



# CANDOVER INVESTMENTS plc

## Report and Accounts

for the year ended 31st December, 1985

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*Executive team, left to right:  
Phillip Symonds, Doug Fairservice,  
Roger Brooke, Colin Buffin,  
Peter Wreford, Stephen Alexander,  
Stephen Curran.*

### Directors

P G Wreford *Chairman\**  
C R E Brooke *Chief Executive*  
S W Curran *Deputy Chief Executive*  
H A Hicks CBE\*  
R A P King\*  
P J Scott Plummer\*  
M C Stoddart\*  
L V D Tindale CBE\*  
J G West\*  
*\*Non-executive*

### Company Secretary

S M Alexander

### Registered Office

8-9 East Harding Street  
London EC4A 3AS  
Telephone: 01-583 5090  
Telex: 928035

### Solicitors

Ashurst, Morris, Crisp & Co.  
Broadgate House  
7 Eldon Street  
London EC2M 7HD

### Stockbrokers

Cazenove & Co.  
12 Tokenhouse Yard  
London EC2R 7AN

### Auditors

Grant Thornton  
Fairfax House  
Fulwood Place  
London WC1V 6DW

### Bankers

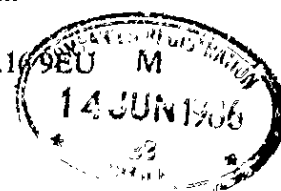
Barclays Bank PLC  
9 Gracechurch Street  
London EC3V 0BB

### Registrars

Barclays Bank PLC  
Registration Department  
Radbroke Hall  
Knutsford  
Cheshire WA16 9EU M

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## Chairman's Statement

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### Results for 1985

I am pleased to report that total net assets attributable to the ordinary shares, after including current asset investments at market or directors' valuation less attributable taxation, rose by 18.0% to £14,181,000 (198p per share). This compares with a net asset value of £12,017,000 (168p per share) at 31st December, 1984.

The profit before tax for the year was £756,000 compared with £267,000 in the previous year. The profit after tax was £444,000 (1984 £185,000) and earnings per share were 6.21p (1984 3.42p). Whilst this most satisfactory increase was partly due to the interest saving of £171,000 consequent upon the repayment of loan stock made when the company's shares were listed on The Stock Exchange, it also reflects rising returns from our investments and increased fees earned.

As I explained in my Statement last year, the main increase in asset values is obtained when companies in which Candover has investments obtain a listing of their shares or are sold to other companies, given the conservative values which the Board places on unlisted investments. During the year only two investments—Famous Names and Neighbourhood Stores—were realised in this way at values in excess of our previous valuation although in the former case the enhanced value of the holding had already been recognised in an upward valuation at 31st December, 1984 to £1,500,000.

The majority of companies in which we have unlisted investments continued to make satisfactory progress—some to the extent that we were able to make modest upward adjustments in the Board's valuations. However, the movement during the year in the dollar/sterling exchange rate had an adverse effect of approximately £750,000 on the overall net asset value figure. At 31st December, 1985, cumulative downward adjustments totalling £517,000 and \$1,270,000 had been made to investments with original costs of £630,000 and \$2,075,000.

### Dividends

The directors have decided to recommend a payment of a net dividend of 4p per share. This is an increase of 2p per share over last year's dividend and reflects the company's excellent profit performance.

### Activities in 1985

I referred above to the sale of Famous Names. This was one of Candover's early buy-outs, in July, 1981. The remarkable progress achieved by the company led to the purchase by Imperial Group in 1985 at a price of £15.5 million. Candover's share of the sale proceeds was £2.5 million compared with an original investment cost of £226,000. Famous Names had also paid substantial dividends during the period. This case illustrates the high returns obtainable on buy-outs which prosper as independent businesses. We wish the management of Famous Names every success in the future.

During the year sixteen investments were made, six of which were management buy-outs, five comprised additional finance for the development of companies where Candover already held an investment, four involved the provision of development capital for unlisted companies and one was a small investment in a quoted US company. Of these investments, eleven were in the UK and involved a total cost of £1,527,000, and five were dollar investments totalling \$1,303,000 with a further commitment of \$400,000.

Perhaps the most noteworthy management buy-out was that of Caradon Limited (comprising most of the former Building Products Division of Reed International PLC). This was the largest buy-out so far undertaken by Candover and involved a total financing of £61 million. Caradon has made a satisfactory start, as have the other five buy-out companies.

