

CANDOVER INVESTMENTS plc

Report and Accounts

For the year ended 31st December, 1994

1512/78

Candover Investments organises and invests in large management buy-outs and buy-ins, and provides development capital to unquoted companies. The Company's primary objective is to achieve above average growth in its net assets through capital gains from its investments and to earn a satisfactory income for its shareholders.

CONTENTS

2	TEN-YEAR RECORD
4	THE BOARD OF DIRECTORS
6	THE EXECUTIVE TEAM
7	CHAIRMAN'S STATEMENT
10	CHIEF EXECUTIVE'S REPORT
12	REVIEW OF TWENTY LARGEST INVESTMENTS
22	VALUATION POLICY
23	REPORT OF THE DIRECTORS
27	CORPORATE GOVERNANCE
29	REPORT OF THE AUDITORS
30	ACCOUNTING POLICIES
32	GROUP PROFIT AND LOSS ACCOUNT
33	GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
34	GROUP BALANCE SHEET
35	BALANCE SHEET
36	GROUP CASH FLOW STATEMENT
37	NOTES TO THE FINANCIAL STATEMENTS
49	DISTRIBUTION OF FIXED ASSET INVESTMENTS
50	NOTICE OF MEETING
51	FORM OF PROXY



TEN-YEAR RECORD

Where appropriate, figures have been adjusted for the 1989 capitalisation issue.

Net assets record

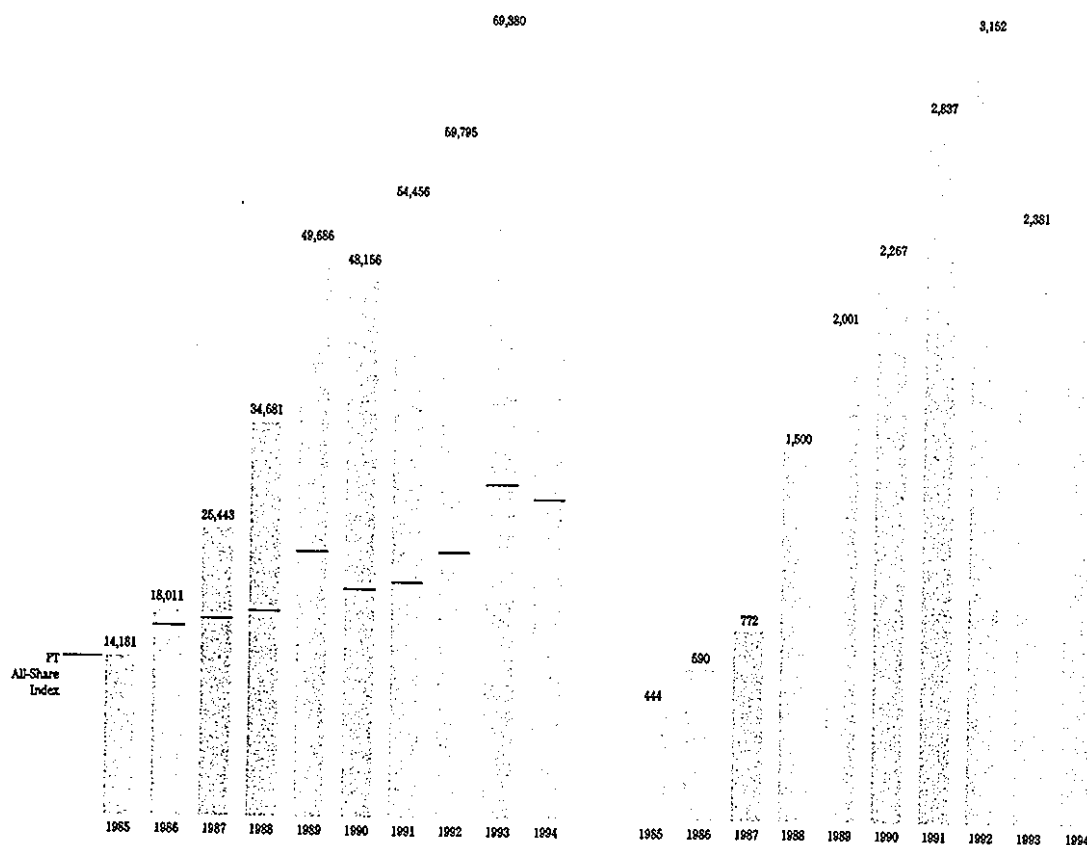
IN £ THOUSANDS

84,347

Profit after taxation

IN £ THOUSANDS

3,410



	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Total Net Assets £'000	14,181	18,011	25,443	34,681	49,686	48,156	54,456	59,795	69,380	84,347
Net Assets per share	66p	84p	117p	159p	224p	217p	244p	267p	310p	377p
Profit on Ordinary Activities before Taxation £'000	756	895	1,212	2,132	2,985	3,702	3,955	4,099	3,300	4,855
Profit after Taxation £'000	444	590	772	1,500	2,001	2,267	2,837	3,152	2,381	3,410

TEN-YEAR RECORD - CONTINUED

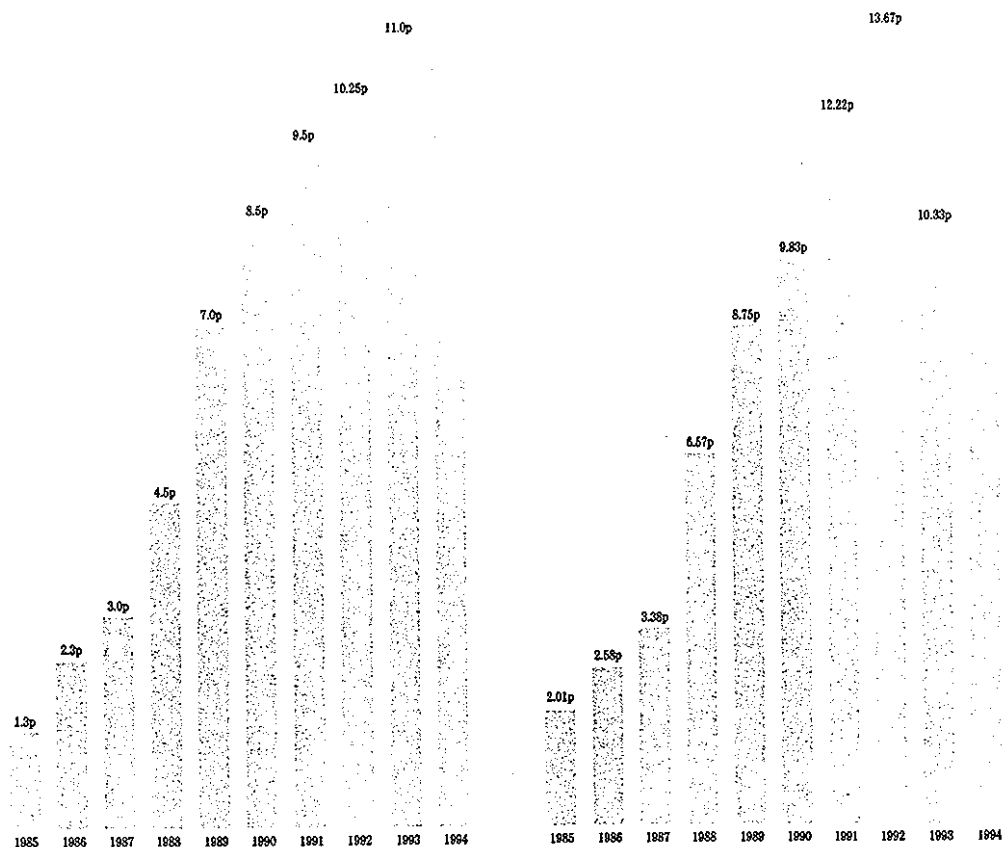
Net Dividend per share

12.25p

Earnings per share

FULLY DILUTED

14.72p

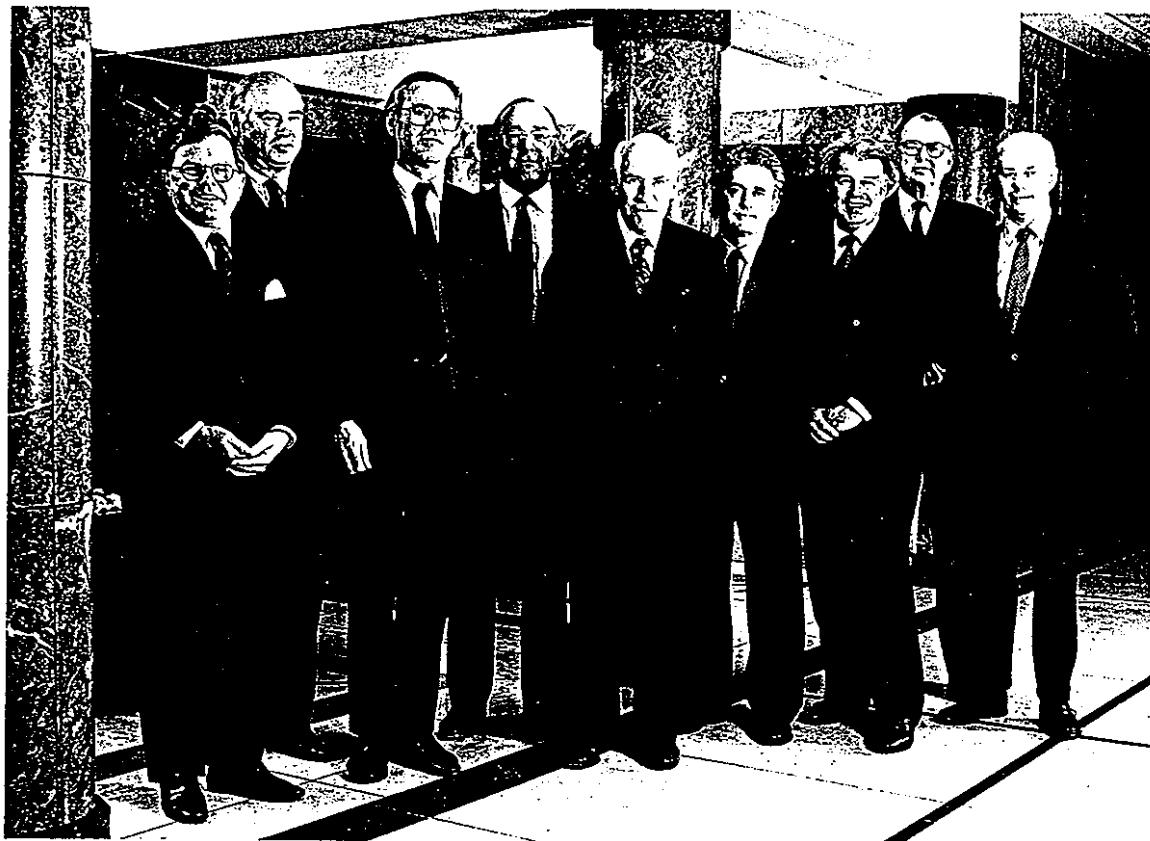


	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Net Dividend per share	1.30p	2.30p	3.00p	4.50p	7.00p	8.50p	9.50p	10.25p	11.00p	12.25p
Earnings per share: Basic	2.07p	2.75p	3.58p	6.90p	9.03p	10.20p	12.69p	14.09p	10.64p	15.24p
Fully diluted	2.01p	2.58p	3.38p	6.57p	8.75p	9.83p	12.22p	13.67p	10.33p	14.72p

THE BOARD OF DIRECTORS

From left to right

C.R.E. Brooke
A.P. Michens
S.W. Curran
D.R. Wilson
J.M. Raisman
G.D. Fairservice
J.G. West
R.A.P. King
P.J. Scott Plummer



C.R.E. Brooke MA CHAIRMAN

Mr Brooke was Chief Executive of Candover from its formation in 1980 and was appointed Chairman on 1st January, 1991. In 1966 he was appointed Deputy Managing Director of the Industrial Reorganisation Corporation and from 1969 to 1971 he was Managing Director of Scienta SA which was involved in investments in small and medium sized advanced technology businesses in Europe. He was a director of Pearson Group for eight years and in June 1979 was appointed Group Managing Director of EMI, leaving the company in February 1980 after its merger with Thorn. He is also a non-executive director of Slough Estates plc, Leondes Lambart Group Holdings plc, Tarmac plc and various unquoted companies. Mr Brooke is 64.

