as a business analyst in the corporate finance practice. He is a Dutch national and holds a Masters Degree in Engineering. Gerard Conway who is a Chartered Accountant also joined us as an investment manager from Morgan Grenfell Private Equity.

It has been another busy year for Candover and I would like to thank the staff again for their hard work and application.

Prospects

Both the UK and European buyout markets performed strongly during 2000 and we anticipate that we will continue to see good quality deal flow. Our recent recruitment programme has added to our continental European skills base. This, combined with our current strong continental deal flow, ensures we are well placed to take advantage of the opportunities afforded by the buyout markets, not only in the UK where we have a strong position, but also in our main target countries outside the UK, namely France, Germany and Benelux.

As we increase our activities outside the UK it will, nevertheless, remain our policy to invest only in the highest quality companies, backing experienced management teams capable of delivering good returns to our shareholders and to the investors in the Funds we manage.

The 1997 Fund is now 85% drawn down. This will shortly increase to over 90%. We have, therefore, commenced the marketing of the 2001 Fund. As has been the case in previous new funds, the timing of any closing will, of course, have an impact on the profits in 2001.

S W Curran

23rd March, 2001

Operational review

The year 2000 saw the continued expansion of the total European buyout market with 628 transactions worth a total of €70 billion being completed. This was an increase of 45% by value on the previous year, and an increase by number of transactions of 18% within that total. The UK buyout market increased in value by 37% during 2000 to £23.4 billion. For the last ten years the UK market has accounted for roughly half of the total European buyout market.

Candover continued to enjoy strong deal flow during the year, although fewer investments were made than in the previous year. In total, Candover invested £38.3 million in five new transactions and 11 follow-on investments. The 1997 Fund invested £121.6 million alongside Candover in three of these transactions (Candover's investment £17.2 million) and the 1994 Fund invested £4.7 million (Candover's investment £1.3 million) in one follow-on investment. Since the year end, Candover has invested or committed to invest a further £13.3 million in two companies, Verigen Transplantation Service International, a German bio-tech company, and Picard Surgelés, France's leading frozen food specialist.

New investments

Of the new investments made by Candover during the year, the following were the most significant:

First Leisure

As reported at the half year, on 31st January, 2000 Candover and the 1997 Fund acquired the nightclub and bar operations of First Leisure plc, the UK leisure group, in a £210.5 million transaction. The 1997 Fund invested £42.0 million and Candover invested £6.6 million. In June, the bars were successfully sold for £67 million.

Bourne Leisure

In October, Candover and the 1997 Fund invested £68.2 million (Candover's share £8.0 million) in a new company, Bourne Leisure Holdings (BLH). BLH was created through combining Bourne Leisure Group, the largest privately owned caravan park operator in the UK with Rank Holidays Divison, the UK's largest operator of holiday centres, operating four principal brands, Haven, Warner, Oasis and Butlins. BLH is now the UK's leading provider of domestic holidays with a dominant position in the fragmented caravan park market. This industry is growing at 5% per annum and has significant barriers to entry with new sites difficult to obtain.

Extraprise

In September, Candover invested £5.3 million in Extraprise Inc., an IT consultancy with operations in the US, the UK and the Netherlands. Extraprise provides a complete range of services for this sector and is operating in a market which is expected to continue growing strongly for the next few years.

Blue Eagle

In December, Candover invested £7.4 million in Blue Eagle CDO 1, a collateralised debt obligation (CDO) fund. Blue Eagle invests in predominantly European leveraged loans and high yield assets, including loans where the borrowers are buyouts in which Candover is an investor. Candover has invested in the subordinated strip of Blue Eagle's funding which receives the benefit of both the difference between the interest the fund receives and pays, and any capital appreciation.

Other investments

A further new investment of £1.6 million was made during the year as part of a €15 million (£9.6 million) commitment to a mezzanine fund raised as a successor to a previous fund where Candover had an investment. A number of follow-on investments were also made, primarily further participations in specialised funds. Two investee companies received additional monies to support their continued development, namely Telecast and Newmond.

Telecast received a £22 million investment from Candover and the 1997 Fund (Candover's share £2.6 million) to enable it to acquire the UK's leading exhibition services contractor, Melville Exhibition Services. Newmond merged with Baxi Holdings and the combined group, which is now trading as Baxi Group plc, is one of Europe's leading heating groups. Candover and the 1994 Fund invested a further £6.0 million (Candover's share £1.3 million).

Picard Surgelés

In February 2001, Candover and the 1997 Fund entered into an agreement to back the management of leading French frozen food retailer Picard Surgelés (Picard) to acquire the business from the world's second largest retailer, Carrefour, in a €920 million transaction.

Picard retails frozen food to high and middle income bracket customers through 441 stores. Its entire product range, which encompasses around 1,000 items, is both manufactured for and sold exclusively through Picard's distribution networks. The company has an experienced and highly regarded management team who have identified substantial opportunities for growth within the French market. Candover will invest £10.3 million in the transaction and the 1997 Fund will invest £77.6 million.

Operational review

Realisations

Net realised gains achieved by Candover and its managed funds amounted to £45.7 million, of which Candover's share was £10.7 million. The majority of the gain came from the sale of shares in Crown Castle International Corporation (CCIC) during the first half of the year. Candover sold 17.7% of its original shareholding in CCIC realising £9.1 million and a gain on cost of £8.5 million. The 1994 Fund sold 1.5 million shares (17.7% of its original shareholding) in CCIC for proceeds of £34.4 million, realising a profit on cost of £32.2 million. Since the year end the entire residual holding of 4.4 million shares has been sold by Candover and the 1994 Fund at an average price of $23.14 per share.

Since the year end Candover has made two further realisations. In January, Claverham, the defence and aerospace engineering business, was sold to Hamilton Sundstrand, with gains over cost for Candover of £2.7 million and £23 million for the 1997 Fund. In February, Shepperton Studios, the film and television studio facilities company, was sold to Pinewood Studios resulting in a capital gain over cost of £2.2 million for Candover and £8.0 million for the 1994 Fund.

Outlook

In the last 18 months we have made a significant number of new investments. This means that whilst the current portfolio is relatively immature, it also offers an opportunity for substantial growth in the future. The overall performance of both these and our other investee companies in 2000 has been good, with most of them trading in line with or ahead of their budgets. Realisation opportunities will continue to be explored as appropriate in the year ahead and the general progress of all companies will be closely monitored as the economic climate reacts to the recent US slowdown.

The outlook for buyouts across Europe is positive and Candover is well positioned to continue to attract quality investment opportunities during the year ahead.

C J Buffin

M S Gumienny

Joint Managing Directors

23rd March, 2001

Status of funds

In addition to investing on its own account, Candover invests under a co-investment agreement with third party managed funds which are managed by the Candover Group subsidiaries, principally Candover Partners.

The status of the funds that have not been terminated is as follows:

The Candover 1987 Fund was constituted on 29th May, 1987 with funds of £30 million and was due to terminate on 29th May, 1997. By resolution of the investors the Fund has been extended on a number of occasions. The new termination date will be 29th November, 2001 unless investors agree to further extensions. Towards the end of the year an offer was made by Candover to buy in the units of investors wishing to realise their investment. As a result Candover invested £0.56 million and has acquired a 30% direct interest in the Fund. As at 31st December, 2000, £34 million has been returned to investors, and one investment remains in the portfolio.

The Candover 1991 Fund had total commitments of £37.5 million including a £5 million co-investment from Candover, at its final closing on 30th April, 1992. The investment period of this Fund was formally terminated on 30th April, 1998. The Fund was due to close on 30th April, 2000 but following investor consent this has been extended until 30th April, 2002. Two realisations were achieved during the year, leaving one remaining investment in the Fund. The Fund has drawn down £26 million for investment and to date has returned £53.3 million.

The Candover 1994 Fund had a final closing on 28th February, 1995 with total commitments of £307.5 million including £70 million from Candover. The investment period of the Fund was formally terminated on 16th December, 1997 although the capacity to make follow-on investments remains, and £4.7 million was invested in one follow-on investment in 2000. Also during the year, the Fund made capital gains on cost of £32.2 million from the sale of Crown Castle International Corporation (CCIC) shares. The Fund has called down £176.4 million for investment in 13 transactions and had returned £265 million by the year end. Following the year end, Shepperton was sold to Pinewood Studios and the residual shareholding has been sold in CCIC. After including earlier realisations, six companies remain in the portfolio, as well as the residual holding of listed shares in CCIC. It is anticipated that the realisation programme for this Fund should produce further satisfactory returns over the next 12 to 18 months.

The Candover 1997 Fund had a final closing on 22nd January, 1998 with total third party commitments amounting to £750 million, and a further £100 million provided by Candover. The Fund invested £121.6 million in two new investments and one follow-on investment; and made one realisation during the year. At the year end there were 14 remaining investments. Since the year end, the Fund has invested a further £77.6 million in Picard Surgelés, and realised its investment in Claverham.

Candover’s investment approach

Candover is an independent company investing principally in large buyouts. Private equity investment has shown good quality returns in recent years, and Candover’s performance has consistently ranked it among the leaders. Our success is underpinned by an emphasis on quality management – both our own and in investee companies – and a distinctive approach.

Candover works with ambitious, entrepreneurial people whose vision matches our own: vendors, advisers and, of course, management teams. In recent years, two-thirds of deals have involved incumbent managers; others are headed by teams that we have introduced. Candover’s approach is to work in close partnership with management teams and to ensure that they can perform at their best. To that end, managers always have an equity stake with the potential to produce substantial rewards.

There is no set Candover formula – we treat every business as unique – but there is a clear guiding philosophy. We look for the fundamentals: a good team and good growth prospects. Once we have identified an opportunity we pursue it rigorously, only making investments that we believe in wholeheartedly. The scale of Candover’s resources means that we can support portfolio companies’ growth plans with follow-on funds as appropriate, and increasingly our strategy is to focus on companies that can be built rapidly through add-on acquisitions. When the time is right – and with managements’ support – we seek an exit that rewards all participants fully for their time, capital and risk.

Review of 20 largest investments

Crown Castle International Corporation Communications tower owner and operator

Candover's investment as at 31st December	2000	1999
Cost of investment	£1,444,000	£2,084,000
Directors' valuation	US$25,118,000	US$36,575,000
	(£16,812,000)	(£22,689,000)
Effective equity interest (fully diluted)	0.5%	0.9%
% of Candover's net assets	6.8%	10.1%
Loss per share	(US$1.48)	(US$0.96)

Basis of valuation: Quoted market price

Crown Castle engineers, deploys, owns and operates technologically advanced shared wireless infrastructure in the USA, Australia and the UK.

Candover and the 1994 Fund originally invested £27 million in the £244 million buyout of the BBC Transmitters Network to form Castle Transmission International. This was subsequently merged into Crown Castle and at the same time listed on the NASDAQ market in August 1998 at US$13 a share. During the year Candover sold 411,200 shares for net proceeds of US$14.6 million (£9.1 million) (gain on cost: £8.5 million). Since the year end Candover has sold the entire balance of its residual holding of 0.9 million shares at an average price of US$23.14 per share.

In the year to 31st December, 2000 Crown Castle achieved earnings before interest, tax, depreciation and amortisation of US$247.1 million on revenues of US$649.2 million (1999: earnings before interest, tax, depreciation and amortisation of US$139.8 million on revenues of US$345.8 million).

Candover received no dividends in the year ended 31st December, 2000 (1999: £Nil).

Regional Independent Media Holdings Limited Regional newspaper publishing

Candover's investment as at 31st December	2000	1999
Cost of investment	£6,503,000	£6,503,000
Directors' valuation	£9,139,000	£6,503,000
Effective equity interest (fully diluted)	4.9%	4.9%
% of Candover's net assets	3.7%	2.9%

Basis of valuation: Multiple of earnings

This is Candover's second investment in regional newspapers, following our 1991 buyout of Midland Independent Newspapers. The opportunity to work with key members of the same team was one of the main reasons for our decision to invest.

Candover announced the purchase of UPN Holdings Limited for a total consideration of £360 million in 1998. Now renamed Regional Independent Media, it has a total of 58 titles consisting of dailies, weekly paid and weekly free newspapers. Its flagship titles are the Yorkshire Post, the Yorkshire Evening Post, The Star, the Lancashire Evening Post and the Wigan Evening Post. During the year the Yorkshire Post achieved the unique distinction of being named as Regional Newspaper of the Year in both the national editorial awards, and the Lancashire Evening Post was successfully relaunched as a tabloid. RIM has pursued a two-track internet investment strategy, continuing to support Fish4, the national classified advertising website, while also developing sites with a local focus wherever the group has a newspaper title.

Profit before amortisation of goodwill, operating exceptionals, interest and tax for the year ended 31st December, 2000 was £35.3 million on sales of £169.3 million (1999: profit before interest, tax and exceptional items of £32.8 million on sales of £156.3 million).

Candover received no dividends in the year ended 31st December, 2000 (1999: £Nil).

Review of 20 largest investments

Pandrol Limited / Airtechnology Limited Specialist engineering group

Candover's investment as at 31st December	2000	1999
Cost of investment	£9,074,000	£9,544,000
Directors' valuation	£9,074,000	£9,544,000
Effective equity interest (fully diluted)	8.8%	8.8%
% of Candover's net assets	3.7%	4.2%

Basis of valuation: Cost

Candover's involvement in the engineering sector goes back nearly 20 years, and our wealth of experience was used to good effect in this £194 million management buyout from Charter plc, completed in December 1999.