Of the non buy-out investments, one was in a new associated company, Lombard Investments Inc., which has been established in San Francisco to organise and invest in medium sized leveraged management buy-outs principally in the Western States of the United States. Lombard has already generated an encouraging flow of interesting projects.

Candover also participated in the funding of News UK, the publishers of the new national newspaper, "Today".

Separate reports on Candover's fifteen largest investments are set out on the pages following this Statement. Of those in the corresponding list at 31st December, 1984 three (Famous Names (Holdings), Vickers da Costa and Neighbourhood Stores) have been sold.

#### **Electra Candover**

Towards the end of 1985, the establishment was announced of the Electra Candover Direct Investment Plan under which commitments have been obtained from over thirty five institutions in the UK and the USA to invest a total of £260 million in projects organised by a new partnership formed between Candover and Electra Investment Trust PLC. The main focus of Electra Candover will be large UK based management buy-outs where the total amount of equity type finance exceeds £10 million. This is the largest source of finance yet arranged for buy-outs in the UK and is encouraging evidence both of the extent to which this area of investment has become accepted by investing institutions and of the reputation built up by both Candover and Electra from their previous buy-out activities.

The main reason for establishing Electra Candover was a judgement by the Boards of both companies that opportunities for arranging larger buy-outs will increase in the UK in both size and number over the next few years as groups both in the UK and elsewhere make divestments as part of a process of business concentration. It is important in such cases to be able to make commitments within a reasonable time frame and the Electra Candover arrangements enable this to be done. It will be the policy of Electra Candover to remain highly selective and to be cautious in the level of bank borrowings included in their projects. There is an obvious danger in encouraging management teams to take on excessive levels of gearing in these transactions particularly at a time when interest rates are high.

#### **Further finance for Candover Investments**

During the year Candover signed a cooperation agreement with The Scottish Eastern Investment Trust, managed by Martin Currie Investment Management Limited, under which Scottish Eastern have earmarked £20 million for investment in Candover's buy-out transactions. Similar arrangements have been made with other institutions for a further £40 million, as a result of which Candover is well placed to finance buy-outs below the Electra Candover £10 million threshold level.

#### **The Hoare Candover Exempt Fund**

At the year end the Hoare Candover Fund had invested £5,967,000 out of a total capital of £7,475,000 and with pending commitments is now almost fully invested.

Several of the companies in the Fund's portfolio are currently planning to list their shares on The Stock Exchange or the USM and in general the prospects for this portfolio appear encouraging. The estimated gross current yield on the Fund's investments is 8% reflecting the fact that most of the Fund's investments are in established businesses, including a good proportion of buy-outs. Under the terms of the Fund, Candover purchases, at original cost price, 7.5% of the equity in all investments made by the Fund.

#### **Events since the year end**

The principal transaction announced since 31st December, 1985 was the buy-out of Swan Hunter Shipbuilders. This was the first privatisation organised by Candover. Swan Hunter has an outstanding record in building warships for the Royal Navy and the management intends to build on this record whilst seeking to re-enter other export markets.

#### **Future prospects**

The flow of interesting projects continues at a satisfactory level and the trading prospects of the companies in which Candover has already invested are in general encouraging. Subject to the Stock Market environment remaining favourable a number of the companies in which Candover and the Hoare Candover Fund have holdings expect to obtain a listing of their shares in 1986. It remains to be seen how quickly the larger sized projects envisaged for Electra Candover will be identified and financed. There is no doubt that the Electra Candover arrangements offer Candover a particularly good opportunity to invest on advantageous terms in such transactions. At the same time the arrangements made in 1985 with other institutions provide a strong base for Candover to continue to compete effectively for the medium sized transactions which have been the main basis of the company's past success.

#### **Board**

Two new directors joined the Board in 1985, Mr Joe Scott Plummer, a director of Martin Currie, and Mr Jimmy West, deputy managing director of Globe Investment Trust. Both Mr Scott Plummer and Mr West have wide experience in the investment field and will bring new strength to our counsels.

#### **Executive Share Option Scheme**

The Board are recommending to shareholders certain changes in Candover's existing option scheme, the main purpose of which is to enable the company to offer competitive employment terms both to new members of staff and to certain existing executives. This is extremely important if Candover is to maintain its leadership position in a field where the demand for those with the appropriate experience and qualities exceeds supply.