S.W. Curran FCCA CHIEF EXECUTIVE

Mr Curran was appointed Chief Executive on 1st January, 1991, having previously been 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 CINco. He is a non-executive director of Greggs plc and a number of unquoted companies. Mr Curran is 52.

G.D. Fairservice BSc MBA DEPUTY CHIEF EXECUTIVE

Mr Fairservice joined Candover in March 1984, was appointed to the Board in July 1986 and was made Deputy Chief Executive on 1st January, 1991. Before joining Candover, Mr Fairservice was with ICFC (3i) for eight years followed by two years with the British Technology Group. He is a non-executive director of Kenwood Appliances plc, Keller Group PLC and several unquoted companies. Mr Fairservice is 48.

THE BOARD OF DIRECTORS - CONTINUED

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 Caradon plc, Deputy Chairman of Courtaulds Textiles plc and was appointed as a non-executive director of Lasmo plc in January 1995. He is also a non-executive director of South Western Electricity plc, Greenfriar Investment Company Plc, The British Coal Corporation, London Insurance Market Investment Trust and The Fleming Income & Capital Investment Trust Plc. He was previously a managing director and chief financial officer of Consolidated Gold Fields. Mr Hichens is 58.

R.A.P. King *

NON-EXECUTIVE

Mr King was until February 1991 the Chairman of Sale Tilney plc. He is Chairman of Majestic Films International, one of the leading international film distribution companies.

Mr King is 60.

P.J. Scott Plummer FCA §

NON-EXECUTIVE

Mr Scott Plummer is Managing Director of Martin Currie Ltd and a director of its subsidiary, Martin Currie Investment Management Ltd, the managers of The Scottish Eastern Investment Trust Plc, on which Board he also serves.

He was previously a partner of Cazenove & Co from 1974 to 1980 and has had many years' experience in the investment field.

Mr Scott Plummer is 51.

J.G. West FCA *

NON-EXECUTIVE

Mr West was until September 1994 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 Micro Index Trust plc and, a director of Abtrust New Dawn Investment Trust plc and of Associated British Foods Pension Trustee Ltd.

Mr West is 47.

J.M. Raisman CBE *

NON-EXECUTIVE

Mr Raisman joined the Board of Candover in July 1990. Until March 1985 he was the Chairman and Chief Executive of Shell UK Limited and retired in October 1991 from the post of Deputy Chairman of British Telecom plc. He was non-executive director of Glaxo Holdings plc until October 1990 and non-executive director of Vickers plc until December 1990.

He is Chairman of British Biotech plc and a non-executive director of Lloyds Bank plc and Tandem Computers Ltd as well as Pro-Chancellor of Aston University. He is also Chairman of the Council for Industry and Higher Education and Deputy Chairman of the National Commission on Education.

Mr Raisman is 66.

D.R. Wilson FCA §

NON-EXECUTIVE

Mr Wilson joined the board of Candover in March 1994.

He is Group Managing Director of Slough Estates plc, one of the UK's largest investment property companies, where he is responsible for finance. Prior to joining Slough in 1986 he held senior appointments at Cadbury Schweppes PLC and Wilkinson Match Limited. He qualified as a chartered accountant with Deloitte Haskins & Sells in London and Geneva.

Mr Wilson is 50.

* Member of the Remuneration Committee

§ Member of the Audit Committee

THE EXECUTIVE TEAM



P.G. Symonds FCA
INVESTMENT EXECUTIVE

Mr Symonds joined Candover in January 1983 and was appointed a director of Candover Partners Limited on 7 February, 1995. After qualifying as a Chartered Accountant in 1976 with Peat, Marwick, Mitchell & Co he spent seven years in various aspects of professional practice.

In addition to his duties as an investment executive with responsibility for a number of Candover's investee companies, Mr Symonds also has responsibility for various accounting and administrative functions within Candover.

Mr Symonds is 43.



C.J. Buffin ACA
INVESTMENT EXECUTIVE

Mr Buffin joined Candover in September 1985 and was appointed a director of Candover Partners Limited on 7 February, 1995.

After qualifying as a Chartered Accountant in 1984 with Deloitte Haskins & Sells he spent two years in the Investigations and Corporate Finance Departments.

Mr Buffin has been responsible for a number of transactions which have led to Stock Exchange listings, including the buy-outs of Motor World Group PLC and Midland Independent Newspapers plc (of which he is a non-executive director).

Mr Buffin is 37.



M.S. Gumienny ACA
INVESTMENT EXECUTIVE

Mr Gumienny joined Candover in January 1987 and was appointed a director of Candover Partners Limited on 7 February, 1995.

After qualifying as a Chartered Accountant with Price Waterhouse he spent 15 months on secondment in the Price Waterhouse Training Department before transferring to Price Waterhouse Bahrain for 12 months.

Mr Gumienny has led a number of deals including Loundes Lambert Group Holdings plc, Gaymer Group Europe Limited, Fishers International plc, Economic Insurance Company Limited, and Shepperton Studios.

Mr Gumienny is a director of Fishers International plc, Economic Insurance Company Limited and Shepperton Studios.

Mr Gumienny is 36.



S.N.A. Leefe ACA
INVESTMENT EXECUTIVE

Mr Leefe joined Candover in January 1992 after qualifying with Arthur Andersen & Co in 1990. He gained experience in a number of areas including Corporate Recovery.

Mr Leefe has been involved in a number of deals including the buy-outs of Vero Electronics Group Limited, Druid Systems Limited and Bibby & Baron Group Limited the last of which was completed in February 1995.

Mr Leefe is a director of Druid Systems Limited and Bibby & Baron Group Limited.

Mr Leefe is 29.



P.R. Neal ACIS
COMPANY SECRETARY

Mr Neal joined Candover in October 1990 as Company Secretary. He has been Company Secretary or Assistant Company Secretary to a number of companies in shipping, insurance and stockbroking and prior to joining Candover was Assistant Company Secretary of The Great Universal Stores plc. Mr Neal qualified as a Chartered Secretary in 1951.

In addition to his duties as Company Secretary Mr Neal manages many of the administrative functions of the company as well as being the company's Compliance Officer.

Mr Neal is 46.



T. Tan ACA CPA
FINANCIAL CONTROLLER

Ms Tan joined Candover in September 1990 after qualifying as a Chartered Accountant in 1979 with Grant Thornton.

She spent three years in the United States where she qualified as a Certified Public Accountant before returning to the Audit Department in London.

Ms Tan manages the accounts of Candover and the various Candover funds.

Ms Tan is 41.

CHAIRMAN'S STATEMENT



Roger Brooke

1994 was another excellent year for Candover. There was further strong growth in the company's net asset value and a big improvement in profits.

During the year nine companies in our portfolio achieved successful realisations, including four through flotations on the London Stock Exchange. Overall the profits of most of our portfolio companies improved markedly as the UK moved out of recession which in turn meant that we received higher dividend payments. One result of the realisation programme was that after the year end we exceeded the target rate of return on the funds invested by the institutional participants in the 1989 Fund. As a result Candover's carried interest in the gains of the 1989 Fund totalling £12.4 million, which would otherwise have been held in a blocked account, was released. The effect of this was to increase Candover's net asset value by 37p per share - a significant contribution to the overall asset growth during the year. It is worth noting that several companies still in the 1989 Fund portfolio are actively planning realisations, whether by flotation (assuming that stock market conditions are propitious) or sale, with consequential future benefit to Candover's net asset value.

The Candover 1994 Fund, which we raised to finance large buy-outs and buy-ins in succession to the 1989 Fund, finally closed in February 1995 with total commitments of £307.5 million which was well above our original expectations. It was gratifying both that so many institutions who had invested in our earlier Funds made renewed commitments to the new Fund and also that those participating with us for the first time included several of the largest and most experienced institutions, especially in the United States. We decided that Candover should commit £70 million to invest alongside the other Fund investors as compared to the £20 million which we committed to the 1989 Fund. This will, of course, mean that we shall be putting considerably more into each future major investment than has been our practice hitherto. While this will involve increased exposure, it also offers the prospect of much higher gains if the performance of the new Fund matches that of its predecessors. The fact that we have built up substantial liquid reserves (some £26.4 million at the year end, excluding our portfolio of listed shares valued at £6.9 million) with more to come from pending realisations, means that we could adopt this new policy without straining our balance sheet; and since the year end these liquid reserves have been further augmented by the release of the £12.4 million gain referred to in the previous paragraph.

During the year the amount which we invested was relatively low, with four new buy-outs, including the final investment by the 1989 Fund and three by the 1991 Fund. Our investment policy is based on careful selection and we have found over the years that it is hard to predict when attractive investments are going to emerge. Candover's firm policy is to maintain our stringent investment criteria and avoid the temptation of making investments to maintain volume.

CHAIRMAN'S STATEMENT - CONTINUED

RESULTS FOR 1994

The total net assets attributable to the ordinary shares at 31st December, 1994, after including current asset investments at market or directors' valuations, less attributable taxation, were £84,347,000 as against £69,380,000 at 31st December, 1993, an increase of 22 per cent. Net assets per share were 377p at 31st December, 1994 compared with 310p for the previous year. At 30th June, 1994 the net asset value per share was 330p.

The increase for the year of 22 per cent compared with a fall of 10 per cent in the FT-All Share Index during the period. It is 10 years since the company was floated in December 1984 and during that time we have seen our net assets grow at an annual compound rate of 21 per cent compared with 10 per cent for the Index.

Profits before tax rose 47 per cent to £4,855,000 as compared with £3,300,000 in 1993 (£4,099,000 in 1992). After tax profits rose 43 per cent to £3,410,000 (1993: £2,381,000). The main reasons for this improvement were increased fee and dividend income.

The valuation of investments was £57,566,000 (1993: £47,612,000) after taking into account downward adjustments of £5,643,000 made to reflect the under performance of some companies as well as an increase of £40,000 over the year in the market value of the shares which we still hold in those of our investee companies which have obtained stock exchange listings. At the year end our cash and realisable assets totalled £26.4 million, a rise of £3.8 million over the year. Listed shares at the year end totalled £6.9 million, 8 per cent of our net assets. Since the year end the cash and realisable assets have been further augmented by the release of £12.4 million from the blocked account to give a total of cash and realisable assets of approximately £45 million.

DIVIDENDS

At the half year we increased the interim dividend from 3.95p per share to 4.15p per share, a 5 per cent rise. In the light of the excellent profit improvement the Board has decided to recommend a 15 per cent increase in the final dividend from 7.05p per share to 8.1p per share. This means that the total dividend for the year will rise from 11p in 1993 to 12.25p per share, an increase of 11 per cent. The payment of the dividend will be made on 11th May, 1995 to holders on the Register at 6th April, 1995.

BOARD AND STAFF

In 1991 I became Executive Chairman of the company and Stephen Curran was appointed Chief Executive, supported by Douglas Fairservice as Deputy Chief Executive. I encouraged Stephen to take the main responsibility for handling our investments and leading the executive team and this he has done most ably. I have now decided to become part time Chairman. I have already taken on some additional activities outside Candover including a number of external directorships, although I shall continue to devote the majority of my time to Candover's activities and my commitment to the company, as its principal founder, will remain undiminished.

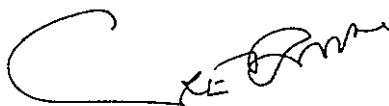
CHAIRMAN'S STATEMENT - CONTINUED

We are fortunate to have an experienced, loyal and hard working staff who have helped to build the company's excellent position and reputation. The Board is grateful to them.

..... **FUTURE PROSPECTS**

In recent months the number of interesting new investment propositions has grown significantly, partly as a result of our increased marketing activity following the successful establishment of our new Fund. Provided that the economies in the UK and continental Europe continue to grow the climate should be favourable for new investment. At the same time we shall probably see more realisations of our successful portfolio companies. I am therefore optimistic about our prospects for continuing asset and profit growth in 1995.

September will mark the fifteenth anniversary of the company's establishment. In that time the buy-out market has developed dramatically. We have tried to lead and adapt to market changes and we must continue to do this. Fortunately buy-outs are now well established and their built-in incentives have proved very productive for managers and investors. I believe that buy-outs and buy-ins will continue to flourish particularly now that there is such general international support for the free market enterprise economy.