The deal structure involved Candover in making separate investments in three specialist engineering businesses which were: Pandrol, formerly Fountainfrost Limited, the world leader in rail fastening systems, with manufacturing plants in 12 countries; UK Aerospace and Defence, formerly Uppergreen Limited and now renamed Airtechnology, designer and manufacturer of specialist fans and environmental control systems for the aerospace, defence and rail traction markets; and Nederman, the European leader in equipment to improve workspace environments. Nederman was subsequently sold on in late December 1999 for cash proceeds of £38 million, from which Candover and the 1997 Fund received £7 million in December 1999 and £4 million in August 2000.

There are no audited results for this company since the date of investment.

No dividends were received by Candover in the year ended 31st December, 2000 (1999: £Nil).

Baxi Holdings Limited Construction, heating and home products

Candover's investment as at 31st December	2000	1999
Cost of investment	£10,741,000	£9,398,000
Directors' valuation	£8,533,000	£7,190,000
Effective equity interest (fully diluted)	3.9%	3.8%
% of Candover's net assets	3.5%	3.2%

Basis of valuation: Multiple of earnings

In November 2000, Newmond plc merged with Baxi Holdings Limited to create Baxi, one of Europe's leading suppliers of heating products.

Newmond was created in 1996 when Candover led the £360m management buyout of 15 businesses from Williams Holdings plc. Non-core businesses were disposed of over time, and Newmond focused on heating and home comfort products. Baxi Holdings Limited, a leading manufacturer in the domestic boiler field, offers over 1,500 boiler variations branded under the Baxi, Potterton, Chapée, Ideal Standard and Brötje names. During 2000 Candover invested a further £1.3 million (1994 Fund: £4.7 million) in order to enable the merger between Newmond and Baxi Holdings Limited. The merger of Baxi Holdings Limited with Newmond created a leading European player in the heating and home comforts markets with potential for further expansion.

No audited results are available since the merger.

Candover received no dividends in the year ended 31st December, 2000 (1999: £Nil).

BTG plc Technology investment and development

Candover's investment as at 31st December	2000	1999
Cost of investment	**£746,000**	£77,000
Directors' valuation	**£8,082,000**	£4,364,000
Equity interest	**0.6%**	0.6%
% of Candover's net assets	**3.3%**	1.9%
Profit / Loss per share	**0.8p**	(10.3p)
Dividend cover	**n/a**	(1.6x)

Basis of valuation: Quoted market price

Candover was part of the equity syndicate which invested in the buyout of BTG from the Government in 1992.

BTG is one of the world's leading technology investment and development companies. BTG listed on the London Stock Exchange in June 1995. It identifies and seeks to obtain commercially promising technology from a broad range of academic and corporate sources, which it usually protects by applying for patents and then commercialises in a variety of ways, from licensing to starting up companies.

In October 2000, Candover acquired a further 55,740 BTG shares in a rights issue at £12 per share.

In the full year to 31st March, 2000 BTG showed a profit before interest and tax of £0.4 million on turnover of £36.4 million (1999: loss of £9.9 million on turnover of £22.6 million).

No dividends were received in the year ended 31st December, 2000 (1999: scrip dividend of 1,666 shares).

Bourne Leisure Holdings Limited Leisure parks

Candover's investment as at 31st December	2000
Cost of investment	**£8,014,000**
Directors' valuation	**£8,014,000**
Effective equity interest (fully diluted)	**4.1%**
% of Candover's net assets	**3.2%**

Basis of valuation: Cost

Management is a key investment criterion for Candover and the management team at Bourne Leisure worked with us on the project for over a year before we completed this investment. In Bourne's team, we identified a management style and superior business practices which we believed could be applied to the Rank Holidays Division for substantial benefit to the enlarged group.

Candover backed Bourne Leisure Limited, the largest privately owned caravan park operator in the UK, in October 2000 in its acquisition of Rank Holidays Division, the UK's largest operator of holiday centres in the UK. The deal created a £1.1 billion group which will service over 2.5 million holiday makers a year through leading holiday brands such as Haven, Oasis, Butlins and Warner.

There are no audited accounts since the buyout.

Candover received no dividends in the year ended 31st December, 2000.

Review of 20 largest investments

Blue Eagle CDO investment fund

Candover's investment as at 31st December	2000
Cost of investment	€12,000,000 (£7,430,000)
Directors' valuation	€12,000,000 (£7,542,000)*
Effective equity interest (fully diluted)	n/a
% of Candover's net assets	3.1%

Basis of valuation: Cost

Blue Eagle is a €500 million collateralised debt obligation (CDO) fund managed by Barclays Capital, in which Candover invested €12 million (£7.4 million) in December 2000.

CDO funds invest in a strictly diversified pool of debt assets; in the case of Blue Eagle, senior leveraged loans and high yield bonds. CDO funds provide a fully diversified way of investing in the high yield markets with leveraged equity returns, while also providing significant income to their investors. The Blue Eagle management team has a good track record in the management of high yield bond and senior debt portfolios, a depth of experience and a rigorous approach to credit decisions.

There are no audited accounts since the date of investment.

No dividends were received by Candover in the year ended 31st December, 2000.

*Exchange gain since investment: £112,000.

Camden Motors Holdings Limited Motor dealership

Candover's investment as at 31st December	2000	1999
Cost of investment	£4,233,000	£4,233,000
Directors' valuation	£7,388,000	£5,414,000
Effective equity interest (fully diluted)	12.7%	10.6%
% of Candover's net assets	3.0%	2.4%

Basis of valuation: Multiple of earnings

Against the background of a difficult year for the automotive sector, Camden has continued to produce results markedly better than those of many of its competitors.

Camden is one of the UK's top 20 motor retailers and operates a multi-franchise network covering Ford, Vauxhall, Peugeot, Rover, Renault, Nissan, Volkswagen, Audi, Fiat, Toyota and Alfa Romeo. It was a buyout from Barclays Bank in November 1996, in which Candover invested £2.3 million. Since the buyout, Candover has invested further monies to allow Camden to support the development of a company (SPA) specialising in the subprime auto finance market. SPA has recently completed a £128 million fundraising to support its growth.

Profits before interest and tax for the year ended 31st December, 1999 were £5.0 million on sales of £501.2 million (1998: profits before interest and tax of £7.9 million on sales of £492.8 million).

Candover received gross dividends of £112,636 in the year ended 31st December, 2000 (1999: £139,726).

Acertec Holdings Limited Engineering group

Candover's investment as at 31st December	2000	1999
Cost of investment	**£7,043,000**	£7,043,000
Directors' valuation	**£7,043,000**	£7,043,000
Effective equity interest (fully diluted)	**7.9%**	7.9%
% of Candover's net assets	**2.9%**	3.1%

Basis of valuation: Cost

In June 1999, Candover played the role of "white knight" when it led the £135 million public-to-private buyout of Hall Engineering (Holdings) plc, backing incumbent management in fighting off a hostile bid from TT Group. Now renamed Acertec Holdings Limited, it enjoys strong market positions in all of its businesses.

Acertec consists of four principal businesses: Carrington Wire which, following the acquisition of two competitors, is now the leading manufacturer of wire in the UK; BRC Reinforcement, which is a leading UK supplier of reinforcement products to the construction industry; Stadco, Acertec's automotive pressings business, which is one of the leading UK suppliers of body-in-white pressings and assemblies to the car industry; and in the Far East, BRC Asia, which is the market leader in the supply of prefabricated steel reinforcement systems to the Singapore housing market, and listed on the Singapore stock exchange in July 2000.

Profits before interest and tax for the period from 25th February to 31st December, 1999 were £19.7 million on sales of £115.9 million.

No dividends were received by Candover in the year ended 31st December, 2000 (1999: £Nil).

Clondalkin Group PLC (formerly Edgemead Limited) Packaging and printing products

Candover's investment as at 31st December	2000	1999
Cost of investment	**€10,581,000**	€12,855,000
	(£6,796,000)	(£8,258,000)
Directors' valuation	**€10,581,000**	€12,855,000
	(£6,651,000)*	(£7,994,000)*
Effective equity interest (fully diluted)	**5.7%**	6.9%
% of Candover's net assets	**2.7%**	3.6%

Basis of valuation: Cost

The outstanding results delivered over a ten year period, combined with the clear strategic and operational focus of the Clondalkin management team, were key reasons for backing this €550 million delisting, Ireland's largest to date.

Clondalkin is an international producer of specialist packaging and print products with operations in Ireland, Britain, the Netherlands, Belgium, Germany, Switzerland and the US. The group manufactures and distributes products through 33 operating companies and employs more than 3,800 people. Clondalkin's delisting in December 1999 was followed by a successful €125 million bond issue.

In the period from 27th July, 1999 to 31st December, 1999 profits before interest and tax were €6.1million (£3.8 million) on sales of €91.4 million (£57.5 million).

No dividends were received by Candover in the year ended 31st December, 2000 (1999: £Nil).

*Exchange loss since investment: £145,000 (1999: £264,000).

Review of 20 largest investments

First Leisure Limited Nightclubs and bars operator

Candover's investment as at 31st December	2000
Cost of investment	£6,276,000
Directors' valuation	£6,276,000
Effective equity interest (fully diluted)	5.9%
% of Candover's net assets	2.5%

Basis of valuation: Cost

Candover's £210.5m acquisition of the nightclubs and bars division of First Leisure Limited was announced in November 2000. The high quality of the management team was a key element in our decision to invest.

The Nightclubs and Bars division then comprised 40 large capacity nightclubs and 25 themed or late-night bars, including the Brannigans chain, which was subsequently sold in June 2000 to Mustard Entertainment. The Nightclubs are well placed to benefit from the changing demographics and dynamics of the sector. The management team, led by Paul Kinsey, has extensive experience in operating nightclubs and bars and a focused strategy aimed at optimising First Leisure's performance and profitability.

There are no audited accounts since the buyout.

Candover received no dividends in the year ended 31st December, 2000.

The Smith Group Holdings plc Information technology solutions consultancy

Candover's investment as at 31st December	2000	1999
Cost of investment	£1,445,000	£1,445,000
Directors' valuation	£5,360,000	£2,750,000
Effective equity interest (fully diluted)	8.0%	8.0%
% of Candover's net assets	2.2%	1.2%

Basis of valuation: Multiple of earnings

We backed Tom Black, Managing Director of The Smith Group, to acquire the business from its founder. As a result of the buyout, the company has been able to offer shares to a significant proportion of its workforce and to refocus the business on areas of core competence.

The Smith Group is a leading specialist IT consultancy business which assists its clients in implementing leading edge technology solutions and strategies principally in the customer relationship, management and information security sectors. The company recently announced that its name would be changed to Idetica with effect from February 2001.

In the year ended 31st March, 2000 profits before interest and tax were £3.7 million on turnover of £20.9 million (year ended 31st March, 1999: profits before interest and tax of £2.4 million on turnover of £16.6 million).

For the year ended 31st December, 2000 Candover received gross dividends totalling £90,289 (1999: £81,261).

Telecast Communications Limited Media and event services

Candover's investment as at 31st December	2000	1999
Cost of investment	**£5,332,000**	£2,742,000
Directors' valuation	**£5,332,000**	£941,000
Effective equity interest (fully diluted)	**7.4%**	7.4%
% of Candover's net assets	**2.2%**	0.4%

Basis of valuation: Cost

Telecast is a leveraged buildup vehicle in which Candover first invested in May 1998. Its strategic objective is to grow by acquisition, consolidating suppliers to the events services market.

The Telecast group performed well in 2000, with the integration of Melville Exhibition Services and Opex into the Exhibition Division completed during the course of the year. Senior debt facilities were restructured in December 2000 to finance the acquisition of Sellars and Championship Structures, two companies which now form the Outdoor Events Division. The group now has strong positions in growing niche markets.

Profits before interest, tax and exceptional items for the year ended 31st December, 1999 were £0.8 million on sales of £27.8 million.

Candover received no dividends in the year ended 31st December, 2000 (1999: £Nil)

Extraprise Inc IT support services

Candover's investment as at 31st December	2000
Cost of investment	**US$7,500,000 (£5,298,000)**
Directors' valuation	**US$7,500,000 (£5,020,000)***
Effective equity interest (fully diluted)	**4.7%**
% of Candover's net assets	**2.1%**

Basis of valuation: Cost

In September 2000, Candover invested US$7.5 million (£5.3 million) in Extraprise Inc., a US-based IT consultancy. Founded in 1997 in the USA, Extraprise has expanded rapidly, both through organic growth and through acquisition, and has rapidly built a strong position in its market, chiefly focusing on Customer Relationship Management technologies.

Extraprise has three main business streams: Technical, which deploys teams of consultants to help clients implement new software packages; Strategic Consulting, which offers high value-added consultancy; and Creative Services, which helps clients with marketing, branding and web design.

There are no audited accounts since the date of the investment.

No dividends were received by Candover in the year ended 31st December, 2000.

*Exchange loss since investment: £278,000.

Review of 20 largest investments

Shepperton Holdings Limited Film studio

Candover's investment as at 31st December	2000	1999
Cost of investment	£2,616,000	£2,616,000
Directors' valuation	£4,422,000	£4,422,000
Effective equity interest	12.6%	10.1%
% of Candover's net assets	1.8%	2.0%

Basis of valuation: Multiple of earnings

We supported film-makers Ridley and Tony Scott and the well regarded Shepperton management team in 1995 because of their experience, worldwide contacts and record of box office success. In 1997 we invested again to support the team's ambition to diversify into digital special effects.