#### **Staff**

I am grateful to the staff for all the extremely hard work which they have undertaken in a year which saw an increased number of investments and the formation of Electra Candover.

**P G Wreford**



A.P. Hitchens Chairman and  
P.J. Jansen,  
Managing Director

### Caradon

Cost of  
investment  
£715,168

Holding as at  
31st December 1985

306,406

Cumulative convertible participating preferred ordinary shares

154,000

Cumulative redeemable preference shares

£185,000

12% unsecured loan to £

Valuation as at  
31st December 1985

£715,168

In October, 1985, Caradon acquired from Reed International plc a group of UK based companies which manufacture steel and plastic baths, ceramic sanitaryware, shower fittings and plastic plumbing systems.

At 31st December, 1985 Caradon had not completed a full accounting period. No dividend income had been received in the period to 31st December, 1985.



John Timpson,  
Chairman

#### Timpson Shoes

Cost of  
investment  
£113,750

Holding as at  
31st December, 1985  
1,086,905  
ordinary shares

Valuation as at  
31st December, 1985  
£597,850

Timpson Shoes operates a chain of retail shoe shops and shoe repair units, mainly based in the Midlands and North England.

In 1984, under refinancing arrangements, the company redeemed in full the secured debenture stock provided by investors as part of the finance for the buy-out of which Candover's proportion was £100,000.

For the year ended 28th September, 1985, profits from ordinary activities amounted to £869,000. Total net assets at that date were £14.2 million.

No dividend income was received in the year to 31st December, 1985.

#### DPCE Holdings

Cost of  
investment  
£3,125

Holding as at  
31st December, 1985  
125,000  
ordinary shares

Valuation as at  
31st December, 1985  
£515,000

DPCE Holdings is a market leader in the provision of manufacturer-independent computer maintenance services, primarily under contract, to leading national and international organisations in the UK, Belgium, Holland and the US. Its ancillary activities include the supply of equipment.

DPCE reported profits before tax of £1.93 million in the six months to 31st December, 1985 compared with £1.12 million for the same period in the previous year. In the year to 30th June, 1985, profits before tax amounted to £2.9 million (1984 £1.9 million). Dividend income from the investment amounted to £6,786 in the year to 31st December, 1985.

The holding of 125,000 ordinary shares was sold in January, 1986.

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**Aeronautic Development Corporation**

Cost of investment	Holding as at 31st December, 1985	Valuation as at 31st December, 1985
\$275,000	83 shares class A common stock	\$700,000
	74 shares class B common stock	
\$134,643	550	\$57,700
10% promissory note	shares class C common stock	11% promissory note

The company was formed to design, develop, manufacture and market a modification (Quiet Nacelles) for JT3D-7 and JT3D-3B model engines installed on DC-8-62/63 series aircraft to permit these aircraft to meet noise regulations of the United States Federal Aviation Administration, who issued an airworthiness and effectiveness certificate in July, 1985.

At 31st December, 1985 the company had delivered 20 units and a further 32 were under contract. A unit comprises Quiet Nacelles for four engines.

Being incorporated in the British Virgin Islands, the company does not publish financial information.

No dividend income was received in the year to 31st December, 1985.

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**AgriData Resources**

Cost of investment	Holding as at 31st December, 1985	Valuation as at 31st December, 1985
\$1,025,506	61,466 Class A common shares	\$653,728
	11.33 Class A preferred shares	

AgriData Resources, Inc. operates AgriData Network, a value-added data network offering business information retrieval and communications services to the agricultural industry in the US and Canada. This activity is being developed in cooperation with International Business Machines Corporation (IBM) subject to certain long-term proprietary agreements.

The company, being a closely held US corporation, does not publish financial information.

No dividend income was received in the year to 31st December, 1985.

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**Pentron Industries**

Cost of investment	Holding as at 31st December, 1985	Valuation as at 31st December, 1985
\$150,000	\$150,000 convertible secured note with warrants	\$639,884

Pentron Industries is a holding company whose common shares are quoted on the American Stock Exchange. The group distributes and markets electronic measuring and testing products to the consumer and industrial automotive replacement market and electronic power conditioning products to the telecommunications and microcomputer industries.