Roger Brooke
Chairman

4th April, 1995

CHIEF EXECUTIVE'S REPORT

ACTIVITIES IN 1994

INVESTMENTS



Stephen Curran

The largest investment made during the year was in Vero Electronics Group Limited, a company which produces specialist racking and related products mainly for the telecommunications and electronics industries. The Candover 1989 Fund invested £7,419,000 in this transaction and Candover £628,000. Vero has made a most encouraging start and is reporting a large increase in profits during the year, with continuing growth in its order book. The other principal transactions where Candover invested alongside the 1991 Fund were in Nutreco Holdings (an agriculture and aquaculture business purchased from BP), Intermotor (a company manufacturing and distributing motor spares), and Levington (manufacturers of horticultural products, formerly owned by Fisons). In addition Candover invested funds in five companies already in the portfolio to support their development. In total during the year the Candover 1989 Fund invested £7,419,000, the 1991 Fund £6,026,000 and Candover itself £6,095,000.

In January of this year, we led the buy-in of Shepperton Studios, the first transaction involving the new Candover 1994 Fund. In this investment we are supporting Mr Ridley Scott and Mr Tony Scott and the incumbent management of Shepperton, who have developed an exciting plan to extend the studio's activities and build up its position in the market.

Finally, in February 1995 we organised the buy-out of Bibby & Baron, one of the principal suppliers of plastic bags to the British retail trade, in which Candover invested £293,000 and the 1991 Fund £1,915,000 and, in Germany, an investment was made in Wohlfarth.

REALISATIONS

During the year we saw a considerable number of realisations, including four which were listed on the London Stock Exchange - Midland Independent Newspapers, Partco, Inspec and Keller. In addition, four US companies in which we had made investments in conjunction with our affiliated company in the US, Lombard Investments, Inc. were sold during the year - Five Star Holdings, Western Rock, Miller Industries and Kink, a radio station. Finally, towards the year end Gaymer Group was sold to Matthew Clark plc. These realisations produced healthy gains for Candover and our various funds. In total the profits from these transactions amounted to £57 million for the 1989 Fund, £6 million for the 1991 Fund and £7 million for Candover.

Since the year end Gardner Merchant Limited, which had built up its business and profits substantially since the buy-out in December 1992, has been sold to Sodexho. The Candover 1989 Fund achieved a profit of £14.8 million from this transaction and Candover showed a gain of £1.1 million. Also since the year end Fishers Group Limited was sold to Celtic Gold plc. Under this transaction Candover recovered almost all of its original investment in cash and retains an interest in the new company which, having been renamed Fishers International plc, plans to achieve a full Stock Exchange listing in due course. The Fishers management have made excellent progress in building their business and the arrangement with Celtic Gold should further assist the company's development. On 28th March, 1995, Expro International Group plc, an oil and gas field services company, listed on the London Stock Exchange at 175p per share valuing Candover's investment in the company at £1.2 million.

OVERSEAS ACTIVITIES

The economic outlook for continental Europe improved somewhat in 1994 with beneficial effects on some of our portfolio companies. The flow of investment opportunities in Germany has increased recently and one new investment was made in February 1995, in Wohlfarth, a transport and distribution company in which Candover invested £217,000 and the Candover 1991 Fund £1,769,000. We hope that a continuing recovery in the German economy will enable us to make some successful realisations there in the next year or so.

CHIEF EXECUTIVE'S REPORT - CONTINUED

In France, we expect soon to complete a commitment to a new fund being raised by Ciclad Investissements, with whom we have worked successfully for some years. The Cambria Fund in Italy, in which we have an investment, arranged two development capital investments in 1994.

In the United States our affiliate, Lombard Investments, Inc., has continued to make good progress, both in achieving a number of profitable realisations and in developing a chain of radio station companies, principally in the West Coast area. We remain optimistic about the prospects for further significant increases in value from our US investments made with Lombard.

FUNDS

The Hoare Candover Exempt Fund ("HCF") Electra Candover Direct Investment Plan ("ECDIP") and The Combined Candover 1987 Funds ("1987 Fund")

Candover continues to monitor the progress of the remaining investments in these funds, all of which reached the end of their investment period some time ago. There are two investments still remaining in each of HCF and ECDIP and twenty in the 1987 Fund portfolio. In the latter case the general improvement in trading since the end of the recession is encouraging and a number of the companies are now planning realisations either through flotation or sale.

CANDOVER 1989 FUND

The investment period of this Fund has also terminated and, as the Chairman has indicated previously, many of the companies still in the portfolio are in a realisation mode, Expro being the most recent in which both the 1989 and 1991 Funds have an investment. Almost without exception these companies have reported further improvements in trading results during 1994 and if the planned realisations take place the net result should be that the investors in the 1989 Fund will have achieved a satisfactory overall return on their investment.

CANDOVER 1991 FUND

During 1994 the Fund made three investments and since the year end two (Bibby & Baron and Wohlfarth) as a result of which £19 million has so far been invested in total out of a committed amount of £32.5 million (not including £5 million from Candover). Good capital gains have already been achieved on the Fund's investments in the companies already realised (Inspec and the Gaymer Group) and the prospect for the rest of the portfolio appears good with several realisations planned for 1995 the first of which has been Expro.

1994 FUND

The final closing for this new fund occurred on 28th February, 1995 with total commitments of £307.5 million including a £70 million commitment from Candover. The Fund has made its first investment of £5 million in Shepperton Studios and a number of potential transactions are under review. The investment period of this new Fund continues until May 1999.



Stephen Curran
Chief Executive

4th April, 1995

REVIEW OF TWENTY LARGEST INVESTMENTS

JARVIS HOTELS LIMITED			
	<i>Candover's Investment as at 31st December</i>	1994	1993
<i>Hotel owners</i>	Cost of Investment	£3,624,000	£3,624,000
<i>and</i>	Directors' Valuation	£3,986,000	£3,624,000
<i>Managers</i>	Effective Equity Interest (fully diluted)	3.0%	3.2%
	% of Candover's Net Assets	4.7%	5.2%
	Basis of valuation : Multiple of earnings		

Jarvis owns and manages a nationwide portfolio of hotels under the Jarvis name offering conference, training and leisure facilities. It also provides management services to other hotels on behalf of their owners.

In May 1994, Jarvis acquired 20 hotels from Resort Hotels plc. As a result of this acquisition, Jarvis now owns 60 hotels and there are a further eight under management.

In the year to 26th March, 1994, profits before interest and tax amounted to £11.4m on sales of £63.3m (1993: £9m on sales of £58.9m). Unaudited profits for the year ended 1st April, 1995 are ahead of the previous period on a like for like basis.

No dividends were received by Candover during the year ended 31st December, 1994 (1993: £1,489).

DAROTA MINNESOTA & EASTERN RAILROAD CORPORATION			
	<i>Candover's Investment as at 31st December</i>	1994	1993
<i>Railroad</i>	Cost of Investment	US\$363,000	US\$363,000
<i>Operations</i>		(£191,000)	(£191,000)
	Directors' Valuation	US\$5,403,000	US\$5,403,000
		(£3,454,000)	(£3,651,000)
	Effective Equity Interest (fully diluted)	13.6%	10.2%
	% of Candover's Net Assets	4.1%	5.3%
	Basis of valuation : Multiple of Earnings		

DM&E Railroad operates a 917 mile railroad in the mid-Western States of America. Candover made the investment in this company in September 1986 in a transaction organised by Lombard Investments, Inc. of California, USA, in which Candover also has an investment.

Profits before interest and tax for the year ended 31st December, 1994 were US\$8.2 million on sales of US\$44 million before an extraordinary gain of US\$4.7 million arising from a recent refinancing. Profits for 1993 were US\$8 million on sales of US\$42.4 million.

No dividends were received by Candover during the year ended 31st December, 1994 (1993: £Nil).

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

Lombard/Nogales Radio Partners Limited Partnership		
	<i>Candover's Investment as at 31st December</i>	1994
Radio	Cost of Investment	US\$5,330,000
Fund		(£3,452,000)
	Directors' Valuation	US\$5,330,000
		(£3,407,000)
	Effective Equity Interest (fully diluted)	17.9%
	% of Candover's Net Assets	4.0%
	Basis of valuation : Cost	

Lombard/Nogales Radio Partners Limited Partnership is a Fund established in July 1994 with total commitments of US\$40.5 million (US\$37.5 million as at 31st December, 1994), the purpose of which is to invest in radio stations in the United States of America.

Candover's commitment to the Fund is US\$6.7 million (£4.5 million) of which approximately US\$1.4 million (£0.9 million) remained uncalled at 31st December, 1994.

The Fund is managed by Lombard Investments, Inc. of California, USA, in which Candover also holds an investment.

As at 31st December, 1994 the Fund has invested in eight radio stations in four markets at a cost of US\$29.2 million. All were valued at cost.

No dividends were received by Candover during the year ended 31st December, 1994.

Stoves Limited			
	<i>Candover's Investment as at 31st December</i>	1994	1993
Manufacturer of	Cost of Investment	£485,000	£485,000
Cookers	Directors' Valuation	£3,262,000	£1,903,000
	Effective Equity Interest (fully diluted)	13.4%	13.4%
	% of Candover's Net Assets	3.9%	2.7%
	Basis of valuation : Multiple of Earnings		

Stoves is an independent cooker manufacturer based in Prescot, Merseyside, making a wide range of modern products which are sold through a growing number of outlets in the UK and overseas. The company continues to win plaudits for its production facilities and methods and since the management buy-out/buy-in in 1989 has shown significant growth in profits.

In the financial year ended 31st May, 1994 profits before interest and tax grew to £2.1 million from £0.9 million in the previous year on sales of £42 million (1993: £33 million).

No dividends were received by Candover during the year ended 31st December, 1994 (1993: £Nil).

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

GARDNER-MERCHANT GROUP SERVICES LIMITED			
	<i>Candover's Investment as at 31st December</i>	1994	1993
Contract	Cost of Investment	£1,170,000	£1,170,000
Catering Services	Directors' Valuation	£2,248,000	£1,458,000
	Effective Equity Interest (fully diluted)	0.3%	0.3%
	% of Candover's Net Assets	2.7%	2.1%
	Basis of valuation : Sale Price		

Gardner Merchant, which was the subject of a buy-out from Forte plc in January 1993, is the leading contract caterer within the UK and has a growing international business.

On 1st February, 1995 Sodexho, the French contract catering and services group, acquired Gardner Merchant for £730 million. Candover sold its entire holding in the sale and received £2,248,000 in cash from its direct investment together with a further amount of £253,000 (cost: £141,000) from its investment through the Candover 1989 UK Limited Partnership.

Unaudited profits before interest and tax for the year ended 31st January, 1995 amounted to £62 million on turnover of £1,300 million, compared with £46.9 million on turnover of £1,015 million for the previous year.

No dividends were received by Candover during the year ended 31st December, 1994 (1993: £Nil).

BLUE ARROW PERSONAL SERVICES LIMITED			
	<i>Candover's Investment as at 31st December</i>	1994	1993
Personnel and	Cost of Investment	£1,731,000	£1,731,000
Recruitment Services	Directors' Valuation	£2,045,000	£1,731,000
	Effective Equity Interest (fully diluted)	4.9%	4.9%
	% of Candover's Net Assets	2.4%	2.5%
	Basis of valuation : Multiple of Earnings		

Blue Arrow operates a nationwide chain of 80 offices offering recruitment services for the provision of temporary and permanent staff.

Blue Arrow's profits before interest and tax for the year ended 31st December, 1994 were £3.5 million on sales of £78.2 million as against £0.8 million on sales of £53.5 million for the previous year.

Gross dividends received by Candover during the year ended 31st December, 1994 were £154,856 (1993: £Nil).

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

PAVILION SERVICES GROUP LIMITED			
	<i>Candover's Investment as at 31st December</i>	1994	1993
Motorway Service	Cost of Investment	£2,022,000	£1,746,000
Areas	Directors' Valuation	£2,022,000	£1,746,000
	Effective Equity Interest (fully diluted)	2.3%	2.3%
	% of Candover's Net Assets	2.4%	2.5%
	Basis of valuation : Cost		

Pavilion is a significant operator of motorway service areas in the UK with eight motorway sites and one trunk road service area located mainly in the North and West of the UK. These sites are Hilton Park, Knutsford, and Forton on the M6, Severn View, Cardiff and Swansea on the M4, Rivington on the M61, Medway on the M2 and Scotch Corner on the A1.