Shepperton, in which Candover and the 1994 Fund invested in January 1995, is a major film and TV studio complex. In July 1997, Shepperton acquired a 40% interest in The Mill (Facility) Limited and its subsidiary Mill Film, a company producing the computerised digital special effects used in many modern films. Films produced at the studios during the year include "102 Dalmations" and "The Mummy II". The Mill's work on "Gladiator" did much to raise its profile in the industry.

On 12th February, 2001 Candover announced the sale of Shepperton Studios to Pinewood Studios for £35m, and of its 40% stake in The Mill in a £22.5 million MBO led by 3i. Candover and the 1994 Fund achieved a gain over cost of £2.2 million and £8.0 million respectively.

Profits before interest and tax for the year ended 31st December, 1999 were £3.4 million on sales of £13.3 million (1998: £3.8 million on sales of £13.6 million).

Candover received gross dividends of £65,825 in the year ended 31st December, 2000 (1999: £148,106).

Dakota, Minnesota and Eastern Railroad Corporation Railroad operator

Candover's investment as at 31st December	2000	1999
Cost of investment	US$1,478,000 (£888,000)	US$1,478,000 (£888,000)
Directors' valuation	US$6,273,000 (£4,199,000)	US$6,273,000 (£3,891,000)
Effective equity interest (fully diluted)	11.1%	11.1%
% of Candover's net assets	1.7%	1.7%

Basis of valuation: Multiple of earnings

The DM&E Railroad operates 1,105 miles of track in the USA, mainly in South Dakota and Minnesota. Our investment in DM&E was organised by Lombard Investments, Inc.

Candover and the Hoare Candover Exempt Fund originally invested in this company in September 1986 in a transaction organised by Lombard Investments, Inc. There are large quantities of low sulphur coal in the Powder River Basin which adjoins part of DM&E's network, and DM&E is exploring ways to extend its rail line in order to participate in the market for the transportation of this coal.

Profits before interest and tax for the year ended 31st December, 1999 were US$13.8 million on sales of US$60.9 million (1998: US$11.1 million on sales of US$56.9 million).

Candover received no dividends in the year ended 31st December, 2000 (1999: £Nil).

Claverham Group Limited Defence and aerospace engineering

Candover's investment as at 31st December	2000	1999
Cost of investment	**£1,352,000**	£1,352,000
Directors' valuation	**£4,112,000**	£2,678,000
Effective equity interest	**7.4%**	7.4%
% of Candover's net assets	**1.7%**	1.2%

Basis of valuation: Sale price

Candover knew the vendor well: it was Fairey Group, whose buyout from Pearson we led in 1986. Fairey was floated in 1988. Claverham continues to perform well and has established joint ventures in both Italy and Germany.

Claverham, formerly Fairey Hydraulics Limited, a subsidiary of Fairey Group plc, designs, manufactures and supports actuation systems, hydraulic systems and landing gear mainly for the defence, aerospace and specialist industrial markets. The buyout of Claverham, completed in January 1998, was the first investment made by the 1997 Fund.

In January, 2001 the sale of Claverham to Hamilton Sundstrand was completed, providing a gain on cost to Candover of £2.7 million and £23.0 million to the 1997 Fund.

Profits before interest and tax for the year ended 31st December, 1999 were £7.4 million on sales of £41.6 million (1998: £6.6 million on sales of £37.1 million).

Candover received no dividends in the year ended 31st December, 2000 (1999: £Nil).

Earls Court & Olympia Holdings Limited (formerly De Facto 804 Limited) Exhibition services

Candover's investment as at 31st December	2000	1999
Cost of investment	**£3,970,000**	£3,999,000
Directors' valuation	**£3,970,000**	£3,999,000
Effective equity interest (fully diluted)	**5.5%**	5.7%
% of Candover's net assets	**1.6%**	1.8%

Basis of valuation: Cost

In October 1999, Candover announced its backing for Andrew and Jack Morris in the management buyin of Earls Court & Olympia (ECO) from Peninsular & Oriental (P&O) for £183 million. The Morrises had previously shown their ability to manage exhibition venues through their success in growing the Business Design Centre in Islington.

ECO, which incorporates two of the UK's foremost exhibition venues, was put up for sale by P&O in 1999 in order to allow P&O to focus on its core businesses. Under its new management, ECO is benefiting from an increased emphasis on sales, marketing and customer service as well as a substantial refurbishment programme. The business has been refocused to concentrate its activities on venue management and event organising, and is also seeking supplementary sources of revenue.

There are no full-year audited results available since the date of investment.

No dividends were received by Candover in the year ended 31st December, 2000 (1999: £Nil).

Review of 20 largest investments

ICG Mezzanine Fund Mezzanine investment fund

Candover's investment as at 31st December	2000	1999
Cost of investment	£3,855,000	£3,855,000
Directors' valuation	£3,855,000	£3,855,000
Equity interest	n/a	n/a
% of Candover's net assets	1.6%	1.7%

Basis of valuation: Cost

Candover committed £5 million to the £57.5 million Intermediate Capital Group (ICG) plc Mezzanine Fund. The Fund, which had its second closing in 1998, has been active in providing mezzanine acquisition finance throughout Europe.

Recent transactions for which the ICG Mezzanine Fund provided financing include the management buyout of Grands Vins de Gironde SA in May 1999 and the acquisition in November 1998 of Smurfit Condat by Cartiere del Garda. The ICG Fund also provides follow-on financing, as in the case of Helly Hansen in June 1999. The Fund's investment period has now terminated, with £52.3 million having been invested in 23 companies.

Intermediate Capital Group plc earned profits before interest and tax of £50.6 million on income of £74.1 million for the year ended 31st January, 2000. (1999: profits before interest and tax of £44.8 million on income of £63.0 million).

No dividends were received by Candover in the year ended 31st December, 2000 (1999: £Nil).

HLF Insurance Holdings Limited Insurance broker

Candover's investment as at 31st December	2000	1999
Cost of investment	£3,627,000	£3,627,000
Directors' valuation	£3,627,000	£3,627,000
Effective equity interest (fully diluted)	2.5%	2.5%
% of Candover's net assets	1.5%	1.6%

Basis of valuation: Cost

HLF Insurance Holdings Limited is the world's sixth largest insurance brokerage business. It was created in early 2000 by the merger between Erycinus, which owned the business of CE Heath plc, and Lambert Fenchurch Group plc, both of which had been Candover investments.

HLF Insurance Holdings Limited was formed to make an offer for both Erycinus and Lambert Fenchurch and the offer was declared unconditional in December 1999 and completed in 2000. During 2000, the integration of the two businesses into a successful world-wide insurance group has continued, with retention of key staff a priority.

There are no audited accounts since the merger.

Candover received no dividends in the year ended 31st December, 2000 (1999: £Nil).

Valuation policy

Principles of valuation of unlisted investments

In valuing unlisted investments the directors follow a number of general principles which are based upon the British Venture Capital Association guidelines for valuing unquoted development stage investments and are set out below:

Investments are stated at amounts considered by the directors to be a fair assessment of their value, subject to overriding requirements of prudence. All investments are valued according to one of the following bases:

- cost (less any provision required);
- open market valuation;
- earnings multiple; or
- net assets.

Investments are normally valued at cost until the availability of the first set of audited accounts post completion of the investment. Provisions against cost, however, will be made as soon as appropriate in the light of adverse circumstances – for example, where an investment performs significantly below expectations. In exceptional circumstances upward adjustments to cost may be made within one year.

Investments held for more than one year are valued on one of the bases described above and generally 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, depending on whether or not more than six months of the accounting period remains and the predictability of future profits. Such profits will be adjusted to a maintainable basis, taxed at the full corporation tax rate, and multiplied by a discounted price/earnings multiple. Price/earnings multiples utilised are usually related to comparable quoted companies and are normally discounted by 25 per cent.

The discount used may be lower where, for example, a realisation is planned within 12 months and higher if the timing of a realisation is long term or not currently being contemplated.

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 investments by a third party in a new financing round which is deemed to be at arms length. In cases where an exit is actively being sought then any offers from potential purchasers would be relevant in assessing the valuation of an investment and are a factor 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 Candover's relevant accounts (interim or final), the valuation is based on the exit valuation subject to an appropriate discount to take account of the time period between valuation and exit dates.

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

The board of directors

S W Curran† FCCA
Chairman

C J Buffin MA ACA
Managing Director

G D Fairservice BSc MBA
Deputy Chairman

P J Scott Plummer*§† FCA
Non-executive

M S Gumienny ACA
Managing Director

G E Grimstone*§
Non-executive

A P Hichens*† MA MBA
Deputy Chairman, non-executive

D R Wilson*§ FCA
Non-executive

J G West*§ FCA
Non-executive

* Member of the remuneration committee
§ Member of the audit committee
† Member of the nominations committee

S W Curran† FCCA

Chairman

Mr Curran was appointed Chairman in May 1999 having previously been Chief Executive since 1991 and before that Deputy Chief Executive and a director of Candover since July 1982. Prior to joining Candover in May 1981, he was a managing consultant with Coopers & Lybrand Associates and then an investment manager with what is now Cinven. He is a non-executive director of Greggs plc, Jarvis Hotels plc and a number of unquoted companies. Mr Curran is 58.

C J Buffin MA ACA

Managing Director

Mr Buffin was appointed joint Managing Director in March 1998. He is also a director of Candover Partners Limited and other Candover subsidiaries. He joined Candover in September 1985, from Deloitte Haskins & Sells where he spent two years in the investigations and corporate finance departments after qualifying as a chartered accountant. Mr Buffin has been responsible for a number of transactions which have led to Stock Exchange listings or trade sales. Mr Buffin led the buyout of Regional Independent Media Group plc in February 1998 and the acquisition of German-based PVC producer Vestolit in December 1999. He is a non-executive director of a number of unquoted companies in the Candover portfolio. Mr Buffin is 43.

G D Fairservice BSc MBA

Deputy Chairman

Mr Fairservice joined Candover in March 1984, was appointed to the board in July 1986, was made Deputy Chief Executive in January 1991 and then Deputy Chairman in May 1999. Before joining Candover, Mr Fairservice spent eight years with ICFC (3i) followed by two years with the British Technology Group (now BTG plc). He is a non-executive director of BTG plc. Mr Fairservice is 53.

P J Scott Plummer*§† FCA

Non-executive

Mr Scott Plummer was appointed to the Candover board in December 1985. He was appointed Chairman of Martin Currie Limited in April 1999 and is also Chairman of its subsidiary, Martin Currie Investment Management Limited. He was previously a partner of Cazenove & Co from 1974 to 1980 and has had many years of experience in the investment field. He is a non-executive director of The Merchants Trust plc. Mr Scott Plummer is 57.

M S Gumienny ACA

Managing Director

Mr Gumienny was appointed joint Managing Director in March 1998. He is also a director of Candover Partners Limited and other Candover subsidiaries. Prior to joining Candover in January 1987 he qualified as a chartered accountant with Price Waterhouse. Recent transactions led by Mr Gumienny include the de-listing of Clondalkin Group PLC, and the acquisition of Rank Holdings Division by Bourne Leisure to create a new company Bourne Leisure Holdings Limited. Mr Gumienny is a non-executive director of a number of unquoted companies in the Candover portfolio. Mr Gumienny is 42.

G E Grimstone*§

Non-executive

Mr Grimstone was appointed to the Candover board in July 1999. Formerly an Assistant Secretary to the Treasury responsible for the UK's privatisation policy and the financing, reform and commercialisation of state-owned industries, Mr Grimstone latterly held a number of senior appointments in the Schroders group, including Vice Chairman of worldwide investment banking activities. He is also a director of Bridgewell Limited and Wilmington Capital Limited, and a non-executive director of Dairy Crest Group plc, Aggregate Industries plc and the Tote. Mr Grimstone is 51.

A P Hichens*† MA MBA

Deputy Chairman, non-executive

Mr Hichens joined the board of Candover in December 1989 and was appointed Deputy Chairman of the company with effect from 1st January, 1991. He is Chairman of David S. Smith (Holdings) plc and Lasmo plc. He is also a non-executive director of The Fleming Income & Capital Investment Trust Plc. He was previously a Managing Director and Chief Financial Officer of Consolidated Gold Fields. Mr Hichens is 64.

D R Wilson*§ FCA

Non-executive

Mr Wilson was appointed to the board of Candover in May 1994. He is Chief Executive of Slough Estates plc, one of the UK's largest investment property companies, where he had previously been Group Managing Director and, before that, Finance Director. Prior to joining Slough Estates in 1986 he held senior appointments at Cadbury Schweppes PLC and Wilkinson Match Limited. He is a non-executive director of Westbury plc. Mr Wilson is 56.

J G West*§ FCA

Non-executive

Mr West who was appointed to the Candover board in December 1985 is a former Managing Director of Lazard Brothers and Chief Executive of Lazard Investors. He was previously Managing Director of Globe Investment Trust Plc. He is Chairman of Gartmore Fledgling Index Trust plc and Intrinsic Value plc and a non-executive director of Aberdeen New Dawn Investment Trust plc, Aberdeen Convertible Income Trust plc, British Assets Trust plc, Snackhouse plc, Middlesex Holdings plc, LEPCO plc and various unquoted companies. Mr West is 53.

Report of the directors

The directors present their report together with the audited financial statements for the year ended 31st December, 2000.