In the year to 30th June, 1985, a loss of \$865,000 was incurred on turnover of \$16 million. In the quarter to 30th September, 1985, Pentron reported a profit before tax of \$303,000 on turnover of \$7.1 million. In the six months to 31st December, 1985, Pentron reported a profit before tax and extraordinary items of \$985,000 on turnover of \$13.9 million.

Interest income from the note amounted to \$19,395 in the year to 31st December, 1985.

A subsidiary of Candover holds 7,500 Series A and 15,000 Series B preferred stock with an original cost of \$375,000 which investment, together with warrants, was valued at \$704,880 at 31st December, 1985.



*Bryan Allman,  
Managing Director*

### **Gower Holdings**

Cost of  
investment  
£261,000

Holding as at  
31st December, 1985

1,178,610  
ordinary shares  
152,777

*Cumulative redeemable preference shares*

Valuation as at  
31st December, 1985  
£431,777

The principal activity of Gower Holdings is the manufacture of self-assembly kitchen and bedroom furniture.

In the year ended 31st March, 1985, Gower made profits before tax of £752,000 (1984 £602,000) on a turnover of £12.2 million (1984 £11.7 million). At 31st March, 1985 total net assets were £2.9 million.

Dividend income in the year to 31st December, 1985 amounted to £27,281.

### Armand Group

Cost of  
investment  
\$300,000

Holding as at  
31st December, 1985  
2,667  
Shares of Series A preferred Stock

Valuation as at  
31st December, 1985  
\$605,000

The shareholders of Armand, which had been set up to organise and invest in leveraged management buy-outs in the US, have agreed to liquidate the company and distribute its assets in specie, part of which will comprise shares in Pentron Industries Inc. Being a closely held US corporation, it does not publish financial information. No dividend income was received in the year to 31st December, 1985.

### Stone International

Cost of  
investment  
£20,230

Holding as at  
31st December, 1985  
212,500  
ordinary shares

Valuation as at  
31st December, 1985  
£335,750

Stone International's primary business is the design, manufacture and supply of passenger comfort systems, such as air conditioning, lighting and associated power and generating equipment to mass transit and rail authorities. The company is also a major supplier to the UK market of industrial boilers and pressure vessels.

Stone reported profits before tax of £3.0 million in the six months to 30th November, 1985 compared with £3.2 million for the same period the previous year. In the year to 31st May, 1985, profits before tax amounted to £7.3 million (1984 £5.7 million).

Dividend income from the investment amounted to £21,900 in the year to 31st December, 1985.

The holding of 212,500 ordinary shares was sold in February, 1986.

### Technology Project Services (Holdings)

Cost of  
investment  
£105,002

Holding as at  
31st December, 1985  
41,746  
Cumulative convertible participating preferred ordinary shares  
63,256  
Cumulative redeemable preference shares

Valuation as at  
31st December, 1985  
£247,525

The principal activity of Technology Project Services is the provision of expert engineers, technologists and engineering support personnel as well as project teams on a contract or consultancy basis to the international electronic and associated high technology and defence industries.

Profits before tax were £235,000 for the 8½ months to 30th December, 1984 on turnover of £2.6 million. Net assets amounted to £1.48 million including goodwill of £1.3 million.

Dividend income in the year to 31st December, 1985 amounted to £11,168.