In the year ended 30th October, 1994, Pavilion reported a profit before interest and tax of £10.2 million on sales of £122.3 million compared with a loss before interest and tax of £10.4 million on sales of £118.2 million in 1993. The loss in 1993 was after charging an exceptional £19.4 million in respect of the write-down in the value of its properties. The profit before interest and tax for last year before this exceptional write-off was £9.0 million.

Gross dividends received by Candover during the year ended 31st December, 1994 were £85,078 (1993: £74,810).

MATTHEW CLARK PLC			
	<i>Candover's Investment as at 31st December</i>	1994	*1993
Drinks Production,	Cost of Investment	£1,531,000	£1,531,000
Distribution and	Directors' Valuation	£1,638,000	£2,798,000
Marketing	Equity Interest	0.7%	1.5%
	% of Candover's Net Assets	1.9%	3.7%
	Basis of valuation : Quoted Market Price		
* The figures for 1993 are Candover's investment in the Gaymer Group Europe Limited and have been adjusted to include Candover's investment through the Candover 1989 UK Limited Partnership			

Matthew Clark, which produces, distributes, and markets a wide range of well-known branded drinks including Stowells of Chelsea wine boxes, Stone's Original Ginger Wine and Strathmore Spring Water, acquired Gaymer Group Europe Limited in October 1994.

Candover received shares in Matthew Clark valued at £1,551,000 (cost: £1,381,000) at the sale price, together with further shares valued at £159,000 (cost: £150,000) through Candover's investment in the Candover 1989 UK Limited Partnership.

In February 1995 108,000 further shares were transferred to Candover following the release of the carried interest in the Candover 1989 Fund, taking Candover's interest in Matthew Clark to 0.9%.

In the six months to 31st October, 1994 Matthew Clark reported profits before interest and tax of £7.2 million on sales of £125.4 million compared with £3.6 million on sales of £47.6 million for the six months to 31st October, 1993. These figures did not include the results of Gaymers following its acquisition.

Profits before interest and tax for the full year to 30th April, 1994 were £10.7 million on turnover of £173.7 million.

Gross dividends received by Candover during the year ended 31st December, 1994 were £294,745 (1993: £54,235).

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

VERO ELECTRONICS GROUP LIMITED		
	<i>Candover's Investment as at 31st December</i>	1994
<i>Manufacturer of electronic</i>	Cost of Investment	£628,000
<i>packaging and related products</i>	Directors' Valuation	£1,582,000
<i>for telecommunications</i>	Effective Equity Interest (fully diluted)	2.5%
<i>and electronics</i>	% of Candover's Net Assets	1.9%
	Basis of valuation : Multiple of Earnings	

Vero, which manufactures a range of electronic packaging and related products for the worldwide telecommunications and electronics industries, was a buy-out from BICC plc jointly led by Candover in April 1994, in which Candover and the Candover 1989 Fund invested a total of £8.05 million.

Profits before interest and tax for the period from 14th April, 1994 to 31st December, 1994 were £6.6 million on sales of £59.8 million.

No dividends were received by Candover during the year ended 31st December, 1994.

MIDLAND INDEPENDENT NEWSPAPERS PLC			
	<i>Candover's Investment as at 31st December</i>	1994	* 1993
<i>Regional daily and</i>	Cost of Investment	£62,000	£2,895,000
<i>weekly newspaper group</i>	Directors' Valuation	£1,470,000	£4,498,000
	Equity Interest	0.9%	2.4%
	% of Candover's Net Assets	1.7%	5.74%
	Basis of valuation : Quoted Market Price		
* The figures for 1993 have been adjusted to include Candover's investment through the Candover 1989 UK Limited Partnership.			

Midland Independent Newspapers is one of the major regional newspaper publishers in the UK and the leading newspaper publisher in the Midlands. It publishes a range of newspaper titles which include, The Birmingham Post, The Birmingham Evening Mail, The Sunday Mercury and The Coventry Evening Telegraph in a portfolio of 11 paid-for, and 32 free titles.

On 17th March, 1994 Midland listed on the London Stock Exchange at a price of 140p per share. At the listing price Candover received cash and shares worth £5,000,000 (cost: £2,583,000) from its direct investment and a further £492,000 (cost: £312,000) from its investment through the Candover 1989 UK Limited Partnership. During the year Candover sold 500,000 shares in Midland for £645,000 producing a net gain of £622,000 on cost.

Following the release in February 1995 of the carried interest in the Candover 1989 Fund a further 847,000 shares in Midland were transferred to Candover taking Candover's interest in Midland to approximately 1.6%.

Midland's results for the year ended 31st December, 1994 showed profits before interest and tax of £17.9 million on sales of £89.5 million compared with profits of £15.7 million on sales of £79.6 million for the previous year.

Gross dividends received by Candover during the year ended 31st December, 1994 were £35,179 (1993: £Nil).

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

KELLER GROUP PLC			
	<i>Candover's Investment as at 31st December</i>	1994	* 1993
<i>Specialist contractors</i>	Cost of Investment	£19,000	£1,070,000
<i>in building foundations</i>	Directors' Valuation	£1,363,000	£2,743,000
	Equity Interest	2.8%	4.5%
	% of Candover's Net Assets	1.6%	3.6%
	Basis of valuation : Quoted Market Price		
* The figures for 1993 have been adjusted to include Candover's investment through the Candover 1989 UK Limited Partnership.			

Keller is a leading international specialist contractor providing a range of services in the area of building foundation support, speciality grouting, underpinning, ground retention, groundwater control and seismic protection.

On 5th May, 1994 the company listed on the London Stock Exchange at a price of 130p per share. At the listing price Candover received cash and shares worth £2,900,000 (cost: £955,000) from its direct investment and a further £306,000 (cost: £115,000) from its investment through the Candover 1989 UK Limited Partnership. In the listing 395,000 shares were sold for £513,000 producing a profit over cost of £500,000.

Following the release in February 1995 of the carried interest in the Candover 1989 Fund a further 1,370,000 shares in Keller were released to Candover, taking Candover's interest in Keller to approximately 4.7%.

Keller's profits before interest and tax for the year ending 31st December, 1994 were £10.2 million on sales of £195.6 million, compared with profits of £9.2 million on sales of £147.8 million for 1993.

Gross dividends received by Candover during the year ended 31st December, 1994 were £7,405 (1993: £150,543).

AQ HOLDINGS LIMITED			
	<i>Candover's Investment as at 31st December</i>	1994	1993
Lawnmower	Cost of Investment	£783,000	£783,000
Manufacturers	Directors' Valuation	£1,249,000	£1,205,000
	Effective Equity Interest (fully diluted)	4.2%	4.2%
	% of Candover's Net Assets	1.5%	1.7%
	Basis of valuation : Multiple of Earnings		

AQ Holdings manufacture lawnmowers under the Atco, Qualcast and Suffolk Punch brand names and was a buy-out from Blue Circle Industries in December 1992 in a deal led by Candover in which Candover and the Candover 1989 Fund invested £10 million.

Profits before interest and tax for the year ended 31st December, 1994 were £3.2 million on sales of £39.6 million compared with a profit of £2.2 million on sales of £39.8 million for the previous year. The improvement in profitability was achieved mainly through the reduction of operating costs.

Gross dividends received by Candover during the year ended 31st December, 1994 were £109,425 (1993: £Nil).

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

LCE HOLDINGS LIMITED			
<i>Candover's Investment as at 31st December</i>		1994	1993
Computer maintenance and associated services	Cost of Investment	£738,000	£738,000
	Directors' Valuation	£1,182,000	£1,376,000
	Effective Equity Interest (fully diluted)	17.3%	17.3%
	% of Candover's Net Assets	1.3%	2.0%
	Basis of valuation: Multiple of Earnings		

LCE Holdings provides third party maintenance of computer equipment and associated services to a wide range of companies. The company was the subject of a management buy-out in June 1987 in which Candover and the Candover 1987 Fund invested £1.2 million.

Profits before interest and tax for the year ended 31st May, 1994 were £0.8 million on sales of £7.3 million compared with profits of £0.9 million on sales of £7.6 million for the previous year.

No dividends were received by Candover during the year ended 31 December, 1994 (1993: £36,985).

EXPRO INTERNATIONAL GROUP PLC			
<i>Candover's Investment as at 31st December</i>		1994	1993
Oil and Gas Field Services	Cost of Investment	£596,000	£596,000
	Directors' Valuation	£896,000	£724,000
	Effective Equity Interest (fully diluted)	0.9%	0.9%
	% of Candover's Net Assets	1.1%	1.0%
	Basis of valuation: Multiple of Earnings		

Expro was the subject of a management buy-out from Flextech plc in July 1992 in which Candover, the Candover 1989 Fund and the Candover 1991 Fund invested £7 million. Expro provides a wide range of services to international oil and gas exploration and production companies in the North Sea, Africa, former Soviet Union, Asia Pacific and South America.

On 28th March, 1995 Expro listed on the London Stock Exchange by way of a Placing (including a Public Offer) at 175p per share. At the listing price Candover will receive cash and shares worth £1,100,000 from its direct investment and a further £100,000 (cost: £58,000) from its investment through the Candover 1989 UK Limited Partnership. Candover will also receive under the 1989 Fund carried interest arrangements further cash and shares valued at £606,000.

Profits before interest and tax for the year ended 31st March, 1994 were £10.4 million on sales of £65.4 million (1993: £7.8 million on sales of £50.7 million). In the nine months to 31st December, 1994 profits were £9.7 million on sales of £52.6 million.

Gross dividends received by Candover during the year ended 31st December, 1994 were £7,176 (1993: £7,296).

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

FISHERS GROUP LIMITED / F. I. G.			
	<i>Candover's Investment as at 31st December</i>	1994	1993
Loss Adjusters	Cost of Investment	£316,000	£296,000
	Directors' Valuation	£872,000	£640,000
	Effective Equity Interest (fully diluted)	9.6%	5.6%
	% of Candover's Net Assets	1.0%	1.0%
	Basis of valuation : Sale Price		

Candover's original investment which was made in April 1991 was in Fishers Group Limited. In February 1995 Fishers Group Limited reversed into Celtic Gold plc, a company listed on the Irish Stock Exchange, at a price of 11p per share, and this company was subsequently renamed Fishers International plc. Candover received cash and shares valued at £921,000 from the sale.

The company continues to operate as loss adjusters through a number of UK branches and has representation through subsidiaries and agencies in 35 centres worldwide. They remain the eighth largest chartered insurance loss adjusters, the largest loss adjusters handling motor vehicle claims, in addition to handling substantial marine, transit and holiday travel claims.

In the financial year to 31st March, 1994 the audited profits before interest and tax of Fishers Group Limited were £1.9 million on sales of £12.1 million compared with profits of £1.2 million on sales of £10.15 million for the previous year.

Gross dividends received by Candover during the year ended 31st December, 1994 were £39,782 (1993: £Nil).

HEIDEMANN VERWALTUNGS GMBH			
	<i>Candover's Investment as at 31st December</i>	1994	1993
Automotive Components Manufacturer	Cost of Investment	DM3,231,000	DM3,231,000
		(£1,099,000)	(£1,099,000)
	Directors' Valuation	DM1,760,000	DM2,335,000
		(£726,000)	(£909,000)
	Effective Equity Interest (fully diluted)	9.5%	9.5%
	% of Candover's Net Assets	0.9%	1.3%
	Basis of valuation : Multiple of Earnings		

Heidemann, located in Einbeck, near Hanover, is engaged in the manufacture of special automotive systems/components and electroplating. During the year Heidemann secured several major new systems contracts with leading motor manufacturers.

The profit before interest and tax for the year ended 31st January, 1994 was DM 8 million on sales of DM 134 million after including extraordinary expenses of DM 0.7 million and amortisation of goodwill amounting to DM 1 million compared with profits in the year ended 31st January, 1993 of DM 11 million on sales of DM 151 million and after including extraordinary profits of DM 0.5 million.

No dividends were received by Candover during the year ended 31st December, 1994 (1993: £Nil).

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

ECONOMIC INSURANCE HOLDINGS LIMITED			
	<i>Candover's Investment as at 31st December</i>	1994	1993
Composite Insurers	Cost of Investment	£463,000	£463,000
	Directors' Valuation	£673,000	£463,000
	Effective Equity Interest (fully diluted)	3.6%	3.6%
	% of Candover's Net Assets	0.8%	0.7%
	Basis of valuation : Net Asset Value		

Economic, which specialises in providing innovative "own label" insurance products, is based in Sittingbourne, Kent, and was the subject of a buy-out from the Hafnia Insurance Group in December 1993 in which Candover and the Candover 1989 Fund invested £5.9 million.