Principal activities

Candover Investments plc is an investment company within the meaning of Part VIII of the Companies Act 1985 as well as an investment trust under section 842 of the Income and Corporation Taxes Act 1988, the tax status of which is shown on page 27.

Candover is engaged principally in the identification, implementation and monitoring of large buyouts and buyins. Candover Investments plc makes an investment either under a co-investment agreement with the third party managed funds or on its own account. The third party managed funds, established with commitments from a wide range of international institutional investors, are managed by the Candover Group subsidiaries, principally Candover Partners Limited, which is regulated by The FSA. Candover participates in the profit made in certain of these funds subject to an overall minimum return having first been generated for investors in the funds. This minimum return varies from fund to fund. Subject to the minimum return having first been achieved, Candover will participate in seven per cent of any profit made in the 1997 Fund.

These funds and the investment activities of each fund are set out under the ‘Status of funds’ on page 9.

Results and review of business

The Group profit for the financial year after taxation was £7,660,000 compared with £7,718,000 for the year ended 31st December, 1999. Revenue was £20,905,000 as against £20,033,000 for the previous year. Administrative expenses charged to revenue were £9,222,000 compared with £9,569,000 for the previous year. The changes in fixed asset investments are described together with a review of the Group’s activities in the Chairman’s statement and Operational review on pages 4 and 6.

Dividend and proposed transfer to reserves

The directors recommend the payment of a final dividend of £4,572,000 equal to 20p per ordinary share (1999: £4,220,000, equal to 18.5p per share) giving a total dividend for the year of £6,629,000 equal to 29p per ordinary share (1999: £6,168,000 equal to 27p per share). Payment of the dividend will be made on 24th May, 2001 to holders on the register at the close of business on 4th May, 2001. The dividend details are shown in Note 7 on page 47.

After payment of the dividend, there is a profit of £1,031,000 in respect of the year ended 31st December, 2000 which the directors propose to carry to reserves (1999: profit of £1,550,000 carried to reserves).

Directors

The directors listed below served on the board throughout the year and were in office at the end of the year.

S W Curran	J G West*
A P Hichens*	D R Wilson*
G D Fairservice	C J Buffin
P J Scott Plummer*	M S Gumienny
	G E Grimstone*

*Non-executive

In accordance with the Articles of Association Messrs C J Buffin, M S Gumienny and D R Wilson will retire by rotation and, being eligible, will offer themselves for re-election. Of those seeking re-election, Messrs. C J Buffin and M S Gumienny have service contracts, which have a one year notice period.

The biographical details of the serving directors and those seeking re-election appear on pages 22 and 23.

Notifiable interests in the Company's shares

The Company has been advised of the following notifiable interests in excess of 3 per cent of the issued share capital of the Company at 12th March, 2001.

	Number	%
Schroder Investment Management Limited	2,371,000	10.5
M&G Investment Management Limited	1,495,272	6.7
BP Pension Trustees Limited	1,345,743	6.0
Royal Life Insurance Limited	1,237,000	5.5
British Airways Pension Fund	984,666	4.4
Alpinvest Holding N.V.	966,829	4.3
Martin Currie Group	911,158	4.1
CGNU plc	900,000	4.0
Electra Investment Trust plc	750,000	3.3
Totals	10,961,668	48.8

Report of the directors

Directors' interests

The statements in respect of directors' interests in the share capital, contracts or any other matter requiring disclosure, are contained in the corporate governance report on pages 28 to 33 and in Note 3 to the financial statements on pages 44 to 46.

Political and charitable donations

During the year £19,980 (1999: £15,860) was given for charitable purposes. There were no political donations made during the year (1999: Nil).

Share Buyback

On 21st December, 2000 the Company bought in 375,000 shares of 25p nominal value at a price of 1017p pursuant to the authority granted on 9th May, 2000. The share price having dropped to below estimated Net Asset Value the directors believed that it was in shareholders best interests to buy in these shares for cancellation. These shares, representing 1.6% of the company's called up share capital, were subsequently cancelled on 2nd January, 2001. The earnings per share calculations are based upon the number of shares in issue as at 31st December, 2000, which is before taking into account the cancelled shares.

Annual General Meeting

The Annual General Meeting of the Company will be held on Tuesday 8th May, 2001 at 12 noon at The Stationers' Hall, Ave Maria Lane, London EC4M 4DD; the notice of meeting appears on page 59.

In addition to the ordinary business of the meeting certain Special Business will be put to shareholders.

Under Resolution 7, it is proposed to allow your directors the authority to issue new shares for cash, without following the statutory pre-emption procedures, so long as such issue does not exceed £281,034 (being 5 per cent of the issued share capital of the Company at the date of signing the 2000 Report and Accounts) or as long as the issue is a rights issue or is pursuant to a scrip dividend offer or any pre-emptive invitation.

The Company will have regard to the Investor Protection Committee's (IPC) guidelines in relation to any exercise of the above authority. These guidelines require prior consultation with the IPC before making any issue under the 5 per cent element of the authority but which exceeds 7.5 per cent in any rolling three year period. The authority under Resolution 7 will expire at the next Annual General Meeting or on 8th August, 2002, whichever is earlier.

Resolution 8 contained in the Notice of Annual General Meeting dated 23rd March, 2001, if passed, authorises the Company to purchase up to 3,370,154 of its shares. This authority will expire at the next Annual General Meeting of the Company or on 8th August, 2002 if the next Annual General Meeting has not been held by then. This Resolution also sets out the highest and lowest price at which the shares can be bought. If the Company buys any shares under this authority, they will be cancelled. The Resolution follows the rules set down by the Companies Act 1985 and the London Stock Exchange.

The directors are committed to managing the Company's capital efficiently and will keep under review the possibility of buying back the Company's shares. However, they will only do this if the directors believe that it is in shareholders' best interests.

The directors consider the passing of Resolutions 7 and 8 to be in the best interests of the Company and its shareholders as a whole.

Supplier payment policy

The Group negotiates payment terms with its suppliers on an individual basis, with the normal arrangements being within 30 to 50 days from receipt of invoice. Trade creditor days of the Group for the year ended 31st December, 2000 were 15 days based on the ratio of Group trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

ISA status

Your board have considered the ISA status of Candover's shares and for the time being consider that a decision to ensure Candover remains eligible for inclusion in an ISA will impose constraints on Candover's investment criteria which will not be in the overall interests of shareholders.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985 and a resolution will be put to shareholders at the Annual General Meeting.

Tax status

The calculation required for the purposes of confirming the Company's status as an investment trust, under section 842 of the Income and Corporation Taxes Act 1988, for the year ended 31st December, 1999 has been delivered to the Board of the Inland Revenue.

Following the introduction of Self Assessment the Inland Revenue has, however, indicated that they will no longer be issuing formal approval of such status for the year ended 31st December, 1999 or future years.

However, in the opinion of the directors, the Company's affairs for the year ended 31st December, 1999 and up until the date of these accounts have been conducted so as to enable it to continue as an investment trust. In addition, they are of the opinion that the Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

By Order of the Board

P R Neal

Secretary

20 Old Bailey

London EC4M 7LN

23rd March, 2001

Corporate governance

The following statement sets out the Company's application of the Combined Code. The Company has complied with the principles of good governance and the Combined Code in all respects throughout the year.

Directors

The board

Corporate governance of Candover is achieved through the board which at the end of the year consisted of nine directors of whom four are executive and five are non-executive. There were no changes to the board during the year. Brief biographical details of the directors appear on pages 22 and 23 and the interests of the directors in the share capital of the Company are shown on page 45.

The board meets at least five times a year and there is a formal schedule of matters reserved for decision by the board.

Chairman and CEO

The responsibilities of the Chairman, Mr S W Curran, are separated from those of the joint Managing Directors Mr C J Buffin and Mr M S Gumienny who are responsible for the day to day operational management of the Company.

Board balance

The board maintained the appropriate balance between non-executive and executive directors throughout the year. All the non-executive directors have long and distinguished service on the board of more than ten years, except Mr D R Wilson who has served for seven years and Mr G E Grimstone who joined the board during 1999. However, in the view of the board, no non-executive director has any relationships which could materially interfere with their independent judgement and are furthermore considered to be of sufficient calibre and experience to carry significant weight in reaching independent decisions.

Mr A P Hichens is the senior independent director on the board.

Supply of information

The Chairman ensures that all directors are properly briefed on issues arising at board meetings. The Candover management provides the board with appropriate and timely information in order for the board to reach proper decisions. They can, if necessary, obtain independent professional advice at the Company's expense.

Appointments to the board

In considering non-executive board appointments, the board is supported by a nominations committee whose remit is to identify appropriate candidates. All such appointments, together with the appointment of any executive directors are subject to final approval of the full board before ratification at a general meeting of shareholders.

The nominations committee, which is chaired by Mr A P Hichens, consists of three directors, a majority of whom are non-executive, and the present members of the committee are shown on pages 22 and 23.

The nominations committee did not meet during 2000.

During the year the board considered the requirement of the Combined Code to provide suitable training to directors but considered such training to be inappropriate in view of the considerable experience of board members.

Re-election

The principle set out in the Combined Code is that all directors should be required to submit themselves for re-election at regular intervals and at least every three years and in any case as soon as practicable after initial appointment to the board. The Combined Code further requires that the non-executive directors are appointed for specific terms. At Candover, both executive and non-executive directors are re-elected, subject to retirement by rotation, in accordance with the Company's Articles of Association with all directors being required to submit themselves for re-election at least every three years.

Directors' remuneration

The board's policy in regard to directors' remuneration is to ensure that the Company has competitive remuneration packages in place in order to recruit, retain and motivate top quality people in the overall interest of shareholders.

The Combined Code requires the board to annually consider whether shareholders should be invited at the AGM to approve the board's remuneration policy. This has been considered and the board has decided that this opportunity will not be provided this year to shareholders as they are considered to have ample opportunity to express their views on this issue when voting to re-elect directors following their retirement by rotation.

The remuneration committee which usually meets twice a year supports the board by determining the level of remuneration of the Chairman and executive directors. The committee, chaired by Mr A P Hichens, comprises all five non-executive directors, none of whom has any personal financial interests or conflicts of interest (other than as shareholders). In doing this it gives full consideration to the provisions of the Combined Code. The members of the committee are shown on pages 22 and 23.

The committee consults the Chairman and Managing Directors about its proposals relating to the executive directors' remuneration and, if necessary, has access to professional advice from inside and outside the Company at the Company's expense.

The main elements of the executive directors' remuneration package, which are shown in greater detail in Note 3 on page 44, include the following:

a) Basic annual salary.

b) Annual performance related payments which include annual bonus and profit related pay schemes.

c) Share option incentives.

d) Pensions and other benefits.

e) Other incentive arrangements.

In considering the appropriateness of the above incentives, the performance-related elements, which form a significant proportion of executive directors remuneration, Candover participates in an annual remuneration survey of the private equity industry the results of which are reviewed by the committee in the light of Candover's relative performance.

Salaries

Salaries of the executive directors to be paid in 2000 were reviewed in December 1999 for implementation on 1st January, 2000. After considering the relative salary levels within the industry, the estimated increase in net assets and the profits for the year ended 31st December, 1999, the committee approved a nil increase in executive directors' salaries.

Annual bonuses

The annual bonuses, which are paid in two instalments, are determined by the committee after due consideration of the profit and net asset performance of the Company at each half year stage, with adjustments as necessary for individual performance.

Until 6th April, 2000 the Company provided profit related pay (PRP) to all employees which was cancelled following the Government's changes to the rules governing PRP schemes. There was a small total payment of £6,287 to the executive directors during the year being the final balancing payment due on the PRP scheme for the year ended 31st December, 1999. No further payments are due under this scheme.

During the year ended 31st December, 2000 Messrs S W Curran, G D Fairservice, C J Buffin and M S Gumienny received performance related pay which in total was equal to 100 per cent of basic salary, excluding the final PRP scheme payment, and, where applicable, company car cash allowances.

Share options

The share option scheme is no longer deemed the most important element of directors' incentivisation at Candover following the Government's changes to the tax rules governing these schemes, and the Company's policy for the foreseeable future is to limit the grant of options under these schemes to appropriate executives or members of staff, within the Inland Revenue limits.

There are two share option schemes at Candover; the Candover executive share option scheme which was closed to new grants of options in July 1994, and the Candover (1994) executive share option scheme approved by shareholders on 3rd May, 1994.

Corporate governance

Under the terms of the Candover (1994) executive share option scheme, the exercise of options issued under the scheme is subject to performance criteria which require Candover's net asset growth over a three-year period to exceed the growth of the FTSE All-Share index over the same three-year period.

In the year ended 31st December, 2000 no options were granted to directors but M S Gumienny exercised his options over 45,000 shares during the year. The directors' interests in shares and share options are disclosed in the schedules under Note 3 to the accounts on pages 45 and 46.

The details of the total share options granted and remaining exercisable are shown in Note 17 on page 55.

Pensions and other benefits

Candover operates a non-contributory money purchase pension scheme and there were no changes to this arrangement. Contributions in respect of individuals are payable as a percentage of basic salary only and these are adjusted annually to reflect increases in salary. There is no pension promise under the Candover scheme.

Every three years the scheme is subject to actuarial review and a review was last completed on the executive pension scheme for the three years to 31st December, 1999 with the next actuarial review due to be carried out on the three years to 31st December, 2002. Present contribution levels which were set in 1998 are related to the age of the individual and are not expected to change. The actual contributions made during the year in respect of the directors is shown in Note 3 on page 45.