### Centaur Communications

Cost of  
investment  
£133,217

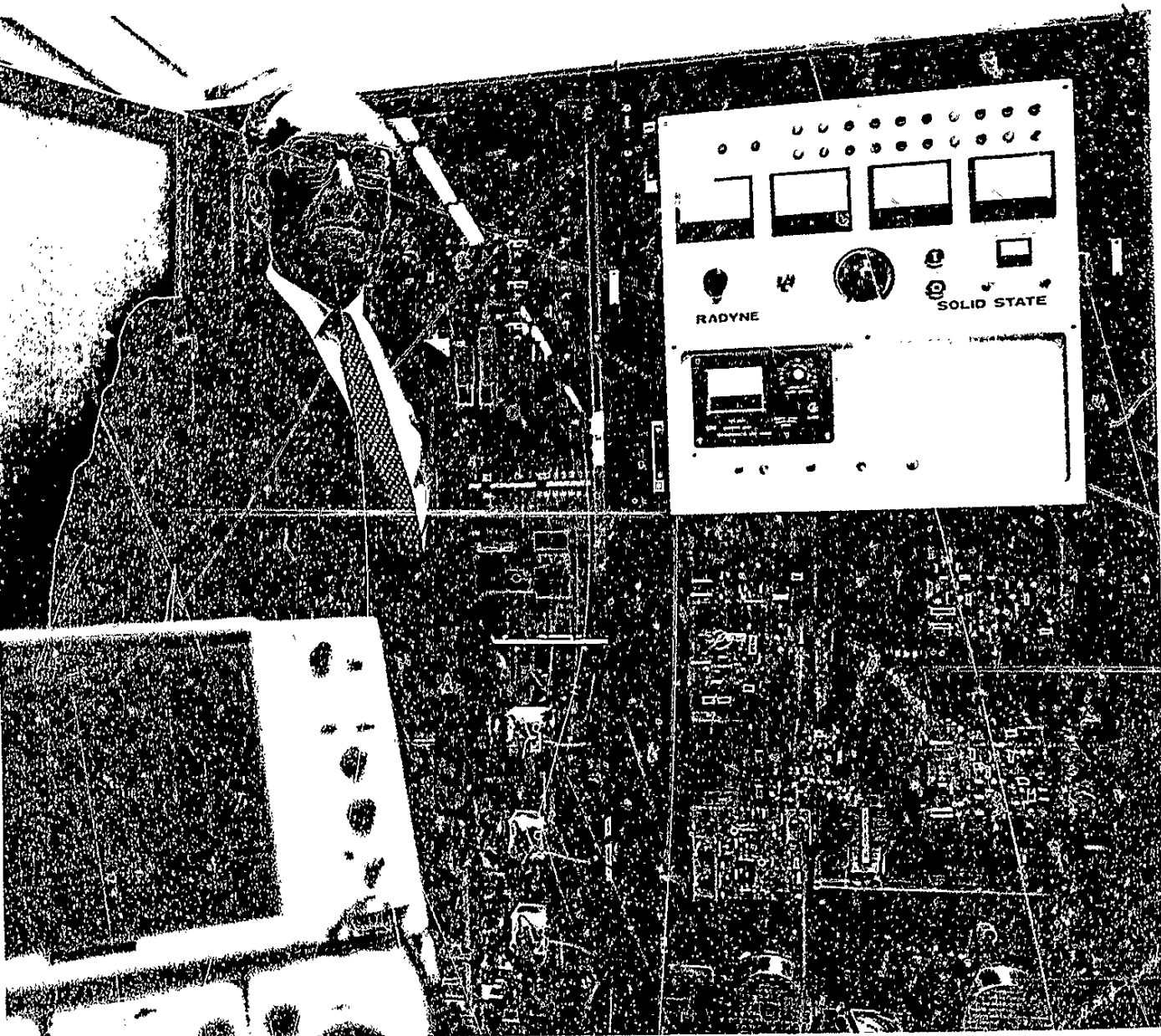
Holding as at  
31st December, 1985  
36,638  
ordinary shares

Valuation as at  
31st December, 1985  
£247,307

Centaur Communications is the holding company for a magazine group whose principal activity is the publication of business journals. Current titles include "Marketing Week", "Creative Review", "Televisual", "Your Business", "Money Marketing" and "Marketing".

In the year ended 30th June, 1985, Centaur made profits before tax from continuing activities of £832,000 (1984 loss £346,000) on turnover of £6.2 million (1984 £4.9 million). Net assets amounted to £3.3 million including goodwill of £1.2 million.

No dividend income was received in the year.



*Davis Spash, Managing  
Director*

### **Radyne Holdings**

Cost of  
investment  
£56,690

Holding as at  
31st December 1985  
23,595

Valuation as at  
31st December 1985  
£230,000

*(Cumulative convertible participating preferred ordinary shares)*

The activities of Radyne consist of manufacturing, selling and servicing medium and high frequency induction and dielectric heating equipment.

In the year ended 31st December, 1984 profits before tax were £980,000 (1983 £661,000) on turnover of £10.2 million (1983 £9.3 million). Net assets at 31st December, 1984 were £2.4 million (1983 £1.8 million).

Dividend income amounted to £13,207 in the year to December, 1985.



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**Emb-Tex Corporation**

Cost of  
investment  
\$180,000

Holding as at  
31st December, 1985  
\$180,000  
limited partnership capital

Valuation as at  
31st December, 1985  
\$264,200

The corporation is a US manufacturer of machine-made embroidery products. The investment in Emb-Tex is held through a US Limited partnership organised by Forstmann Little & Co. In addition a loan of \$45,000 has been made to the general partner of that partnership which is not included in the above figures.