In the year ended 31st December, 1994 Economic Insurance Company Limited achieved a profit before loan interest and tax of £6.6 million on net premium written of £42.6 million compared with a profit of £4.3 million on net premium written of £31.3 million for 1993. Net Assets at 31st December, 1994 were £21.2 million compared with £13.4 million for the previous year..

No dividends were received by Candover during the year ended 31st December, 1994 (1993: £Nil)

ALUPAC HOLDINGS, INC.			
	<i>Candover's Investment as at 31st December</i>	1994	1993
Packaging	Cost of Investment	US\$404,000	US\$400,000
		(£240,000)	(£238,000)
Materials	Directors' Valuation	US\$973,000	US\$973,000
		(£622,000)	(£658,000)
	Effective Equity Interest (fully diluted)	15.9%	11.6%
	% of Candover's Net Assets	0.7%	0.9%
	Basis of valuation : Multiple of Earnings		

Alupac, in which Candover made an investment in a transaction organised by Lombard Investments, Inc., is based in Belpre and Caldwell, Ohio and manufactures packaging materials.

Profits before interest and tax for the year ended 31st December, 1993 were US\$2.4 million on sales of US\$34.4 million compared with US\$2.1 million on sales of US\$30.5 million for the previous year. The figures for 1993 include one month's profits for Norandal's US laminating business which was acquired in November 1993.

No dividends were received by Candover during the year ended 31st December, 1994 (1993: £17,331).

REVIEW OF TWENTY LARGEST INVESTMENTS - CONTINUED

INSPEC SPECIALITY CHEMICALS LTD			
	<i>Candover's Investment as at 31st December</i>	1994	1993
Manufacturer of Speciality Chemicals	Cost of Investment	£11,000	£263,000
	Directors' Valuation	£614,000	£687,000
	Equity Interest	0.4%	0.9%
	% of Candover's Net Assets	0.7%	1.0%
	Basis of valuation : Quoted Market Price		

Inspec manufactures and sells speciality chemicals which have a broad range of industrial and household applications. The products are supplied principally to chemical companies in over 50 countries for further processing or incorporation into end products used in a wide range of industries.

Inspec listed on the London Stock Exchange on 30th March, 1994 at a price of 160p per share, from which Candover received cash and shares valued at the listing price at £1,057,000. Since the listing Candover has gradually sold its total holding in Inspec giving net proceeds of £1,026,000 which is a further gain of £213,000 over the value of the shares at the listing price.

Profits before interest and tax for the year ended 31st December, 1994 were £13.2 million on sales of £74.1 million compared with £7 million on sales of £49 million for the previous year.

Gross dividends received by Candover during the year ended 31st December, 1994 were £56,012 (1993: £Nil).

KENWOOD APPLIANCES LTD			
	<i>Candover's Investment as at 31st December</i>	1994	1993
Manufacturer of Kitchen Appliances	Cost of Investment	£18,000	£34,000
	Directors' Valuation	£479,000	£1,008,000
	Equity Interest	0.3%	0.8%
	% of Candover's Net Assets	0.6%	1.5%
	Basis of valuation : Quoted Market Price		

Kenwood manufactures a wide range of food preparation appliances, of which the best known is the "Kenwood Chef". The company successfully listed on the London Stock Exchange in July 1992 and since then has continued to expand both by acquisition and organic growth. During the year Candover sold approximately 130,000 shares giving net proceeds of £481,000 (cost £15,900).

Profits before interest and tax for the year ended 31st March, 1994 were £11.9 million on sales of £120.4 million compared with profits for the previous year of £10.2 million on sales of £101.6 million.

Gross dividends received by Candover during the year ended 31st December, 1994 were £24,514 (1993: £28,796).

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 these general principles are set out below:

Investments are stated at amounts considered by the directors to be a fair assessment of their value, subject to the 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, the profit 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 provided this can be predicted with reasonable certainty. Such earnings 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 related to comparable quoted companies and normally discounted by 25%. The discount used may be lower where 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 arm's 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.

REPORT OF THE DIRECTORS

The directors present their report together with the financial statements for the year ended 31st December, 1994.

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 39.

The Group is engaged in the identification, implementation and monitoring of large management buy-outs and buy-ins in which it makes an investment. The Company has a number of funds under management:

The Candover 1994 Fund - This Fund closed on 28th February, 1995 with total commitments of £307.5 million including a £70 million commitment from Candover under a co-investment agreement. The 1994 Fund replaces the 1989 Fund and is available for investment in transactions requiring equity in excess of £5 million.

The Candover 1991 Fund - The 1991 Fund closed in April 1992 with £32.5 million of commitments from institutional investors in addition to which Candover has committed £5 million under a co-investment agreement, and remains available for investment in transactions requiring an equity investment of less than £5 million.

The Candover 1989 Fund - Closed on 5th June, 1989 with total commitments of £299 million from institutional investors together with a £20 million co-investment agreement with Candover for investment in transactions requiring equity in excess of £5 million. At the end of the investment period, which terminated on 11th May, 1994, £235 million had been drawn down, and by the end of February 1995 £210 million had been returned to investors.

The Combined Candover 1987 Funds - The 1987 Fund closed in June 1987 with £30 million available for investment in smaller transactions. Commitments have now been fully drawn down with only limited funds being available for follow-on investments if required.

The Electra Candover Direct Investment Plan - Established in partnership with The Electra Investment Trust in November 1985 with total commitments of £260 million to invest in transactions requiring equity in excess of £10 million. Investors in the Plan were released from their commitments in February 1989 when £212.8 million had been invested. Since then £319.1 million has been realised with two investments remaining.

The Hoare Candover Exempt Fund - In March 1984 a total investment of £7.5 million was raised with the assistance of Hoare Govett. The Fund was fully invested by 1986 and a total £8.2 million has been invested through the reinvestment of some realised funds. By 31st December, 1994 a total of £14.4 million had been realised, with two investments remaining. In February 1993 the Fund was extended for two years and on 1st March, 1995 at an Extraordinary General Meeting of Unitholders it was resolved to terminate the Fund on 30th June, 1995.

RESULTS AND REVIEW OF BUSINESS

The Group profit for the financial year after taxation was £3,410,000 compared with £2,381,000 for the year ended 31st December, 1993. Income increased from £7,672,000 to £10,711,000, and administrative expenses were £5,853,000 compared with £4,376,000 in

REPORT OF THE DIRECTORS - CONTINUED

1993. A review of the Group's activities and future prospects is given in the Chairman's Statement and Chief Executive's Report on pages 7 to 11.

DIVIDEND AND PROPOSED TRANSFER TO RESERVES

The directors recommend the payment of a final dividend of 8.1p per ordinary share (1993: 7.05p) giving a total dividend for the year of 12.25p (1993: 11p). Payment of the dividend will be made on 11th May, 1995 to holders on the register at the close of business on 6th April, 1995. The dividend details are shown in Note 6 on page 39.

After payment of the dividend there is a profit of £668,000 arising in respect of the year ended 31st December, 1994 which the directors propose to transfer to reserves. (1993: deficit of £81,000 charged to reserves).

DIRECTORS

Other than Mr D.R. Wilson the directors listed below served on the Board throughout the year and were in office at the end of the year.

C.R.E. Brooke	A.P. Hichens *	J.M. Raisman *
S.W. Curran	D.R. Wilson *	P.J. Scott Plummer *
G.D. Fairservice	R.A.P. King *	J.G. West *

* non-executive

Mr G.A. Elliot and Mr P.G. Wreford retired from the board on 3rd May, 1994. Mr D.R. Wilson was appointed to the board on 25th March, 1994.

Mr P.G. Symonds was appointed as an alternate director to Mr S.W. Curran from 6th May, 1994 to 7th June, 1994.

In accordance with the Articles of Association Messrs P.J. Scott Plummer, J.G. West and J.M. Raisman will retire by rotation and, being eligible, will offer themselves for re-election. None of the directors coming up for re-election have service contracts.

The biographical details of the serving directors appear on pages 4 and 5.

DIRECTORS' INTERESTS

The interest of the directors in the ordinary shares of the company are detailed below.

	Ordinary shares at 25p each		Share Options	
	31st December 1994	1st January 1994	31st December 1994	1st January 1994
Beneficial	or date of appointment		or date of appointment	
C.R.E. Brooke	501,552	501,552	12,795	12,795
S.W. Curran	638,108	639,708	12,795	12,795
G.D. Fairservice	162,500	165,000	100,000	100,000
A.P. Hichens	15,000	15,000	Nil	Nil
P.J. Scott Plummer	12,000	12,000	Nil	Nil
J.G. West	1,500	1,500	Nil	Nil
R.A.P. King	Nil	Nil	Nil	Nil
J.M. Raisman	Nil	Nil	Nil	Nil
D.R. Wilson	Nil	Nil	Nil	Nil

REPORT OF THE DIRECTORS - CONTINUED

Messrs C.R.E. Brooke and S.W. Curran each hold 12,795 share options which are exercisable between 28th October, 1990 and 28th October, 1997 at a price of 114p.

Mr G.D. Fairservice holds 12,795 share options exercisable between 28th October, 1990 and 28th October, 1997 at a price of 114p and a further 87,205 share options exercisable between 20th October, 1995 and 20th October, 2002 at a price of 235p.

There were no options granted or exercised during the year and there have been no changes to directors' interests in the share capital, including options, since the balance sheet date.

Messrs C.R.E. Brooke, S.W. Curran and G.D. Fairservice, together with certain other executives of the company have a beneficial interest in the Limited Partnerships of the Candover 1989 Fund, the Candover 1991 Fund and the Candover 1994 Fund. 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.

It was announced on 7th February, 1995 that the Candover 1989 Fund had achieved a return for its investors in excess of the prescribed rate. Accordingly on 7th February, 1995 £12.4 million in cash and shares held in blocked accounts was released and transferred to the Candover Executive Trust in which these directors, executives and their families have a beneficial interest.

Further transfers may take place dependent upon whether or not the prescribed rate is achieved for individual investments.

Apart from service contracts, and the interest in the Limited Partnerships referred to above, no director of the company is or has been during the year, materially interested in any contracts of significance with the company or its subsidiaries.

During the year a contract of insurance existed as referred to in section 310(3)(a) of the Companies Act 1985 as amended for the purpose of indemnifying the directors and officers against liabilities that may arise in the performance of their duties. This contract is due to be renewed in 1995.

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 31st March, 1995.

Electra Investment Trust plc	8.9%
The Scottish Eastern Investment Trust plc	8.4%
The Prudential Assurance Co Ltd	6.7%
Royal Life Insurance Limited	6.2%
BP Pension Trustees Limited	6.0%
London and Manchester Group of Companies	5.1%
British Airways Pension Fund	4.4%
Merchant Investors Assurance	4.1%

POLITICAL AND CHARITABLE DONATIONS

During the year £14,797 (1993: £11,086) was given for charitable purposes. A political donation of £5,000 was made to the Conservative Party during the year (1993: £Nil).

POST BALANCE SHEET EVENTS

Since the year end Gardner Merchant Group Services Limited has been sold and Expro International Group Limited has listed on the London Stock Exchange. Also Fishers Group Limited reversed into a listed company, Celtic Gold plc, on the Irish Stock Exchange. In February 1995 having exceeded the prescribed rate on the Candover 1989 Fund, monies held in the blocked account were released to Candover. Details are shown in Note 26.

ANNUAL GENERAL MEETING

The Annual General Meeting of the company will be held on 9th May, 1995 at 12 noon at the Howard Hotel, Temple Place, London WC2; the Notice of Meeting appears on page 50.

In addition to the Ordinary business of the meeting, as usual, a Special Resolution will be put to shareholders to permit the renewal of the authority of the directors to set aside shareholders' pre-emption rights over the issue of new shares for cash up to a limit of 5 per cent of the ordinary shares in issue.

AUDITORS

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

PEP STATUS

It has been reported in the press that since the last budget the rules governing the type of investments eligible for inclusion in a General PEP are being redefined. It is hoped that these changes would make investment trusts such as Candover eligible for inclusion in a General PEP.