Some of the directors, with the approval of the remuneration committee, have established funded unapproved retirement benefit schemes (FURBS). No monies were paid into these FURBS during the year.

With regard to other benefits, there have been no changes to the death in service or health insurance arrangements. Under the company car scheme eligible directors are given the option to receive a company car or the equivalent cash benefit.

Incentive arrangements and co-investment scheme

Candover continues to recognise that, in order to remain competitive in the private equity industry, various incentive arrangements which are customary in that industry should be made available to directors and executives. These arrangements which are reviewed by the remuneration committee periodically but not on an annual basis, do not constitute a "long term incentive scheme" as defined by the Stock Exchange Listing Rules. However, the board has determined that it would be appropriate to refer to these arrangements as part of its report to shareholders.

Messrs S W Curran, G D Fairservice, C J Buffin and M S Gumienny together with certain other executives of the Company had, during the year, a beneficial interest in the Limited Partnerships of the 1991 Fund, the 1994 Fund and the 1997 Fund. As previously reported, the participation of these directors and executives in such arrangements was approved by shareholders at an Extraordinary General Meeting of the Company held on 4th May, 1989.

Any gains achieved through the arrangements associated with these three Funds are conditional upon a certain minimum return being generated for investors in these Funds.

During the year, £6.04 million in cash in respect of the 1991 Fund and the 1994 Fund was transferred to the Candover 1991 Executive Trust and The Candover Carried Interest Trust respectively, in which units were subscribed for in some cases by certain discretionary and life interest trusts of which these directors, a number of other executives and their respective families are the main beneficiaries. Because of the nature of these trusts, it is not possible to allocate this to specific beneficiaries.

Under a co-investment scheme Messrs S W Curran, G D Fairservice, C J Buffin and M S Gumienny together with certain other executives were permitted during the year to make an investment in the ordinary equity of companies in which Candover has also made an investment in the equity and loan capital. As in previous years the amounts invested by directors during the year are shown under Note 3 on page 46.

Directors' service contracts

In December 1997, Mr S W Curran, Mr G D Fairservice, Mr C J Buffin and Mr M S Gumienny together with certain executives, entered into new supplemental service agreements under which an annual loyalty bonus became payable for a period of six years subject to their continued employment with the Company. Under the terms of these contracts a one year notice period is required on either side (two years in the case of Mr S W Curran) and the individuals can be placed on gardening leave, during which time they will lose the right to such loyalty bonus. Over the full six years of the contract the loyalty bonus will total £666,666 for each of Mr S W Curran, Mr G D Fairservice, Mr C J Buffin and Mr M S Gumienny of which the third instalment of £116,667 was paid during the year. The remaining portion will be paid in each year in reducing amounts unless the investment period of the 1997 Fund is terminated earlier.

These contracts have been established in order to reflect the importance of retaining the services of these key directors and executives over the life of the 1997 Fund.

There is presently no intention to reduce Mr S W Curran's two-year contract to an annual contract in line with the other executive directors as this arrangement has been in place since Mr Curran joined the Company in 1981 and altering the contract at this time would, in the opinion of the board, provide no benefit to shareholders. This will, however, be kept under review.

Directors' fees

The policy during the year with regard to the level of fees to be paid to non-executive directors serving on the board was for the level of these fees to be formally recommended by the Chairman. These recommended fees are then put to a meeting of the full board for approval with non-executive directors abstaining from any vote.

The policy in respect of non-executive directors' fees payable by investee companies of Candover for the services of Candover directors and executives who sit on these boards as official appointees of either Candover or of the funds managed by Candover is that these fees are always paid to Candover for the benefit of Candover or the fund investors, whichever is appropriate.

Relations with shareholders

Dialogue with institutional shareholders

The board is willing to enter into a dialogue with institutional shareholders based on a mutual understanding of objectives bearing in mind the duties regarding equal treatment of shareholders and the dissemination of price sensitive information.

Constructive use of AGM

The board uses the AGM to communicate with private investors and encourages their participation by ensuring that senior board members attend, including the Chairmen of the audit, remuneration and nominations committees (D R Wilson and A P Hichens) to answer shareholders' questions, and adequate notice is given of the meeting.

Accountability and audit

Financial reporting

The directors are required to explain their responsibility for the financial statements and this statement is given on page 33.

The auditors review the Company's compliance with the seven provisions of the combined code specified by the Financial Services Authority for their review, and are also required to report on their audit of the financial statements and this report is shown on page 35.

Going concern

Under the Combined Code the directors are required to satisfy themselves that it is reasonable to presume that the Company is a going concern.

After making enquiries, and on the basis of the strength of its balance sheet, the directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The board is therefore of the opinion that the going concern basis should continue to be adopted in the preparation of the financial statements.

Corporate governance

Internal controls

The Combined Code also requires the board to review the effectiveness of Candover's internal controls including its financial, operational and compliance controls and risk management. Following the publication in September 1999 by the Institute of Chartered Accountants in England and Wales of its document ("Internal Control: Guidance for Directors on the Combined Code") the board has established the procedures necessary to implement the guidance for the financial year ended 31st December, 2000.

Candover's system of internal controls includes, inter alia, the overall control environment, the procedures for identification and evaluation of business risk, the control procedures themselves and the review of these internal controls by the audit committee on behalf of the board. Each of these elements that make up the Company's system of internal controls are explained in further detail below:

Control environment – Candover is dependent upon the quality and integrity of the Company's management and staff and highly qualified and able staff have been selected at all levels. Furthermore, the long service record of most Candover executives provides a continuity of experience. New executives are recruited when appropriate in order to aid the Company's development and growth within the UK and in continental Europe. During the year three new executives of high calibre and with relevant background experience and linguistic abilities were recruited.

Appropriate members of staff are aware of the internal controls and are also accountable for collectively operating the system of internal controls.

The management are supported by the board with more than one half being made up of non-executive directors who, in conjunction with the Company's auditors, Grant Thornton, and the auditors of the managed funds, KPMG, carry out an external review of both the Company's financial controls and also those of the Funds which the Candover group manages, only to the extent necessary to give their audit opinions.

Identification and evaluation of business risk – The key business risk at Candover remains the identification and evaluation of our investments and this is achieved by a comprehensive study of potential investments by executives in co-operation with outside resources provided by market research specialists, lawyers and accountants. An investment report is then prepared and, in the case of an investment by one of the managed funds, is sent to the board of Candover Partners Limited for their decision as to whether or not to proceed; and in the case of other investments, a report is sent to the board of Candover Investments plc.

The responsibility for identification of other business risks is delegated to the executive directors who would always advise the full board of any material risks.

Control procedures – The main areas of control relate to the investments which Candover makes and the financial controls which enable the board to meet its responsibilities for the integrity and accuracy of the Group's accounting records.

The board delegates responsibility for the effectiveness of such controls to the executive directors who in turn ensure the completion of the required procedures. These key procedures involve:

- Analysis of potential investments leading, where appropriate, to the preparation of a full investment report.
- Regular monitoring of completed investments by executives who make progress reports to the appropriate board.
- A comprehensive system for reporting financial results to the board at least five, and if appropriate more, times per year giving actual results compared against budget. Towards the end of each financial year detailed budgets for the following year are prepared and are reviewed by the board.
- A review of these financial controls is subject to review by the audit committee twice a year and by Candover's external auditors to the extent necessary for expressing their audit opinion.

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.

Audit committee and auditors

The board has established an audit committee of four non-executive directors, under the chairmanship of Mr D R Wilson and the members of this committee are shown on pages 22 and 23.

The audit committee carries out a number of duties and seeks to ensure that appropriate accounting and financial policies and procedures are implemented, that systems of internal control and external audit are in place, and that the auditors' recommendations are considered and appropriate actions are taken.

The board has delegated authority for reviewing the effectiveness of the group's internal controls to its audit committee. The audit committee receives monitoring reports on a six monthly basis from the company secretariat with regard to the operational aspects of internal controls over the areas of key risk identified, which include FSA regulatory matters. The chairman of the audit committee reports on the review of internal controls and any matters arising to the full board at the following board meeting. Using the above process the effectiveness of the Company's internal controls has been reviewed in repect of the year ended 31st December, 2000.

As required by the Combined Code, the board has reviewed the need for an internal audit function. However, due to the size of Candover, it does not consider an internal audit function appropriate, although this is a matter under continuing review. However, a number of internal checks are carried out in accordance with the requirements of the FSA, the regulatory authority which regulates two of the Company's main subsidiaries, as well as those checks required to be made to enable the board to report in compliance with the Internal Controls Guidelines, the efficiency of which is continuously reviewed.

Directors' responsibilities for the financial statements

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group as at the end of the financial year and of the profit or loss of the Group for that period.

The directors are required to confirm that suitable accounting policies have been adopted and applied consistently, and have been adequately disclosed, and reasonable and prudent judgements and estimates have been made. Applicable accounting standards have been followed with the exception of the departures which are disclosed and explained under the accounting policies.

The directors are also responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board

P R Neal

Company Secretary

23rd March, 2001

Financial statements

Report of the auditors

To the members of Candover Investments plc

We have audited the financial statements on pages 36 to 57, which have been prepared under the accounting policies set out on pages 36 and 37.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 33, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

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

We review whether the statement on pages 28 to 33 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31st December, 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

Registered Auditors

Chartered Accountants

London

23rd March, 2001

Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards except for the policies relating to accounting for managed funds as described below. The financial statements are prepared under the historical cost convention except that investments are stated at valuation. The principal accounting policies of the Group, which have remained unchanged from the previous year are set out below:

Investment trust SORP

The Company has continued to comply with the recommendations of the Statement of Recommended Practice – Financial Statements of Investment Trust Companies (SORP). Management expenses have been allocated 80 per cent to capital and 20 per cent to revenue.

Basis of consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings (see note 11). The financial statements of each undertaking in the Group have been prepared to 31st December, 2000. The results of subsidiary undertakings have been included from the date of acquisition.

Associated undertakings

An associated undertaking is defined as an entity, not being a subsidiary undertaking, in which the Group has a substantial and long-term interest and over whose financial and operating policy decisions the Group exercises significant influence. Where such entities are an integral part of the Group's investment management operations, the Group's share of profits is included in the Group revenue account, and the investment is carried in the Group balance sheet at an amount equivalent to the Group's share of net assets. The Company balance sheet shows the investment in such undertakings at cost, and particulars of entities accounted for as associated undertakings are set out in Note 12.

The Group has certain other investments in companies which fall within the definition of associated undertakings contained in the Companies Act 1985 (as amended) but which are not accounted for as associated undertakings, and accordingly, the Group does not equity account its share of the net assets and results of such investments, as they are held for capital appreciation. Furthermore, the Group's share of an investee company's undistributed profits, when those profits cannot be realised as income unless distributed, has not been included in the consolidated revenue reserves.

Managed funds

Where the constitution of a managed fund involves it being a subsidiary undertaking under the Companies Act 1985 (as amended) but the Group has no substantial beneficial interest in the income, assets or liabilities, the total net assets of the fund are consolidated within fixed asset investments and the third party interests deducted immediately thereafter. The income has been consolidated gross in the Group revenue reserves and the third party interests deducted immediately thereafter in accordance with Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993. The fund has not been accounted for under the method of full consolidation, since in the opinion of the directors, it would be misleading to do so and the overriding duty to give to shareholders a true and fair view of the income and state of affairs of the Group requires its exclusion. Details of these managed funds are set out in Note 11.

Income

Income arises from investment management and other financial services provided and investment transactions undertaken during the year. It also includes income from investments and interest receivable.

Placement Fees

Placement fees incurred in the establishment of managed funds are carried as current assets recoverable from future management fees receivable and are written off over the life of the fund to which the placement fees relate.

Depreciation

Depreciation is calculated to write down the cost less residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The periods generally applicable are: plant and equipment 2-5 years, motor vehicles 3-4 years, leasehold improvements 8 years.

Investments

Listed fixed asset investments are valued at middle market quotations derived from the London Stock Exchange Daily Official List. Unlisted fixed asset investments are included at directors' valuation, the principles of which are set out on page 21.

Gains and losses on realisation of fixed asset investments are dealt with through the realised capital reserve. Fixed asset investments are not held for immediate resale and any gains on realisations are not available for distribution as a dividend. The excess of the market value of fixed asset investments over cost to the Group is shown as an unrealised gain. Investments held as current assets are held at the lower of cost and net realisable value to the relevant Group undertaking. Gains and losses on realisations of current asset investments held by subsidiary undertakings are dealt with through the revenue reserve. Gains and losses on realisations of current asset investments held by the Company are dealt with through the realised capital reserve. Shares in subsidiary undertakings other than managed funds are held at cost less provisions.

Deferred taxation

Deferred taxation is the taxation attributable to timing differences between profits or losses computed for taxation purposes and results as stated in the financial statements. Provision for deferred taxation is made to the extent that it is probable that a liability will crystallise. Deferred tax is calculated at the rate at which it is estimated that the tax will be paid when the timing differences reverse. Unprovided deferred tax is disclosed as a contingent liability.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Balance sheets and profit and loss accounts of overseas companies are also translated at the rates of exchange ruling at the balance sheet date. Where exchange differences result from the translation into sterling of foreign currency resources to be used for further investment, they are taken to the realised and unrealised capital reserves as appropriate. All other exchange differences are dealt with through the revenue reserve.