The company, being a closely held US corporation, does not publish financial information. No dividend income was received in the year to 31st December, 1985.

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**Thos. Storey Limited**

Cost of  
investment  
£63,000

Holding as at  
31st December, 1985  
54,000

Cumulative convertible participating preferred ordinary shares

Valuation as at  
31st December, 1985  
£213,000

Storey is engaged in the provision of section bridging equipment and is the original manufacturer of the Bailey bridge. The business of Thos. Storey was purchased from a subsidiary of Acrow in receivership in October, 1984.

The first accounting period ended on 31st December, 1985 and the company has not yet made available its audited financial results.

Dividend income of £6,058 was received in the year to 31st December, 1985.

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**Peregrine Holdings Jersey**

Cost of  
investment  
£200,000

Holding as at  
31st December, 1985  
800,000  
ordinary shares

Valuation as at  
31st December, 1985  
£200,000

Peregrine Holdings was formed in May 1984 as an investment holding company with the primary object of achieving capital growth.

At 30th June, 1985, consolidated reserves were £57,000. Profits before taxation for the 53 weeks ended on that date were £143,520.

Dividend income of £10,000 was received in the year ended 31st December, 1985.

# Report of the Directors

The directors present their report together with financial statements for the year ended 31st December, 1985.

Mr Scott Plummer and Mr West were appointed to the Board on 10th December, 1985 and offer themselves for re-election at the Annual General Meeting.

## Principal activities

The group is engaged in the identification, investigation, implementation and monitoring of large syndicated management buy-outs in which it has always made an investment.

Candover Investments plc is an investment company within the meaning of Part VIII of the Companies Act 1985.

## Results and review of business

The group profit on ordinary business after taxation for the year was £444,000 compared with £185,000 for the year ended 31st December, 1984. A review of the year and current prospects are set out in the Chairman's Statement.

## Dividend and proposed transfer to reserves

The directors recommend the payment of a dividend amounting to 4p per ordinary share on 25th April, 1986 to holders on the register at the close of business on 25th March, 1986.

After payment of dividend, the amount retained by the group in respect of the year ended 31st December, 1985 will be £158,000, which the directors propose to carry forward.

## Directors

The directors listed below served on the Board during the year and were in office at the end of the year:

P G Wreford\*  
C R E Brooke  
S W Curran  
H A Hicks\*  
R A P King\*  
P J Scott Plummer\*  
M C Stoddart\*  
L V D Tindale\*  
J G West\*

\*Non-executive

## Directors' interests

The interests of the directors in the ordinary shares of the company were as follows:

	31st December 1985	31st December 1984
<b>BENEFICIAL</b>		
P G Wreford	48,000	48,000
C R E Brooke	540,800	540,800
S W Curran	236,840	236,840
H A Hicks	32,000	32,000
P J Scott Plummer	2,500	—
M C Stoddart	45,000	6,000
J G West	500	—
<b>NON-BENEFICIAL</b>		
C R E Brooke	191,040	191,040
M C Stoddart	10,000	—

In addition, Mr Brooke and Mr Curran have options to subscribe for 57,600 and 6,400 ordinary shares respectively. These options are exercisable after 7th August, 1987 at a price of 62½p per share.

The above interests remained unchanged as at 11th March, 1986.

Apart from service contracts, no director of the company has or has had during the year a significant interest in any contracts with the company or its subsidiaries.



#### Substantial shareholders

The company has been notified of the following interests in excess of 5% of the issued share capital of the company at 11th March, 1986:

Electra Investment Trust PLC	12.45%
Globe Investment Trust PLC	12.45%
C R E Brooke (including non beneficial)	10.23%
The Prudential Assurance Company Limited	6.97%
Investors in Industry PLC	6.27%
The British Petroleum Pension Trust Limited	6.27%
The Fleming Enterprise Investment Trust PLC	5.33%

#### Auditors

Grant Thornton (formerly Thornton Baker) offer themselves for reappointment as auditors in accordance with section 384(1) of the Companies Act 1985.

#### Tax status

The company has received the provisional approval of the Board of Inland Revenue as an investment trust for tax purposes with effect from 1st January, 1985 and, as such, the company will no longer be liable to corporation tax on capital gains.