A definitive statement is expected soon from the Inland Revenue following which the Candover Board will be in a position to decide Candover's PEPability and to ascertain whether or not Candover will be, or would wish to be, constrained in its investment policy by the PEPability criteria.

In the meantime Candover remains ineligible for inclusion in a General PEP.

TAX STATUS

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, 1993.

In the opinion of the directors, the Company's affairs since that date have been conducted so as to enable it to continue to seek approval 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

Company Secretary

20 Old Bailey
London EC4M 7LN
4th April, 1995

CORPORATE GOVERNANCE

CADBURY COMMITTEE

As in previous years, the directors have reviewed the Company's compliance requirements as outlined in the Cadbury Committee report on the Financial Aspects of Corporate Governance, together with the Code of Best Practice ("the Code") published in December 1992. The guidance notes for directors issued in November 1994 on Going Concern and Financial Reporting and in December 1994 on Internal Control and Financial Reporting have also been considered by the directors. In the view of the directors Candover continues to comply with the Code.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The directors are currently reviewing the guidance notes issued in December 1994 regarding Internal Control and Financial Reporting and will be reporting on internal controls in the Report and Accounts for the year ending 31st December, 1995.

Corporate Governance at Candover is achieved through the Board, which consists of three executive directors and six non-executive directors who delegate some of their powers to certain other committees whilst retaining other matters which are reserved for decision by the full Board. Details of the directors and the members of the committees, which are described below, are set out on pages 4 and 5.

Audit Committee

The Audit Committee, the Chairman of which is Mr D.R. Wilson, was established in 1990 for the purpose of providing a link between the Board and the Company's auditors on matters arising from the Group audit. These matters include consideration of the Group's Report and Accounts, the effect of Accounting Standards and policies generally, and internal financial control procedures. The Committee meets regularly before the publication of the Group's interim and preliminary announcement of results and at other times as necessary. It does not involve itself in the day-to-day running of the business which remains the responsibility of the executive directors.

Remuneration Committee

The Remuneration Committee, the Chairman of which is Mr A.P. Hichens, meets regularly to agree the policy in respect of directors and senior executives and to advise on the remuneration of staff.

Nomination Committee

In March 1994 the board appointed a Nomination Committee consisting of the Chairman, Deputy Chairman (non-executive) and Chief Executive for the purpose of selecting non-executive directors. All appointments, together with the appointment of any executive director are subject to the final approval of the full Board before ratification at a General Meeting of shareholders.

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 Company and 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 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

4th April, 1995

REPORT BY THE AUDITORS TO CANDOVER INVESTMENTS plc ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements, we have reviewed the directors' statements on pages 27 and 28 on the Company's compliance with paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

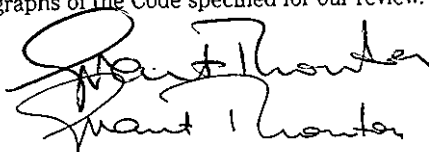
We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the Company's corporate governance procedures nor on the ability of the Company to continue in operational existence.

Opinion

With respect to the directors' statement on going concern on page 27, in our opinion the directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and the statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement on page 27 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Grant Thornton
Registered Auditors
Chartered Accountants



London
4th April, 1995

REPORT OF THE AUDITORS

TO THE MEMBERS OF
CANDOVER INVESTMENTS plc

We have audited the financial statements on pages 30 to 48, which have been prepared under the accounting policies set out on pages 30 and 31.

..... **Respective responsibilities of Directors and Auditors**

As described on page 28 the directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

..... **Basis of Opinion**

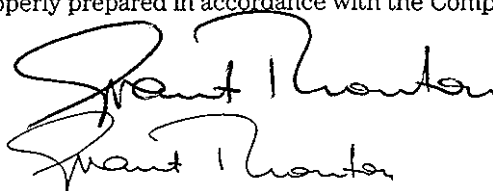
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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, 1994 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
4th April, 1995

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards except for the policies relating to accounting for managed funds and certain associated undertakings 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:

BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the Company and of its subsidiary undertakings (see note 10). The financial statements of each undertaking in the Group have been prepared to 31st December, 1994. 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 is in a position to exercise 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 profit and loss 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 11.

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. In the opinion of the directors it would not show a true and fair view for such investments to be equity accounted while the remainder are held at valuation, since all such investments are held for capital appreciation. Furthermore, the directors consider it is inappropriate to include in the consolidated profit and loss account the Group's share of an investee company's undistributed profits when those profits cannot be realised as income unless distributed, and if realised by sale of the investee company will be taken to non-distributable capital reserves. The effect if such investments were equity accounted is set out in note 9.

MANAGED FUNDS

Where the constitution of a managed fund involves its 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 gross within fixed asset investments and the third party interests deducted immediately after. 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 10.

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.

DEFERRED EXPENDITURE

Placement fees incurred in the establishment of the Candover 1991 Fund and the Candover 1994 Fund have been carried forward in current assets and are being written off over five years.

ACCOUNTING POLICIES - CONTINUED

DEPRECIATION

Depreciation is calculated to write down the cost 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

INVESTMENTS

Listed fixed asset investments are valued at middle market quotations derived from the London Stock Exchange Daily Official List. Unquoted investments are included at directors' valuation, the principles of which are set out on page 22.

Profits and losses on realisation of fixed asset investments are dealt with through the realised net appreciation reserve. Fixed asset investments are not held for immediate resale and any profits on realisation are not available for distribution. The excess of the market value of fixed asset investments over cost to the group is shown as an unrealised surplus.

Investments held as current assets are held at the lower of cost and net realisable value to the relevant Group undertaking. Profits and losses on realisations of current asset investments held by subsidiary undertakings are dealt with through the profit and loss account. Profits and losses on realisations of current asset investments held by the Company are dealt with through the realised net appreciation reserve.

Shares in subsidiary undertakings 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 net appreciation reserves as appropriate. All other exchange differences are dealt with through the profit and loss account.

PENSION COSTS

The Group contributes towards a number of funded defined contribution pension 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 PROFIT AND LOSS ACCOUNT

for the year ended 31st December, 1994

	Notes	1994 £'000	1993 £'000
Income	1	10,711	7,672
Administrative expenses	2	(5,853)	(4,376)
Operating income		4,858	3,296
Share of profits of associated undertakings	11	10	13
Profit before interest		4,868	3,309
Interest payable and similar charges	3	(13)	(9)
Profit on ordinary activities before taxation		4,855	3,300
Taxation on profit on ordinary activities			
Group	4	(1,443)	(917)
Associated undertakings	11	(2)	(2)
		(1,445)	(919)
Profit for the financial year	5	3,410	2,381
Dividends	6	(2,742)	(2,462)
Transfer to/(from) distributable reserves	17	668	(81)
Earnings per share	7		
Basic		15.24p	10.64p
Fully diluted		14.72p	10.33p

The accounting policies on pages 30 to 31 and notes on pages 37 to 48 form part of these financial statements.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31st December, 1994

	Notes	1994 £'000	1993 £'000
Capital profit on investments			
Realised gains and losses	17	598	1,225
Unrealised gains and losses	17	13,661	8,292
Exchange differences	17	(2)	(20)
Capital surplus for the year		14,257	9,497
Revenue profit available for distribution		3,410	2,381
Total recognised gains and losses for the year		17,667	11,878
Distributable profits			
Revenue profit available for distribution		3,410	2,381
Dividends	6	(2,742)	(2,462)
Transfer to/(from) distributable reserves	17	668	(81)
Non-distributable profits			
Transfer to non-distributable reserves	17	14,257	9,497
		14,925	9,416

The accounting policies on pages 30 to 31 and notes on pages 37 to 48 form part of these financial statements.

GROUP BALANCE SHEET

at 31st December, 1994

The accounting policies on pages 30 to 31 and notes on pages 37 to 46 form part of these financial statements.

	Notes	1994 £'000	1993 £'000
Fixed assets			
Tangible	8	179	166
Investments			
Managed Funds	10	214,200	273,225
Less: Third party interests in Managed Funds		(197,624)	(269,093)
Net investment in Managed Funds	9	16,576	4,132
Investee Companies	9	40,990	43,480
		57,566	47,612
Associated undertakings	11	80	72
		57,646	47,684
Current assets			
Debtors	12	6,682	4,810
Investments	13	26,192	22,064
Cash at bank		224	554
		33,098	27,428
Creditors: amounts falling due within one year	14	(5,893)	(5,259)
Net current assets		27,205	22,169
Total assets less current liabilities		85,030	70,019
Provisions for liabilities and charges	15	(1,099)	(1,013)
		83,931	69,006
Capital and reserves			
Called up share capital	16	5,595	5,595
Share premium account	17	126	126
Realised net appreciation reserve	17	50,427	47,790
Unrealised net appreciation reserve	17	23,864	12,244
Profit and loss account	17	3,902	3,234
Shareholders' Funds	18	83,914	68,989
Minority interests		17	17
		83,931	69,006

The financial statements were approved by the Directors on 4th April, 1995

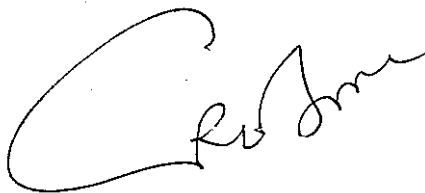
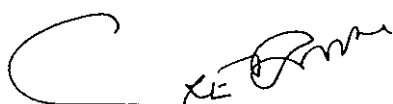
C.R.E. Brooke
Chairman

S.W. Curran
Chief Executive

BALANCE SHEET*at 31st December, 1994*

	Notes	1994 £'000	1993 £'000
Fixed Assets			
Investments	9	62,408	52,382
Associated undertakings	11	1	1
		<u>62,409</u>	<u>52,383</u>
Current assets			
Debtors	12	2,520	1,376
Investments	13	19,066	14,393
Cash at bank	2		438
		<u>21,588</u>	<u>16,207</u>
Creditors: amounts falling due within one year	14	(3,256)	(2,718)
Net current assets		<u>18,332</u>	<u>13,489</u>
Total assets less current liabilities		<u>80,741</u>	<u>65,872</u>
Provisions for liabilities and charges	15	(69)	(110)
		<u>80,672</u>	<u>65,762</u>
Capital and reserves			
Called up share capital	16	5,595	5,595
Share premium account	17	126	126
Realised net appreciation reserve	17	50,296	47,790
Unrealised net appreciation reserve	17	23,612	11,918
Profit and loss account	17	1,043	333
		<u>80,672</u>	<u>65,762</u>

The accounting policies on pages 30 to 31 and notes on pages 37 to 48 form part of these financial statements.

C.R.E. Brooke
Chairman




S.W. Curran
Chief Executive

The financial statements were approved by the Directors on 4th April, 1995

GROUP CASH FLOW STATEMENT

for the year ended 31st December, 1994

The accounting policies on pages 30 to 31 and notes on pages 37 to 48 form part of these financial statements.

	Notes	1994 £'000	1993 £'000
Operating activities			
Cash received from investments		3,705	2,647
Cash received from investment management and other financial services		6,522	4,929
Expenses paid		(6,213)	(4,474)
Net cash inflow from operating activities	23	4,014	3,102
Returns on investments and servicing of finance			
Interest paid		(13)	(9)
Dividends paid		(2,507)	(2,346)
Net cash outflow from returns on investments and servicing of finance		(2,520)	(2,355)
Taxation			
UK corporation tax paid		(969)	(2,399)
Investing activities			
Purchase of tangible fixed assets		(103)	(85)
Purchase of investments		(6,366)	(6,861)
Sales of investments		9,728	6,672
Sale of tangible fixed assets		14	6
Net cash inflow/(outflow) from investing activities		3,273	(268)
Increase/(decrease) in cash and cash equivalents	24	3,798	(1,920)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st December, 1994

INCOME				
	1994		1993	
	£'000	£'000	£'000	£'000
Financial services	582		591	
Investment dealing	505		96	
Investment management fees	5,278		4,065	
	6,365		4,752	
Investment income:				
Income from fixed asset investments	2,774		1,090	
Income from Treasury bills and other fixed interest securities	1,116		1,039	
Other income receivable, arising on short-term deposits and loans	456		791	
	4,346		2,920	
	10,711		7,672	

Of the income from fixed asset investments £111,000 arose from listed investments (1993: \$126,000). Income from financial services originating from outside the United Kingdom was £29,000 (1993: \$31,000). All income arose from the single activity of organising and investing in management buy-outs and buy-ins and providing capital to unquoted companies. All income is attributable to continuing activities.