Pension costs

The Group contributes toward a number of funded defined contribution pension and funded unapproved retirement benefit schemes designed to provide retirement benefits for its directors and employees. The assets of the schemes are held separately from the Group in independently administered funds. The pension cost charge represents contributions by the Group to the schemes in respect of the accounting period.

Operating leases

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Group statement of total return

Incorporating the revenue account for the year ended 31st December, 2000

	Notes	2000 Revenue £000	2000 Capital £000	2000 Total £000	1999 Revenue £000	1999 Capital £000	1999 Total £000
Gains/(losses) on investments							
Realised gains and losses	18	–	2,949	2,949	–	3,763	3,763
Unrealised gains and losses	18	–	20,594	20,594	–	23,111	23,111
Exchange differences	18	–	83	83	–	4	4
		–	23,626	23,626	–	26,878	26,878
Income – managed funds							
Net income	11	7,946	–	7,946	4,996	–	4,996
Less: third party interests in managed funds		(7,920)	–	(7,920)	(4,983)	–	(4,983)
Add: management fees		11,735	–	11,735	11,940	–	11,940
Net income from managed funds		11,761	–	11,761	11,953	–	11,953
Income – own funds		9,144	–	9,144	8,080	–	8,080
Total income	1	20,905	–	20,905	20,033	–	20,033
Administrative expenses	2	(9,222)	(4,744)	(13,966)	(9,569)	(4,346)	(13,915)
Net return before finance costs and taxation		11,683	18,882	30,565	10,464	22,532	32,996
Interest payable & similar charges	4	(4)	–	(4)	(8)	–	(8)
Return on ordinary activities before taxation		11,679	18,882	30,561	10,456	22,532	32,988
Tax on ordinary activities	5	(4,019)	1,423	(2,596)	(2,738)	1,315	(1,423)
Return on ordinary activities after taxation for the financial year		7,660	20,305	27,965	7,718	23,847	31,565
Dividends	7	(6,629)	–	(6,629)	(6,168)	–	(6,168)
Transfer to reserves	18	1,031	20,305	21,336	1,550	23,847	25,397
Return per ordinary share:							
Basic	8	33.53p	88.89p	122.42p	33.87p	104.64p	138.51p
Fully diluted	8	33.37p	88.46p	121.83p	33.62p	103.87p	137.49p

The accounting policies on pages 36 and 37 and Notes on pages 42 to 57 form part of these financial statements.

Group balance sheet

at 31st December, 2000

	Notes	£000	2000 £000	£000	1999 £000
Fixed assets					
Tangible	9		**1,564**		287
Investments					
Managed funds	11	712,962		622,934	
Less: third party interests in managed funds		(685,132)		(602,160)	
Net investment in managed funds	10	27,830		20,774	
Other fixed asset investments	10	161,092		132,727	
		188,922		153,501	
Associated undertakings	12	74		74	
			188,996		153,575
Current assets					
Debtors	13	10,248		13,546	
Investments	14	42,927		57,926	
Cash at bank		16,693		15,138	
		69,868		86,610	
Creditors: amounts falling due within one year	15	(10,631)		(11,999)	
Net current assets			**59,237**		74,611
Total assets less current liabilities			**249,797**		228,473
Provisions for liabilities and charges	16		**(3,582)**		(3,721)
			246,215		224,752
Capital and reserves					
Called up share capital	17		**5,714**		5,703
Share premium	18		**971**		855
Capital reserve – realised	18		**157,766**		150,337
Capital reserve – unrealised	18		**69,376**		56,500
Revenue reserve	18		**12,388**		11,357
Shareholders' funds	19		**246,215**		224,752

The accounting policies on pages 36 and 37 and Notes on pages 42 to 57 form part of these financial statements.
The financial statements were approved by the directors on 23rd March, 2001.

S W Curran
Chairman

G D Fairservice
Deputy Chairman

Balance sheet

at 31st December, 2000

	Notes	£000	**2000 £000**	£000	1999 £000
Fixed assets					
Investments	10		**193,799**		158,378
Associated undertakings	12		**1**		1
			193,800		158,379
Current assets					
Debtors	13	4,595		6,128	
Investments	14	42,041		57,162	
Cash at bank		7,071		4,428	
		53,707		67,718	
Creditors: amounts falling due within one year	15	(8,634)		(7,675)	
Net current assets			**45,073**		60,043
Total assets less current liabilities			**238,873**		218,422
Provisions for liabilities and charges	16		**–**		–
			238,873		218,422
Capital and reserves					
Called up share capital	17		**5,714**		5,703
Share premium account	18		**971**		855
Capital reserve – realised	18		**158,608**		151,194
Capital reserve – unrealised	18		**69,149**		56,341
Revenue reserve	18		**4,431**		4,329
Shareholders' funds			**238,873**		218,422

The accounting policies on pages 36 and 37 and Notes on pages 42 to 57 form part of these financial statements.
The financial statements were approved by the directors on 23rd March, 2001.

S W Curran
Chairman

G D Fairservice
Deputy Chairman

Group cash flow statement

for the year ended 31st December, 2000

	Notes	£000	2000 £000	£000	1999 £000
Net cash inflow from operating activities	23		**4,180**		9,929
Returns on investments and servicing of finance					
Interest paid			**(4)**		(8)
Taxation					
UK corporation tax paid			**(734)**		(312)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(1,576)		(153)	
Purchase of investments		(38,339)		(50,056)	
Sale of investments		29,144		27,464	
Purchase of associated undertaking		—		(8)	
Sale of tangible fixed assets		35		41	
Net cash inflow from capital expenditure and financial investment			**(10,736)**		(22,712)
Equity dividends paid			**(6,277)**		(5,815)
Management of liquid resources			**14,999**		15,623
Financing					
Issue of shares			**127**		166
Increase/(Decrease) in cash	24		**1,555**		(3,129)

The accounting policies on pages 36 and 37 and Notes on pages 42 to 57 form part of these financial statements.

Notes to the financial statements

for the year ended 31st December, 2000

Note 1 Income

		2000		1999
	£000	**£000**	£000	£000
Financial services		**83**		107
Investment management fees		**11,755**		11,950
		11,838		12,057
Investment income				
Income from fixed asset investments	4,450		3,450	
Income from Treasury bills and other fixed interest securities	3,268		3,354	
Other income receivable arising on cash deposits	1,349		1,172	
		9,067		7,976
		20,905		20,033

Of the income from fixed asset investments of £4,450,000 (1999: £3,450,000), £26,000 (1999: £13,000) arose from managed funds.

Of the income from investment management of £11,755,000 (1999: £11,950,000), £11,735,000 (1999: £11,940,000) also arose from these funds.

Of the income from fixed asset investments, £218,000 arose from listed investments (1999: £410,000). Income from financial services originating from outside the United Kingdom was £Nil (1999: £1,983,000). All income arose from the single activity of originating and investing in management buyouts and buyins and providing capital to unquoted companies. All income is attributable to continuing activities.

Note 2 Administrative expenses

		2000 £000	1999 £000
Management expenses			
Revenue		**1,186**	1,086
Capital		**4,744**	4,346
Other administrative costs		**8,036**	8,483
		13,966	13,915
Staff costs		**8,704**	8,607
Depreciation		**286**	186
Auditors' remuneration	Audit work	**50**	51
	Non-audit work – tax advice	**46**	54
	IMRO compliance	**9**	9
Operating lease rentals	Building	**858**	534

Staff costs during the year were		
Salaries	**6,765**	6,721
Social security costs	**792**	754
Pension, insurance and other costs	**1,147**	1,132
	8,704	8,607

The average number of employees of the Group in the UK during the year was 30 (1999: 29).

Note 3 Directors' remuneration, emoluments and interests

The remuneration policy in respect of the executive directors is set out in the corporate governance report on pages 28 to 33. Listed below is the detailed information required to be shown in respect of directors' remuneration and benefits.

Directors' emoluments

Total emoluments received by directors during the year ended 31st December, 2000 were as follows:

	Salaries/ directors' fees	Performance related pay	Loyalty bonus	Taxable benefits	Insurance costs	**Total emoluments excluding pension contributions 2000**	Total emoluments excluding pension contributions 1999
	£	£	£	£	£	**£**	£
S W Curran	345,000	346,954	116,667	17,344	7,170	**833,135**	849,408
G D Fairservice	265,000	266,501	116,667	16,268	5,756	**670,192**	659,228
C J Buffin	261,667	251,416	116,667	1,651	5,473	**636,874**	662,774
M S Gumienny	261,667	251,416	116,667	1,284	5,473	**636,507**	644,449
Management remuneration	**1,133,334**	**1,116,287**	**466,668**	**36,547**	**23,872**	**2,776,708**	**2,815,859**
A P Hichens*	40,000	–	–	–	–	**40,000**	37,500
P J Scott Plummer*	25,000	–	–	–	–	**25,000**	22,000
J G West*	25,000	–	–	–	–	**25,000**	22,000
D R Wilson*	25,000	–	–	–	–	**25,000**	22,000
G E Grimstone*	25,000	–	–	–	–	**25,000**	11,000
C R E Brooke*	–	–	–	–	–	**–**	35,816
R A P King*	–	–	–	–	–	**–**	9,167
Directors' fees	**140,000**	**–**	**–**	**–**	**–**	**140,000**	**159,483**
Totals	**1,273,334**	**1,116,287**	**466,668**	**36,547**	**23,872**	**2,916,708**	**2,975,342**
1999 comparatives	1,272,001	1,083,004	533,332	57,837	29,168	**2,975,342**	

The non-executive directors (*) only receive fees which in some cases are paid directly to their primary employing company, and do not receive any other remuneration. Messrs. C R E Brooke and R A P King retired during 1999.

The loyalty bonus is payable over a six-year period in reducing amounts as referred to in the corporate governance report on page 31.

The performance related pay is comprised of a discretionary bonus and a small final balancing payment of £6,287 due on the profit related pay scheme for the year ended 31st December, 1999.

During the year the following pension contributions were paid on behalf of individual directors:

	2000	1999
	£	£
S W Curran	**138,000**	138,000
G D Fairservice	**106,000**	126,000
C J Buffin	**75,000**	75,000
M S Gumienny	**75,000**	82,917
	394,000	421,917

Contributions made to certain individual FURBS in 1999 have been included in the above figures. There were no FURBS contributions in 2000.

Directors' interests in shares

The interests of the directors in the ordinary shares of the Company are detailed below.

Beneficial	Ordinary shares of 25p each 1st January, 2000	Ordinary shares acquired/(sold) during the year	**Ordinary shares of 25p each 31st December, 2000**
S W Curran	649,703	Nil	**649,703**
G D Fairservice	200,200	(1,450)	**198,750**
C J Buffin	65,500	Nil	**65,500**
M S Gumienny	110,100	41,000	**151,100**
A P Hichens	35,000	5,000	**40,000**
P J Scott Plummer	12,000	Nil	**12,000**
J G West	1,500	Nil	**1,500**
G E Grimstone	Nil	5,000	**5,000**
D R Wilson	Nil	Nil	**Nil**

Notes to the financial statements

for the year ended 31st December, 2000

Directors' share options

	1st January, 2000 No.	Exercised during year No.	Deemed gain on exercise £	**31st December, 2000 No.**	Exercise price	Date from which exercisable	Expiry date
C J Buffin	25,000	Nil	Nil	**25,000**	235.00p	20/10/95	20/10/02
	20,000	Nil	Nil	**20,000**	340.00p	17/06/97	17/06/04
M S Gumienny	25,000	25,000	199,375*	**Nil**	235.00p	20/10/95	20/10/02
	20,000	20,000	138,500*	**Nil**	340.00p	17/06/97	17/06/04

*The share price at the close of business on the date of exercise was 1032.5p.

There were no new options granted to the directors during the year or since the balance sheet date. No other director held options over the Company's shares during the year.

The mid-market price of the ordinary shares of the company on 31st December, 2000 was 1035p per share. The high for the year was 1162.5p per share and the low was 980p per share.

Co–investment by directors

During the year, Messrs S W Curran, G D Fairservice, C J Buffin and M S Gumienny who are all directors of the Company, have invested in the ordinary equity of companies in which Candover has also made an investment in the equity and loan capital. Under the Stock Exchange Listing Rules these interests are covered under the rules governing "Transactions with Related Parties" ("the Rules"). In view of the insignificant level of these transactions by the above named directors, under the Rules, the fair and reasonable opinion of the Company's auditors is not required.

Details of these investments are as follows:

	Class of share	Equity investments in companies subscribed in year £	% (of class) held by the directors
Bourne Leisure Holdings Limited	Ordinary shares	8,701	0.26
First Leisure Limited	Preferred Ordinary Shares	8,426	0.42
Telecast Communications Limited	Ordinary shares	119	0.05

During the year a subsidiary company advanced funds under the Candover staff co-investment scheme and season ticket loan scheme to an officer of the Company. The amount of £4,806 remained payable at 31st December, 2000 (1999: £4,609).

Note 4 Interest payable and similar charges

	2000 £000	1999 £000
On bank loans, overdrafts and other loans repayable within five years otherwise than by instalments	**4**	8

Note 5 Taxation on profit on ordinary activities

The taxation charge is based on profit for the year and is made up as follows:

	2000 £000	1999 £000
Revenue		
United Kingdom corporation tax at 30 per cent (1999: 30.25 per cent)	**4,077**	1,288
Deferred tax (see note 16)	**(139)**	1,323
Tax attributable to franked investment income	**–**	85
Adjustment relating to prior years:		
United Kingdom corporation tax	**81**	180
Deferred tax (see note 16)	**–**	(193)
Overseas tax	**–**	55
	4,019	2,738
Capital		
United Kingdom corporation tax at 30% (1999: 30.15%)	**(1,423)**	(1,315)
	2,596	1,423

The Board of the Inland Revenue has approved the Company as an investment trust, under section 842 of the Income and Corporation Taxes Act 1988, for the year ended 31st December, 1998. In the opinion of the directors, the Company's affairs since that date have been conducted so as to enable it to continue to be treated as an investment trust.