The company has subsequently conducted its affairs in a manner which will enable it to continue to gain such approval.

The directors are of the opinion that the company is not a close company within the provisions of the Income and Corporation Taxes Act 1970.

By order of the Board  
S M Alexander  
Secretary

Cedric House  
8/9 East Harding Street  
London EC4A 3AS

11th March, 1986



## Report of the Auditors

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to the Members of Candover Investments plc

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We have audited the financial statements on pages 15 to 27 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention as modified by the valuation of investments, give a true and fair view of the state of affairs of the company and the group at 31st December, 1985 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

*Grant Thornton*

Grant Thornton

London

11th March, 1986



# Accounting Policies

for the year ended 31st December, 1985

The financial statements have been prepared under the historical cost convention except that investments are stated at valuation.

The principal accounting policies of the group have remained unchanged from the previous year.

## a) Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiaries (see note 11). The financial statements of each company in the group have been prepared to 31st December, 1985. The results of subsidiaries have been included from the date of acquisition.

An associated company is defined as a company, not being a subsidiary, 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. The group's share of the profits of the associated company is included in the group profit and loss account. The group balance sheet includes the investment in the associated company at the group's share of net assets. The company balance sheet shows the investment in the associated company at cost.

## b) Income

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

## c) Depreciation

Depreciation is calculated to write down the cost of all fixed assets by equal annual instalments over their expected useful lives.

The periods generally applicable are:

Plant and equipment	2-5 years
Motor vehicles	4 years

## d) Investments

Listed investments are valued at middle market quotations derived from The

Stock Exchange Daily Official List. Unlisted investments are included at directors' valuation.

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

Investments held as current assets are held at cost to the relevant subsidiary company. Profits and losses on realisation of current asset investments are dealt with through the profit and loss account.

Shares in subsidiary companies are maintained at cost less provisions.

## e) Deferred taxation

Deferred taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits as stated in the financial statements. Provision for deferred taxation is made to the extent that it is probable that a liability will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Deferred tax is calculated at the rate at which it is estimated that the tax will be paid when the timing differences reverse.

## f) 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 reserve. All other exchange differences are dealt with through the profit and loss account.



## Group Profit and Loss Account

for the year ended 31st December, 1985

	Notes	£'000	1985 £'000	1984 £'000
Income	1		1,583	916
Administrative expenses	2		(854)	(484)
Operating income			729	432
Share of profits of associated company			39	31
Profit before interest			768	463
Interest payable and similar charges	3		(12)	(196)
Profit on ordinary activities before tax			756	267
Tax on profit on ordinary activities				
Group	4	(300)		(73)
Associated company		(12)		(9)
			(312)	(82)
Profit on ordinary activities after tax			444	185
Extraordinary items	5		—	1,140
Profit for the year	6		444	1,325
Dividends	7		(286)	(143)
			158	1,182
Transfer to capital reserve			—	(1,140)
Profit retained	20		158	42
Earnings per share	8		6.21p	3.42p

The accounting policies on page 12 and notes on pages 20 to 27 form part of these financial statements.



# Group Balance Sheet

at 31st December, 1985

	Notes	£'000	1985 £'000	1984 £'000
<b>Fixed assets</b>				
Tangible assets	9		101	67
Investments	10		9,228	11,777
Associated company	12		3	3
			<u>9,332</u>	<u>11,847</u>
<b>Current assets</b>				
Debtors	13	618		1,135
Investments	14	5,501		321
Cash at bank and in hand		8		94
		<u>6,127</u>		<u>1,550</u>
<b>Creditors: due within one year</b>	15	<u>1,131</u>		<u>1,451</u>
<b>Net current assets</b>			<u>4,996</u>	<u>99</u>
<b>Total assets less current liabilities</b>			<u>14,328</u>	<u>11,946</u>
<b>Creditors: due after one year</b>	16		(128)	—
<b>Provisions for liabilities and charges</b>	17		(19)	(31)
			<u>14,181</u>	<u>11,915</u>
<b>Capital and reserves</b>				
Called up share capital	19		1,789	1,789
Share premium account	20		11	11
Capital reserve	20		1,076	1,076
Realised net appreciation reserve	20		8,377	2,773
Unrealised net appreciation reserve	20		2,717	6,213
Profit and loss account	20		211	53
			<u>14,181</u>	<u>11,915</u>

The financial statements were approved by the Directors on 11th March, 1986.