ADMINISTRATIVE EXPENSES				
<i>Administrative expenses include the following:</i>				
	1994		1993	
	£'000	£'000	£'000	£'000
Staff costs	2,629		2,053	
Depreciation	88		131	
Auditors' remuneration - audit work	40		37	
- non-audit work	58		81	
Operating lease rentals - building	534		534	
- other	25		31	
Staff costs during the year were:				
Salaries	2,084		1,574	
Social Security costs	179		139	
Pension, insurance and other costs	366		340	
	2,629		2,053	

The average number of employees of the Group in the UK during the year was 18 (1993: 18). Additionally, the average number of employees of overseas subsidiary undertakings in the Group during the year was 3 (1993: 5).

Note 2 continued

Remuneration and consultancy fees paid in respect of services provided by directors, were as follows:

	1994 £'000	1993 £'000
Directors' fees	119	118
Management remuneration:		
Salaries	653	642
Pensions	165	150
Insurance costs	29	31
Performance related remuneration	220	71
	1,067	894
Total fees and remuneration	1,186	1,012

The total emoluments of the Chairman (the highest paid director in 1994) and the highest paid director in 1993 were as follows:

	The Chairman 1994 £'000	The highest paid director 1993 £'000	The highest paid director 1993 £'000
Basic pay and benefits	233	212	257
Performance related remuneration	79	22	21
Insurance costs	16	19	6
Total emoluments excluding pension contributions	328	253	284
Pension contributions	77	70	48

The performance related remuneration is comprised of profit related pay and a discretionary bonus.

The emoluments of the directors, excluding pension contributions, were as follows:

	1994 number	1993 number
£5,001 to £10,000	2	-
£10,001 to £15,000	1	-
£15,001 to £20,000	4	6
£20,001 to £25,000	-	1
£25,001 to £30,000	1	-
£30,001 to £35,000	-	1
£35,001 to £40,000	-	1
£40,001 to £45,000	1	-
£45,001 to £50,000	-	1
£50,001 to £55,000	1	-
£55,001 to £60,000	-	1
£60,001 to £65,000	1	-
£65,001 to £70,000	-	-
£70,001 to £75,000	1	-
£75,001 to £80,000	1	-

3

INTEREST PAYABLE AND DEFERRED TAX

	1994 £'000	1993 £'000
On bank loans, overdrafts and other loans		
- repayable within 5 years otherwise than by instalments	13	9

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

TAXATION OF PROFIT ON ORDINARY SHARES

4

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

	1994	1993
	£'000	£'000
United Kingdom corporation tax at 33 per cent (1993: 33 per cent)	947	(2)
Deferred tax (see note 15)	117	596
Tax attributable to franked investment income	376	324
Adjustment relating to prior years:		
United Kingdom corporation tax	34	22
Deferred tax (see note 15)	(31)	(23)
	<u>1,443</u>	<u>917</u>

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, 1993. In the opinion of the directors, the Company's affairs since that date have been conducted so as to enable it to continue to seek approval as an investment trust.

PROFIT FOR THE FINANCIAL YEAR

5

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 £3,452,000 (1993: £2,118,000) which is dealt with in the financial statements of the holding company.

DIVIDENDS

6

	1994	1993
	£'000	£'000
Paid interim of 4.15p (1993: 3.95p)	929	884
Proposed final of 8.1p (1993: 7.05p)	1,813	1,578
	<u>2,742</u>	<u>2,462</u>

EARNINGS PER SHARE

7

The calculation of basic earnings per ordinary share is based on profit for the financial year of £3,410,000 (1993: £2,381,000) and a weighted average number of shares of 22,381,095 (1993: 22,381,095). The calculation of fully diluted earnings per share takes account of the share options and is based on profit for the financial year of £3,410,000 (1993: £2,381,000) and a weighted average number of shares of 23,172,255 (1993: 23,060,255).

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

8

TANGIBLE FIXED ASSETS			
	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1st January, 1994	400	249	649
Additions	62	41	103
Disposals	-	(43)	(43)
At 31st December, 1994	462	247	709
Depreciation			
At 1st January, 1994	322	161	483
Provided in the year	50	38	88
Disposals	-	(41)	(41)
At 31st December, 1994	372	158	530
Net book value at 31st December, 1994	90	89	179
Net book value at 31st December, 1993	78	88	166

9

FIXED ASSET INVESTMENTS			
Group	Investments		
	Managed Funds £'000	Investee Companies £'000	Total £'000
Valuation at 1st January, 1994	4,132	43,480	47,612
Additions at cost	183	5,912	6,095
Disposals	(997)	(9,095)	(10,092)
Appreciation	13,258	693	13,951
Valuation at 31st December, 1994	16,576	40,990	57,566
Reconciliation			
Cost of investments	1,626	32,055	33,681
Net unrealised appreciation of investments	14,950	8,935	23,885
	16,576	40,990	57,566

Company	Investments			
	Shares in subsidiary undertakings £'000	Managed Funds £'000	Investee Companies £'000	Total £'000
Cost or valuation at 1st January, 1994	4,842	4,132	43,408	52,382
Additions at cost	-	183	5,912	6,095
Disposals	-	(997)	(9,023)	(10,020)
Appreciation	-	13,258	693	13,951
Cost or valuation at 31st December, 1994	4,842	16,576	40,990	62,408
Reconciliation				
Cost of investments	4,842	1,626	32,055	38,523
Net unrealised appreciation of investments	-	14,950	8,935	23,885
	4,842	16,576	40,990	62,408

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Note 9 continued

At 31st December, 1994 cumulative downward adjustments of £9,094,000 (1993: £8,006,000) had been made against investments with original costs of £11,455,000 (1993: £11,503,000)

Investments at valuation include:

	1994 £'000	1993 £'000
UK		
Listed	6,282	2,406
Unquoted at directors' valuation	40,977	33,308
Europe		
Unquoted at directors' valuation	2,157	5,050
US		
Listed	262	441
Unquoted at directors' valuation	7,888	6,407
	<u>57,566</u>	<u>47,612</u>

At 31st December, 1994 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, 1994, the Company had an interest of more than 20 per cent in the nominal value of the total allotted share capital of the following companies:

Companies	Class of shares held	Percentage of class held
Golden Key Homes Ltd	Cumulative convertible participating preferred ordinary	36.00
<i>(incorporated in Great Britain)</i>	Cumulative redeemable preference	33.33
Karablue Ltd	"B" Ordinary	35.58
<i>(incorporated in Great Britain)</i>		
Lombard Investments, Inc	Preferred	100.00
<i>(State of California)</i>		
VCI Candover Management BV	Ordinary	30.00
<i>(incorporated in the Netherlands)</i>	Loan Capital	30.00

For the reasons set out in the Accounting Policies these investments have not been included as associated undertakings. Based on the latest audited accounts received by the Company in respect of each investment, if equity accounting had been applied in these financial statements, the Group profit after tax would have been increased by approximately £142,000 (1993: £63,000) and the Group net assets increased by £227,000 (1993: £32,000).

10

SUBSIDIARIES AND FUNDS

At 31st December 1994, the principal subsidiary undertakings included in the consolidation were:

	Nature of business	Issued share capital
Candover Services Limited *	Arrangement of investment syndications	£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 1989 Fund, the Candover 1991 Fund and the Candover 1994 Fund	£1,050,000 Ordinary
Candover Investments (Nassau) Inc *	Investment holding company	US\$500,000 Common Stock
Deutsche Candover GmbH **	Arrangement of management buy-out and buy-in investments in Germany	DM 180,000 Ordinary

* Wholly owned directly by the holding company
*** Wholly owned by a subsidiary undertaking

** 50 per cent owned by the holding company
**** 81% owned by a subsidiary undertaking and 19% 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 Deutsche Candover GmbH which is incorporated and is operational in the Federal Republic of Germany and Candover Investments (Nassau) Inc which is incorporated and is operational in the Bahamas.

Interests in the Candover 1989, 1991 and 1994 Funds ("Managed Funds")

Candover Partners Limited is the General Partner of the limited partnerships comprising the Candover 1989 Fund, the Candover 1991 Fund and the Candover 1994 Fund. The Company is a Special Limited Partner in the Candover 1989 and Candover 1991 Funds and is a unitholder in an unauthorised exempt unit trust which is a Special Limited Partner in the Candover 1994 Fund. In each case the Special Limited Partners are 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 one of the Candover 1989 Limited Partnerships which at 31st December, 1994 was valued at £1.8million (cost: £1.4 million).

For the reasons set out in the Accounting Policies, the limited partnerships comprising the Candover 1989, the Candover 1991 and the Candover 1994 Funds have not been accounted for under the method of full consolidation. At 31st December, 1994, the net assets of the Funds were £203.7 million (1993: £268.8 million) and the income for the year ended was £13.1 million (1993 £5.7 million). The net assets can be summarised as follows:

	1994 £'m	1993 £'m
Investments	194.0	258.9
Debtors	5.3	1.7
Cash	5.4	8.4
Creditors	(1.0)	(0.2)
	203.7	268.8
Blocked account	10.5	4.4
	214.2	273.2

Amounts held in the blocked account represents Candover's carried interest entitlement on realisations made by the Candover 1989 Fund.

The figure of £10.5 million as at 31st December, 1994 is before the carried interest arising on the sale of Gardner Merchant, the addition of which increased the amounts held in the blocked account to £12.4 million. As referred to in the Chairman's Statement on page 7 these amounts were released to the company following the achievement of the prescribed rate of return on the funds invested by the Limited Partners.

At 31st December, 1994 Candover's investment as a Special Limited Partner in the Candover 1989 Fund was valued at £14.7 million (1993: £1.7 million)

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

11

ASSOCIATED COMPANIES			
	Nature of business	Issued share capital/ capital account	Percentage held
Hoare Candover Limited	Management of the Hoare Candover Exempt Fund	£1,000 Ordinary	50%
Electra Candover Partners	Management of the £260 million Electra Candover Direct Investment Plan	£60,000	33.3%

Hoare Candover Limited is incorporated in Great Britain and registered in England and Wales;

Electra Candover Partners' accounting reference period is 30th September and the amount held on the capital account shown above for 1994 is at that date. Both entities are operational in England.

Candover's interests in Hoare Candover Limited and Electra Candover Partners are owned by the holding company and by a subsidiary undertaking respectively.

The investors in the Electra Candover Direct Investment Plan were released from their commitments on 28th February 1989.

	Group share of net assets £'000	Company share at cost £'000
Cost at 1st January, 1994	1	1
Share of post-acquisition reserves at 1st January, 1994	71	-
Increase	8	-
	<u>80</u>	<u>1</u>

12

DEBTORS				
	1994 £'000	Group 1993 £'000	1994 £'000	Company 1993 £'000
<i>Amounts falling due within one year:</i>				
Trade debtors	695	852	-	-
Amounts owed by group undertakings	-	-	27	74
Amounts owed by associated undertakings	-	3	-	-
Other debtors	2,630	2,236	1,975	941
Prepayments and accrued income	1,833	1,622	518	361
	<u>5,158</u>	<u>4,713</u>	<u>2,520</u>	<u>1,376</u>
<i>Amounts falling due after more than one year:</i>				
Prepayments and accrued income	1,524	97	-	-
	<u>6,682</u>	<u>4,810</u>	<u>2,520</u>	<u>1,376</u>
Total debtors	<u>6,682</u>	<u>4,810</u>	<u>2,520</u>	<u>1,376</u>

13

CURRENT AND FIXED ASSETS				
	1994 £'000	Group 1993 £'000	1994 £'000	Company 1993 £'000
Listed investments	-	3	-	-
Short term deposits and fixed interest securities	26,192	22,061	19,066	14,393
	<u>26,192</u>	<u>22,064</u>	<u>19,066</u>	<u>14,393</u>

The market value of the listed investments at 31st December, 1994 was £nil (1993: £4,500).