Note 6 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the Company has not included its own profit and loss account in these financial statements. The Group profit for the year includes £6,731,000 (1999: £6,750,000) which is dealt with in the financial statements of the holding company.

Note 7 Dividends

	2000 £000	1999 £000
Paid interim of 9p (1999: 8.5p)	**2,057**	1,948
Proposed final of 20p (1999: 18.5p)	**4,572**	4,220
	6,629	6,168

Note 8 Returns per share

The calculation of basic capital return per ordinary share is based on net capital gains for the financial year of £20,305,000 (1999: £23,847,000) and a weighted average number of shares of 22,843,507 (1999: 22,789,480).

The calculation of fully diluted capital return per share takes account of the share options and is based on net capital gains for the financial year of £20,305,000 (1999: £23,847,000) and a weighted average number of shares of 22,954,799 (1999: 22,957,793).

The calculation of basic revenue return per ordinary share is based on net revenue for the financial year of £7,660,000 (1999: £7,718,000) and weighted average number of shares of 22,843,507 (1999: 22,789,480). The calculation of fully diluted revenue return per share takes account of the share options and is based on net revenue for the financial year of £7,660,000 (1999: £7,718,000) and a weighted average number of shares of 22,954,799 (1999: 22,957,793).

Note 9 Tangible fixed assets

	Leasehold Improvements £000	Plant and equipment £000	Motor vehicles £000	Total £000
Group				
Cost				
At 1st January, 2000	–	461	259	720
Additions	1,220	259	97	1,576
Disposals	—	(73)	(47)	(120)
At 31st December, 2000	1,220	647	309	2,176
Depreciation				
At 1st January, 2000	—	302	131	433
Provided in the year	79	119	88	286
Disposals	—	(61)	(46)	(107)
At 31st December, 2000	79	360	173	612
Net book value at 31st December, 2000	1,141	287	136	1,564
Net book value at 31st December, 1999	—	159	128	287

Note 10 Fixed asset investments

	Managed funds £000	Investee companies £000	Total £000
Group			
Valuation at 1st January, 2000	20,774	132,727	153,501
Additions at cost	22	38,317	38,339
Disposals	(149)	(23,385)	(23,534)
Appreciation	7,183	13,433	20,616
Valuation at 31st December, 2000	27,830	161,092	188,922
Reconciliation			
Cost of investments	634	118,362	118,996
Net unrealised appreciation of investments	27,196	42,730	69,926
	27,830	161,092	188,922

Company	Shares in subsidiary undertakings £000	Managed funds £000	Investee companies £000	Total £000
Cost or valuation at 1st January, 2000	4,877	20,774	132,727	158,378
Additions at cost	–	22	38,317	38,339
Disposals	–	(149)	(23,385)	(23,534)
Appreciation	–	7,183	13,433	20,616
Cost or valuation at 31st December, 2000	4,877	27,830	161,092	193,799
Reconciliation				
Cost of investments	4,877	634	118,362	123,873
Net unrealised appreciation of investments	–	27,196	42,730	69,926
	4,877	27,830	161,092	193,799

At 31st December, 2000 cumulative downward adjustments of £4,378,000 (1999: £6,881,000) had been made against investments with original costs of £32,520,000 (1999: £29,344,000).

Notes to the financial statements

for the year ended 31st December, 2000

Investments at valuation include:

	2000 £000	1999 £000
Group and Company		
UK		
Listed	**12,725**	12,275
Unquoted at directors' valuation	**125,502**	93,847
Europe		
Listed	**–**	4,226
Unquoted at directors' valuation	**22,177**	15,447
US		
Listed	**16,812**	22,689
Unquoted at directors' valuation	**11,706**	5,017
	188,922	153,501
Equity shares	**112,269**	86,266
Fixed income securities	**76,653**	62,621
Convertible securities	**–**	4,614
	188,922	153,501

At 31st December, 2000 the Company held shares in excess of 10 per cent of a class of shares in a number of investee undertakings but did not have more than 20 per cent of the total allotted share capital in any of these investee undertakings. However, in the opinion of the directors, the listing of these undertakings would result in particulars of excessive length and the financial results of such undertakings do not principally affect the figures shown in these accounts. The list of these undertakings will therefore be enclosed with the Company's next annual return as permitted under section 231 (5) Companies Act 1985.

At 31st December, 2000 the Company had an interest of more than 20 per cent in the nominal value of the total allotted share capital of the following company:

Companies	Class of shares held	Percentage of class held
Lombard Investments, Inc (State of California)	Preferred	100.00

For the reasons set out in the accounting policies this investment has not been included as an associated undertaking.

Note 11 Subsidiary undertakings

At 31st December, 2000 the principal subsidiary undertakings included in the consolidation were:

	Nature of business	Issued share capital
Candover Services Limited*	Administration and management company	£4,400,000 ordinary
Candover Realisations Limited **	Investment dealing company	£100 ordinary
Candover (Trustees) Limited *	Nominee company	£100 ordinary
Candover Nominees Limited*	Nominee company	£100 ordinary
Candover Partners Limited ***	General Partner of the Candover 1991, 1994 and 1997 Funds	£2,050,000 ordinary
Candover Investments (Nassau) Inc*	Investment holding company	US $500,000 common stock

* Wholly owned directly by the holding company

** Wholly owned by a subsidiary undertaking

*** 90 per cent owned by a subsidiary undertaking and 10 per cent owned directly by the holding company

All of the preceding companies are incorporated in Great Britain and are registered and operational in England and Wales with the exception of Candover Investments (Nassau) Inc which is incorporated and is operational in the Bahamas.

Interests in the Candover 1991, 1994 and 1997 Funds ("managed funds")

Candover Partners Limited is the General Partner of the limited partnerships comprising the Candover 1991, 1994 and 1997 Funds. In view of the excessive length, the name and address of each partnership will be enclosed with the Company's next annual return as permitted under section 231(5) Companies Act 1985. In addition advantage has been taken of the exemption conferred by Regulation 7 of the Partnerships and Unlimited Companies (Accounts) Regulations 1993 and accordingly accounts in accordance with the Companies Act 1985 have not been prepared for each of the limited partnerships.

The Company is a Special Limited Partner in the Candover 1991 Fund and is a unit holder in the unauthorised unit trusts which are Special Limited Partners in the Candover 1994 and 1997 Funds. In each case the Special Limited Partner 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.

Candover also holds a direct interest in all the Candover 1994 limited partnerships which at 31st December, 2000 was valued at £652,000 (cost £443,000).

For the reasons set out in the accounting policies, the limited partnerships comprising the Candover 1991, 1994 and 1997 Funds have not been accounted for under the method of full consolidation. At 31st December, 2000 the net assets of the Funds were £712.9 million (1999: £622.9 million) and the net income for the year ended was £7.9 million (1999: £5.0 million). The net assets and net income can be summarised as follows:

	2000	1999
	£m	£m
Investments	698.3	587.2
Debtors	0.9	13.8
Cash	14.6	26.6
Creditors	(0.9)	(4.7)
	712.9	622.9
Income from fixed asset investments	10.2	8.5
Interest receivable	0.6	0.5
	10.8	9.0
Expenses	(1.1)	(2.5)
Tax	(1.8)	(1.5)
	7.9	5.0

As at 31st December, 2000 Candover's investment as a Special Limited Partner in the Candover 1991 Fund was valued at £157,000 (1999: £178,000). Candover's investment in the unauthorised unit trusts which are Special Limited Partners in the Candover 1994 and 1997 Funds was valued at £26,890,000 and £131,000 respectively (1999: £19,730,000 and £131,000).

Note 12 Associated undertakings

	Nature of business	Issued share capital	Percentage held
Hoare Candover Limited	Former manager of the Hoare Candover Exempt Fund	£1,000 Ordinary	50%
Chevrillon Philippe Candover SA	Identifying investment opportunities in France	FFr 500,000	50%

Hoare Candover Limited is incorporated and operational in Great Britain and registered in England and Wales. Candover's interest in Hoare Candover Limited is owned by the holding company whilst its interest in Chevrillon Philippe Candover SA is owned by a subsidiary undertaking. Chevrillon Philippe Candover SA is incorporated and is operational in France.

	Group share of net assets £000	Company share at cost £000
Cost at 1st January, 2000	74	1
Addition	–	–
Share of post–acquisition reserves at 1st January, 2000	–	–
Increase	–	–
Total	74	1

Note 13 Debtors

		Group		**Company**
	2000 £000	1999 £000	**2000 £000**	1999 £000
Amounts falling due within one year				
Trade debtors	**189**	4,144	**24**	2,624
Amounts owed by subsidiary undertakings	**–**	–	**104**	611
Amounts owed by associated undertaking	**8**	8	**–**	–
Other debtors	**1,547**	1,425	**611**	657
Prepayments and accrued income	**7,208**	5,353	**3,856**	2,236
	8,952	10,930	**4,595**	6,128
Amounts falling due after more than one year				
Prepayments and accrued income	**1,296**	2,616	**–**	–
Total debtors	**10,248**	13,546	**4,595**	6,128

Note 14 Current asset investments

		Group		**Company**
	2000 £000	1999 £000	**2000 £000**	1999 £000
Fixed interest securities	**42,927**	57,926	**42,041**	57,162

Notes to the financial statements

for the year ended 31st December, 2000

Note 15 Creditors: amounts falling due within one year

		Group		Company
	2000	1999	**2000**	1999
	£000	£000	**£000**	£000
Trade creditors	**280**	530	**9**	8
Amounts owed to Group undertakings	**–**	–	**2,556**	1,915
Current taxation	**2,070**	–	**531**	130
Social security and other taxes	**1,077**	1,387	**–**	–
Proposed dividends	**4,564**	4,220	**4,564**	4,220
Other creditors	**519**	4,169	**33**	328
Accruals and deferred income	**2,121**	1,693	**941**	1,074
	10,631	11,999	**8,634**	7,675

Note 16 Provisions for liabilities and charges

		Group		Company
	2000	1999	**2000**	1999
	£000	£000	**£000**	£000
Deferred taxation:				
At 1st January	**3,721**	2,591	**–**	–
(Decrease)/increase in year	**(139)**	1,130	**–**	–
At 31st December	**3,582**	3,721	**–**	–
Deferred taxation provided for in the financial				
statements is set out below:				
Accelerated capital allowances	**–**	–	**–**	–
Other timing differences	**3,582**	3,721	**–**	–
	3,582	3,721	**–**	–

There was no unprovided deferred taxation in the financial statements at 31st December, 2000 (1999: £Nil).

Note 17 Share capital

	Number	2000 £000	Number	1999 £000
Authorised:				
Ordinary shares of 25p each	29,000,000	**7,250**	29,000,000	7,250
Allotted, called up and fully paid:				
Ordinary shares of 25p each at 1st January	22,812,685	**5,703**	22,747,685	5,687
Issued in year	45,000	**11**	65,000	16
Ordinary shares of 25p each at 31st December	22,857,685	**5,714**	22,812,685	5,703

On 21st December, 2000 375,000 shares were bought in by the Company under an authority granted on 9th May, 2000 and were cancelled after the year end on 2nd January, 2001. Following this transaction the number of shares in issue are 22,482,685.

No options were granted but 45,000 options were exercised during the year. At 31st December, 2000 the following options remained exercisable at the following prices and dates.

No. of options	Exercise price	Exercisable between
35,000	235.00p	20th October, 1995 to 20th October, 2002
120,000	340.00p	17th June, 1997 to 17th June, 2004
3,930	762.00p	8th September, 2001 to 8th September, 2008
158,930		

As at 31st December, 2000 there remained 727,999 options available to be granted under the Candover (1994) executive share option scheme (1999: 566,387).

The performance criteria for the exercise of any options issued under the terms of Candover (1994) executive share option scheme are referred to in the corporate governance report on page 29.

Note 18 Reserves

	Share premium account £000	Realised capital reserve £000	Unrealised capital reserve £000	Revenue reserve £000
Group				
At 1st January, 2000	855	150,337	56,500	11,357
Increase in year	116			
Surplus on investments revaluation			20,594	
Investments realised in year		10,735	(7,786)	
Exchange differences		15	68	
Net revenue for the year				1,031
Costs net of tax		(3,321)		
At 31st December, 2000	971	157,766	69,376	12,388
Company				
At 1st January, 2000	855	151,194	56,341	4,329
Increase in year	116			
Surplus on investments revaluation			20,594	
Investments realised in year		10,735	(7,786)	
Net revenue for the year				102
Costs net of tax		(3,321)		
At 31st December, 2000	971	158,608	69,149	4,431

Note 19 Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
Net revenue	**7,660**	7,718
Dividends	**(6,629)**	(6,168)
	1,031	1,550
Issue of share capital	**127**	166
Capital surplus for the year	**20,305**	23,847
Net addition to shareholders' funds	**21,463**	25,563
Shareholders' funds at 1st January, 2000	**224,752**	199,189
Shareholders' funds at 31st December, 2000	**246,215**	224,752

Note 20 Capital commitments

The directors have authorised commitments of £100 million, £70 million and £5 million, which will be invested pro rata and parallel with the Candover 1997 Fund, the Candover 1994 Fund and the Candover 1991 Fund respectively. At 31st December, 2000 the outstanding commitments were £28.2 million (1999: £44 million), £Nil million (1999: £6.6 million) and £0.5 million (1999: £0.5 million) respectively. At 31st December, 2000 the outstanding commitments to other investment funds were £15.9 million (1999: £5.3 million).

Note 21 Pension commitments

The Group contributed towards a number of funded defined contribution pension and funded unapproved retirement benefit schemes designed to provide retirement benefits for its directors and employees. The assets of the scheme are held separately from the Group in independently administered funds. The pension cost charge represents contributions by the Group to the schemes in respect of the accounting period and amounted to £842,000 (1999: £922,000). At 31st December, 2000 there were no amounts payable to the schemes (1999: £Nil).

Note 22 Lease commitments

Operating lease payments relating to land and buildings amounting to £858,000 (1999: £534,000) are due within one year. The lease to which these amounts relate expires in more than five years.

Note 23 Reconciliation of operating income to net cash inflow from operating activities

	2000 £000	1999 £000
Operating income	**6,939**	6,118
(Increase)/decrease in debtors	**(2,506)**	241
(Decrease)/increase in creditors	**(517)**	3,464
Tax on franked investment income included within income from UK companies	**–**	(69)
Depreciation	**286**	186
Profit on disposal of tangible fixed assets	**(22)**	(11)
Net cash inflow from operating activities	**4,180**	9,929

Note 24 Reconciliation of net cash flow to movement in net funds

	2000 £000	1999 £000
Increase/(decrease) in cash in the year	**1,555**	(3,129)
Cash inflow from decrease in liquid resources	**(14,999)**	(15,623)
Change in net funds	**(13,444)**	(18,752)
Net funds at start of the year	**73,064**	91,816
Net funds at end of the year	**59,620**	73,064

Fixed interest securities repayable on demand are treated as liquid resources.

Note 25 Related party transactions

The Company's interest in the Candover 1991, 1994 and 1997 Funds is disclosed in Notes 11 and 20.
The co-investment by directors is disclosed in Note 3.

Note 26 Contingent liabilities

Other than in the normal course of business, there were no contingent liabilities at 31st December, 2000 or 31st December, 1999.

Note 27 Post balance sheet events

In February 2001 Candover entered into an agreement to invest £10.3 million in Picard Surgelés.

Distribution of fixed asset investments

as at 31st December, 2000

Sector	UK %	Europe %	Americas %	**2000 Total**	1999 Total
Mineral extraction					
Mining	0.1	–	–	**0.1**	–
	0.1	–	–	**0.1**	–
General industrials					
Automobiles	0.2	–	–	**0.2**	0.8
Chemicals	0.3	1.2	–	**1.5**	2.6
Construction and building materials	4.9	1.7	–	**6.6**	7.8
Engineering and machinery	15.0	–	–	**15.0**	19.9
Packaging	–	3.5	–	**3.5**	5.2
	20.4	6.4	–	**26.8**	36.3
Consumer goods					
Household goods and textiles	0.1	–	–	**0.1**	0.2
	0.1	–	–	**0.1**	0.2
Services					
Distributors	3.9	–	–	**3.9**	3.5
Health	1.6	–	–	**1.6**	2.1
Leisure, entertainment and hotels	11.2	–	–	**11.2**	4.9
Media and photography	10.8	–	–	**10.8**	8.5
Support services	4.5	–	–	**4.5**	3.1
Telecommunication services	–	–	8.9	**8.9**	14.8
Transport	–	–	2.2	**2.2**	2.6
Software and computers	–	–	2.7	**2.7**	–
	32.0	–	13.8	**45.8**	39.5
Financials					
Insurance	1.9	–	–	**1.9**	2.4
Other financial	18.6	5.4	1.3	**25.3**	21.6
	20.5	5.4	1.3	**27.2**	24.0
Totals %	73.1	11.8	15.1	**100.0**	100.0
Totals £000	138,227	22,177	28,518	**188,922**	153,501

Notice of meeting

Notice is hereby given that the Annual General Meeting of Candover Investments plc (the "Company") will be held at The Stationers' Hall, Ave Maria Lane, London EC4M 7DD on Tuesday 8th May, 2001 at noon for the following purposes:

1 To receive the report of the directors and the audited financial statements for the year ended 31st December, 2000.

2 To declare a final dividend of 20p per share on the ordinary shares in respect of the year ended 31st December, 2000.

3 To re-elect Mr C J Buffin who retires by rotation.

4 To re-elect Mr M S Gumienny who retires by rotation.

5 To re-elect Mr D R Wilson who retires by rotation.

6 To reappoint Messrs Grant Thornton, Chartered Accountants, as auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the directors to fix their remuneration.

Special business

To consider and, if thought fit, to pass the following resolutions as special resolutions:

7 That

the directors be and are hereby given power pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) pursuant to the authority conferred by resolution Number 8(a) passed at the Annual General Meeting of the Company held on 14th May, 1998 as if Section 89 (1) of the said Act did not apply to any such allotment, provided that this power shall be limited:

(i) to the allotment of equity securities for the purpose of or in connection with a rights issue or scrip dividend offer pursuant to the Articles of Association of the Company or any pre-emptive invitation in favour of the holders of ordinary shares (notwithstanding that by reason of such exclusions or other arrangements as the directors may deem necessary or desirable by virtue of overseas regulations or to deal with problems arising in any overseas territory or in connection with fractional entitlements or record dates or otherwise howsoever, the equity securities to be allotted are not offered to all of such holders in proportion to the number of ordinary shares held by each of them); and

(ii) to the allotment of equity securities (otherwise than pursuant to sub-paragraph (i) above) up to an aggregate nominal amount equal to £281,034; and shall expire at the conclusion of the next Annual General Meeting of the Company to be held after the conclusion of the meeting at which this resolution is passed or at the close of business on 8th August, 2002 (whichever is the earlier) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

8 That

the Company be and is hereby authorised, generally and without conditions, to make market purchases (as defined in Section 163 (3) of the Companies Act 1985) of its own shares, on such terms and in such manner as the directors may from time to time determine, provided that:

(a) the Company may not buy more than 3,370,154 shares, equal to 14.99 per cent of the shares issued at the date of the 2000 Report and Accounts;

(b) the minimum price which the Company may pay for each share is 25p;

(c) the maximum price (excluding expenses) which the Company may pay for each share is 5 per cent over the average of the middle market price of the shares, based on the London Stock Exchange Daily Official List, for the five business days immediately before the day on which the Company buys the shares;

(d) this authority will last from the date of this Annual General Meeting until the next Annual General Meeting (or until 8th August, 2002 if the next Annual General Meeting has not been held by then); and

(e) the Company may agree, before the authority ends, to buy shares even though the purchase is, or may be, completed after the authority ends.

P R Neal

Secretary

23rd March, 2001

Notice of meeting

Notes

1 Every member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. Forms of proxy must be lodged not less than 48 hours before the meeting. Only those shareholders registered in the register of members of the Company as at close of business on the day before the meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their names at that time (Regulation 34 of the Uncertificated Securities Regulations 1995). Changes to entries in the register after this time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2 The following documents will be available for inspection at the registered office during business hours on any weekday (excluding Saturdays and public holidays) from the date of this notice until the date of the Annual General Meeting and at the venue of the meeting from 11.45 am on 8th May, 2001 until the conclusion of the meeting:

(i) copies of the service contracts of the directors;

(ii) the Company's Articles of Association;

(iii) the register of directors' interests in the share capital of the Company.

Ten year record

	1991	1992	1993	1994	1995	1996	1997	1998	1999	**2000**
Total net assets (£000)	54,456	59,795	69,380	84,347	103,798	142,453	159,970	199,474	225,040	**246,606**
Net Assets per share (p)	244	267	310	377	464	635	703	877	986	**1,079**
Profit on ordinary activities before taxation (£000)	3,955	4,099	3,300	4,855	6,563	5,389	7,270	12,069	10,456	**11,679**
Profit after taxation (£000)	2,837	3,152	2,381	3,410	4,484	3,960	5,520	8,457	7,718	**7,660**
Net dividend per share (p)	9.50	10.25	11.00	12.25	13.25	15.00	20.00	25.00	27.00	**29.00**
Basic earnings per share (p)	12.69	14.09	10.64	15.24	20.03	17.67	24.36	37.57	33.87	**33.53**
Fully diluted earnings per share (p)	12.22	13.67	10.33	14.72	19.35	16.95	23.37	37.30	33.62	**33.37**
Closing share price at end of December (p)	228.0	249.0	349.0	338.0	500.0	572.5	740.5	803.5	1089.0	**1035.0**

Shareholder Information

Event	Date
Preliminary announcement of results for the year ended 31.12.00	12th March, 2001
Final dividend for the year ended 31.12.00 – ex-dividend date	24th April, 2001
Final dividend for the year ended 31.12.00 – record date	4th May, 2001
Candover Investments plc Annual General Meeting	8th May, 2001
Final dividend for the year ended 31.12.00 – payment date	24th May, 2001
Interim announcement of results for the half year ended 30.06.01	10th September, 2001*
Interim dividend for the half year ended 30.06.01 – ex-dividend date	19th September, 2001*
Interim dividend for the half year ended 30.06.01 – record date	21st September, 2001*
Interim dividend for the half year ended 30.06.01 – payment date	19th October, 2001*

**provisional*

Share price information

(Prices shown are the mid-market price per share at the close of business on the relevant day.)

Highest price during the year	1162.5p
Lowest price during the year	980.0p
Price as at 31st December, 2000	1035.0p

Addresses

Candover Investments plc
Registered in England
and Wales No.1512178

Registered Office
20 Old Bailey
London EC4M 7LN
Telephone 020 7489 9848
Facsimile 020 7248 5483

e-mail info@candover.com
website www.candover.com

Solicitors
Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London EC2A 2HA

Stockbrokers
Cazenove & Co.
12 Tokenhouse Yard
London EC2R 7AN

Registered Auditors
Grant Thornton
Melton Street
Euston Square
London NW1 2EP

Bankers
Bank of Scotland
London Chief Office
P.O. Box No. 267
38 Threadneedle Street
London EC2P 2EH

Registrars
Capita IRG Plc
Bourne House
34 Beckenham Road
Beckenham Kent BR3 4TU

Form of proxy

For use at the Annual General Meeting of Candover Investments plc to be held on Tuesday **8th May, 2001**.

If you wish to vote at the Annual General meeting but are unable to attend in person you may appoint a proxy to act on your behalf by completing this form.

I/We . . . . of . . . .
being (a) member(s) of Candover Investments plc, hereby appoint the Chairman of the Meeting or (see note 2)

. . . . as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting to be held at **12.00 noon** on Tuesday **8th May, 2001** and at any adjournment thereof.

I/We direct my/our proxy to vote on the resolutions as set out in the notice convening the meeting as indicated with an 'X' in the appropriate space below.

Ordinary resolutions		**For**	**Against**
Resolution 1	To receive the report of the directors and the audited financial statements for the year ended 31st December, 2000.	☐	☐
Resolution 2	To declare a final dividend of 20p per ordinary share for the year ended 31st December, 2000.	☐	☐
Resolution 3	To re-elect Mr C J Buffin	☐	☐
Resolution 4	To re-elect Mr M S Gumienny	☐	☐
Resolution 5	To re-elect Mr D R Wilson *§	☐	☐
Resolution 6	To reappoint the auditors and to authorise the directors to fix their remuneration	☐	☐

Special resolutions		**For**	**Against**
Resolution 7	To approve the resolutions set out in the Notice of the Meeting to grant the directors the power pursuant to Section 95 Companies Act 1985 to disapply the provision of Section 89(1) Companies Act 1985 with regard to the allotment of certain equity securities.	☐	☐
Resolution 8	To approve the resolution set out in the Notice of the Meeting to grant the Company the power pursuant to Section163(3) Companies Act 1985 to make certain market purchases of its own equity securities.	☐	☐

* Member of the remuneration committee § Member of the audit committee † Member of the nominations committee

Date . . . . Signature . . . . (see notes 3 & 4)

Notes 1 If no indication is given, the proxy holder will vote or abstain from voting at his or her discretion. **2** A member may appoint a proxy or proxies other than the Chairman of the meeting by inserting the name and address of such proxy (who need not be a member) in the space provided above. The appointment of a proxy will not preclude a member from attending and voting in person should he/she subsequently decide to do so. **3** In the case of joint holders, the signature of any one holder will be sufficient. **4** In the case of a corporation, the proxy should be executed under its common seal, or signed as a deed, or under the hand of some officer, duly authorised in writing in that behalf. **5** Unless instructed otherwise, the proxy may also vote or abstain from voting as he or she sees fit on any business which may properly come before the meeting (including amendments to resolutions).

This form, to be valid, must be lodged at the office of the registrars of the Company not later than 48 hours before the time of the meeting.

Only those shareholders registered in the register of members of the Company at close of business on the day before the meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their names at that time (Regulation 34 of the Uncertified Securities Regulations 1995). Changes to entries on the register after this time shall be disregarded in determining the right of any person to attend and vote at the meeting.

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BUSINESS REPLY SERVICE
Licence No. MB122

2

Capita IRG Plc
Registrars for Candover Investments plc
Proxy Department
P.O. Box 25
Beckenham
Kent BR3 4BR

Third fold

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