14

CREDITORS' AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Trade creditors	192	296	1	14
Amounts owed to group undertakings	-	-	603	128
Current taxation	612	1,119	563	772
Social security and other taxation	54	74	-	-
Proposed dividends	1,813	1,578	1,813	1,578
Other creditors	1,564	645	178	179
Accruals and deferred income	1,658	1,547	98	47
	<u>5,893</u>	<u>5,259</u>	<u>3,256</u>	<u>2,718</u>

15

PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Deferred taxation:				
At 1st January	1,013	440	110	63
Increase/(decrease) in year	86	573	(41)	47
At 31st December	<u>1,099</u>	<u>1,013</u>	<u>69</u>	<u>110</u>
Deferred taxation provided for in the financial statements is set out below:				
Accelerated capital allowances	(76)	(89)	-	-
Other timing differences	1,175	1,102	69	110
	<u>1,099</u>	<u>1,013</u>	<u>69</u>	<u>110</u>

There was no unprovided deferred taxation in the financial statements at 31st December, 1994 (1993 £Nil).

16

SHARE CAPITAL

	1994		1993	
	Number	£'000	Number	£'000
Authorised:				
Ordinary shares of 25p each	<u>29,000,000</u>	<u>7,250</u>	<u>29,000,000</u>	<u>7,250</u>
Allotted, called up and fully paid:				
Ordinary shares of 25p each at 1st January	22,381,095	5,595	22,381,095	5,595
Issued during the year on exercise of options	Nil	Nil	Nil	Nil
At 31st December	<u>22,381,095</u>	<u>5,595</u>	<u>22,381,095</u>	<u>5,595</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Note 16 continued

No options were exercised during the year but 160,000 new options were granted in the year. At 31st December, 1994 the following options remained exercisable at the following prices and dates.

No. of options	Price	Exercisable between
115,155	113.89p	28th October, 1990 - 28th October, 1997
49,230	137.44p	6th October, 1991 - 6th October, 1998
75,000	208.00p	13th March, 1993 - 13th March, 2000
40,000	282.67p	29th April, 1994 - 29th April, 2001
20,000	236.67p	19th October, 1995 - 19th October, 2002
182,205	235.00p	20th October, 1995 - 20th October, 2002
160,000	340.00p	17th June, 1997 - 17th June, 2004
641,590		

As at 31st December, 1994 there remained 149,570 options available to be granted under the New Candover (1994) Executive Share Option Scheme (1993: 197,570 options were available under the previous Candover Executive Share Option Scheme which expired in July 1994).

Under the terms of the New Candover (1994) Executive share option scheme approved at the AGM held on 3rd May, 1994, the exercise of options issued under the scheme will be subject to performance criteria. The criteria considered appropriate for adoption by Candover was a formula based upon Candover's net asset growth over a three year period exceeding the growth of its FT-SE All Share Index over the same three year period and reviewed on a rolling half yearly basis.

	Non-distributable reserves			Distributable reserves
	Share premium account £'000	Realised net appreciation reserve £'000	Unrealised net appreciation reserve £'000	Profit and loss account £'000
Group				
At 1st January, 1994	126	47,790	12,244	3,234
Surplus on investments revaluation			13,661	
Investments realised in year		2,637	(2,039)	
Exchange differences			(2)	
Retained profit for the year			-	668
At 31st December, 1994	126	50,427	23,864	3,902
Company				
At 1st January, 1994	126	47,790	11,918	333
Surplus on investments revaluation			13,661	
Investments realised in year		2,506	(1,967)	
Retained profit for the year				710
At 31st December, 1994	126	50,296	23,612	1,043

	1994	1993
	£'000	£'000
Profit for the financial year	3,410	2,381
Dividends	(2,742)	(2,462)
	668	(81)
Capital surplus for the year	14,257	9,497
Net addition to shareholders' funds	14,925	9,416
Shareholders' funds at 1st January	68,989	59,573
Shareholders' funds at 31st December	83,914	68,989

19

CAPITAL COMMITMENTS

The directors have authorised commitments of £65 million and £5 million which will be invested pro rata and in parallel with the Candover 1994 Fund and the Candover 1991 Fund respectively. At 31st December, 1994 the outstanding commitment was £64.2 million (1993: £Nil) and £2.7 million (1993: £3.5 million) respectively. Since the year end the company has increased its overall commitment to the Candover 1994 Fund from £65 million to £70 million.

The Company has undertaken to purchase, for cash and on the same terms, 20 per cent of that part of the ordinary share capital of any future investee company offered to the combined Candover 1987 Funds.

During the year the Company committed \$6.7 million (£4.5 million) to the Lombard/Nogales Radio Partners LP, a limited partnership formed to acquire radio stations in the United States. At 31st December, 1994 the outstanding commitment was \$1.4 million (£0.9 million). At 31st December, 1994 the outstanding commitment to the Cambria Fund was ITL 2,370 million (£0.9 million) (1993: ITL 3,529 million (£1.39 million)).

20

PENSION COMMITMENTS

The Group contributed towards a number of funded defined contribution pension 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 and amounted to £242,000 (1993: £211,000).

At 31st December, 1994 no amounts were payable to the schemes (1993: £Nil).

21

LEASE COMMITMENTS

Operating lease payments amounting to £564,000 (1993: £572,000) are due within one year. The leases to which these amounts relate expire as follows:

	1994		1993	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Commitments expiring in less than one year	-	30	-	12
2 - 5 years	-	-	-	26
More than 5 years	534	-	534	-
	534	30	534	38

An agreement to lease was entered into during January 1991 whereby a proportion of the premises had been sublet at a rental of £148,000 per annum. This lease was subsequently renewed in January 1994 for a further period of three years at a rental of £64,000.

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

22

During the year, Messrs C.R.E. Brooke, S.W. Curran and G.D. Fairservice, who are all directors of the Company have invested in companies in which Candover has also made an investment.

Under the Stock Exchange Yellow Book Rules these interests are now 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 no longer required.

Details of these investments are as follows:

Class of Share	Equity investments in companies:	
	Subscribed in year	% (of class) held by the directors
	£	%
Vero Electronics Group Limited	'B' Ordinary shares of 1p each	1,684 0.11
Levington Group Limited	'A' Ordinary shares of 1p each	523 0.06
Nutreco Holdings BV	'A' Ordinary shares of DFL 1 each	311 0.01
Intermotor Group Limited	Cumulative Participating Preferred	
	'A' Ordinary shares of £1 each	430 0.1
	Cumulative Redeemable Participating Preferred	
	Ordinary shares of £1 each	333 0.1

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 £3,180 remained payable at 31st December, 1994 (1993: £2,943).

23

RECONCILIATION OF OPERATING INCOME TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
	1994	1993
	£'000	£'000
Operating income	4,858	3,296
(Increase)/decrease in debtors	(1,942)	957
Increase/(decrease) in creditors	1,242	(1,143)
Tax on franked investment income included within income from UK companies	(220)	(139)
Depreciation	88	131
Profit on disposal of tangible fixed assets	(12)	-
Net cash inflow from operating activities	4,014	3,102

24

ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR		
	1994	1993
	£'000	£'000
Balance at 1st January	22,618	24,538
Net cash inflow/(outflow)	3,798	(1,920)
Balance at 31st December	26,416	22,618

25

CASH AND CASH EQUIVALENTS			
	Current asset investments £'000	Cash at bank and in hand	Total £'000
Balance at 31 December, 1992	24,334	204	24,538
Change	(2,270)	350	(1,920)
Balance at 31 December, 1993	22,064	554	22,618
Change	4,128	(330)	3,798
Balance at 31 December, 1994	26,192	224	26,416

26

POST-BALANCE SHEET EVENTS

Since the year end, the following events have occurred:

- On the 1st February, 1995, Gardner Merchant was sold to Sodexho from which Candover received £2,248,000 (cost: £1,170,000) from its direct investment and a further £253,000 (cost: £141,000) from its investment in the Candover 1989 UK Limited Partnership. These proceeds have already been included in the valuations as at 31st December, 1994.
- On 7th February, Candover achieved a return to its investors in the Candover 1989 Fund in excess of the prescribed hurdle rate, the result of which was to allow for the release to Candover of £12.4 million in cash and shares held in the blocked account at that date.
- On 13th February, 1995, Fishers Group was sold to Celtic Gold plc, a company listed on the Irish Stock Exchange, which was subsequently renamed Fishers International plc. From this sale Candover received cash and shares totalling £921,000 (cost: £316,000) representing a further uplift in value of £49,000 from its valuation at 31st December, 1994.
- On 28th March, 1995 Expro listed on the London Stock Exchange at 175p per share. At the listing price Candover's direct investment was worth £1,100,000 (cost: £596,000) and its investment through the Candover 1989 UK Limited Partnership was worth a further £100,000 (cost: £58,000). Further cash and shares worth £606,000 are due to be received from Candover's share of the carried interest in the Candover 1989 Fund.

27

CONTINGENT LIABILITIES

There were no contingent liabilities at 31st December, 1994 or 31st December, 1993.

DISTRIBUTION OF FIXED ASSET INVESTMENTS

as at 31st December, 1994

Sector	UK	Europe	Americas	1994	1993
	%	%	%	Total	Total
Mineral Extraction					
Oil Integrated	-	-	-	-	1.6
Oil Exploration & Production	1.6	-	-	1.6	1.5
	1.6	-	-	1.6	3.1
General Manufacturers					
Building Materials & Merchants	0.7	-	-	0.7	3.0
Building and Construction	2.4	-	-	2.4	5.2
Chemicals	2.0	0.5	-	2.5	1.7
Electronics & Electrical Equipment	3.6	-	-	3.6	2.1
Engineering - General	9.4	0.4	1.1	10.9	11.5
Engineering - Vehicles	0.7	1.3	-	2.0	3.9
	18.8	2.2	1.1	22.1	27.4
Consumer Goods					
Wines, Spirits & Ciders	2.8	-	-	2.8	5.3
Health Care	0.3	-	-	0.3	0.2
	3.1	-	-	3.1	5.5
Services					
Distributors	-	0.4	-	0.4	0.3
Leisure & Hotels	6.9	-	-	6.9	7.6
Media	3.5	-	-	3.5	10.8
Retailers - Food	4.6	-	-	4.6	3.7
Retailers - General	0.7	-	-	0.7	1.4
Support Services	5.9	-	0.5	6.4	8.3
Transport	3.5	-	6.0	9.5	11.4
Other Services & Businesses	2.5	-	-	2.5	2.6
	27.6	0.4	6.5	34.5	46.1
Financials					
Insurance	1.7	-	-	1.7	1.9
Other Financial	29.3	1.1	6.6	37.0	16.0
	31.0	1.1	6.6	38.7	17.9
Totals %	82.1	3.7	14.2	100.0	100.0
Totals £'000	47,259	2,157	8,150	57,566	47,612

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Candover Investments plc will be held at The Howard Hotel, Temple Place, London WC2 on Tuesday 9th May, 1995 at 12 noon for the following purposes:

- 1 To receive the Report of the Directors and the audited financial statements for the year ended 31st December, 1994.
- 2 To declare a final dividend of 8.1p per share on the ordinary shares in respect of the year ended 31st December, 1994.
- 3 To re-elect Mr P.J. Scott Plummer who retires by rotation.
- 4 To re-elect Mr J.G. West who retires by rotation.
- 5 To re-elect Mr J.M. Raisman who retires by rotation.
- 6 To re-appoint 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

- 7 To consider and, if thought fit, to pass the following resolutions as Special Resolutions:

"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 4(a) passed at the Annual General Meeting of the Company held on 11th May, 1993 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 £279,764; 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 9th August, 1996 (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."

P.R. Neal

Company Secretary

4th April, 1995

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.
- 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 11.45am on 8th May, 1995 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.

FORM OF PROXY

For use at the Annual General Meeting of Candover Investments plc
to be held on 9th May, 1995

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 noon on 9th May, 1995 and at any adjournment thereof.

I / We direct my / our proxy to vote on the resolutions 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, 1994.		
Resolution 2	To declare a final dividend of 8.1p per ordinary share for the year ended 31st December, 1994.		
Resolution 3	To re-elect Mr P.J. Scott Plummer		
Resolution 4	To re-elect Mr J.G. West		
Resolution 5	To re-elect Mr J.M. Raisman		
Resolution 6	To re-appoint the auditors and to authorise the directors to fix their remuneration		

SPECIAL RESOLUTIONS		FOR	AGAINST
Resolution 7	To grant to 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.		

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 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 a joint holder, 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 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.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. MB 122



Barclays Registrars
Registrars for Candover Investments plc
Proxy Department
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4BR

FIRST FOLD

THIRD FOLD

Tuck inside facing flaps

PRODUCTION
FOCUS COMMUNICATIONS GROUP

DESIGN
JOHN NASH AND FRIENDS

PRINTING
GREENAWAYS