P G Wreford } Directors  
C R E Brooke }

*Handwritten signatures of P G Wreford and C R E Brooke.*

The accounting policies on page 12 and notes on pages 20 to 27 form part of these financial statements.

# Balance Sheet

at 31st December, 1985

	Notes	£'000	1985 £'000	1984 £'000
<b>Fixed assets</b>				
Investments	10		8,710	11,625
Associated company	12		1	1
			<u>8,711</u>	<u>11,626</u>
<b>Current assets</b>				
Debtors	13	800		1,155
Investments	14	5,236		277
Cash at bank and in hand		7		84
		<u>6,043</u>		<u>1,516</u>
<b>Creditors: due within one year</b>	15	<u>1,032</u>		<u>1,357</u>
<b>Net current assets</b>			<u>5,011</u>	<u>159</u>
<b>Total assets less current liabilities</b>			<u>13,722</u>	<u>11,785</u>
<b>Creditors: due after one year</b>	16		(128)	—
<b>Provisions for liabilities and charges</b>	17		(19)	(31)
			<u>13,575</u>	<u>11,754</u>
<b>Capital and reserves</b>				
Called up share capital	19		1,789	1,789
Share premium account	20		11	11
Capital reserve	20		1,076	1,076
Realised net appreciation reserve	20		8,369	2,765
Unrealised net appreciation reserve	20		2,190	6,062
Profit and loss account	20		140	51
			<u>13,575</u>	<u>11,754</u>

The financial statements were approved by the Directors on 11th March, 1986.

P G Wreford }  
C R E Brooke } Directors

*Michael*  
*C. R. Brooke*

The accounting policies on pages 12 and notes on pages 20 to 27 form part of these financial statements.



## Source and Application of Funds

for the Group for the year ended 31st December, 1985

	1985 £'000	1984 £'000
<b>Source of Funds</b>		
<b>From operations</b>		
Profit on ordinary activities before tax	756	267
Placing expenses	—	(300)
	<u>756</u>	<u>(33)</u>
<b>Adjustment for items not involving the movement of funds</b>		
Depreciation	33	26
Loss on sale of tangible fixed assets	5	1
Exchange differences	(128)	293
Share of profits of associated company	(39)	(31)
	<u>(129)</u>	<u>289</u>
	<u>627</u>	<u>256</u>
<b>From other sources</b>		
Issue of share capital	—	5
Proceeds of disposals of tangible fixed assets	10	2
Proceeds of disposals of fixed asset investments	13,040	3,647
Bank loan	104	—
Dividend from associated company	27	19
Increase in other creditors	24	—
	<u>13,205</u>	<u>3,673</u>
	<u>13,832</u>	<u>3,929</u>
<b>Application of Funds</b>		
Dividend paid	143	64
Tax paid	183	120
Purchase of tangible fixed assets	82	50
Purchase of fixed asset investments	8,255	3,419
Tax deducted at source on investment income	36	66
Bank loan repaid	—	620
Investment in associated company	—	1
	<u>8,699</u>	<u>4,340</u>
	<u>5,133</u>	<u>(411)</u>
<b>Net inflow/(outflow) of funds</b>		
<b>Increase/(decrease) in working capital</b>		
Debtors	(517)	1,043
Creditors:		
amounts falling due within one year	<u>556</u>	<u>(568)</u>
	<u>39</u>	<u>475</u>
<b>Net liquid funds</b>		
Current asset investments	5,180	(958)
Cash at bank and in hand	(86)	72
	<u>5,094</u>	<u>(886)</u>
<b>Net increase/(decrease) in working capital</b>	<u>5,133</u>	<u>(411)</u>



# Notes to the Financial Statements

for the year ended 31st December, 1985

## 1 Income

	1985 £'000	1984 £'000
Financial services	762	253
Investment dealing	214	213
Other operating income	—	15
	<u>976</u>	<u>481</u>
Investment income		
Income from fixed asset investments	466	301
Other income receivable, arising on short-term deposits and loans	141	134
	<u>607</u>	<u>435</u>
	<u>1,583</u>	<u>916</u>

Overseas income from financial services amounted to £59,000 (1984 £44,000). The remainder originated from the United Kingdom and the Channel Islands.

Of the income from fixed investments £29,000 arises from listed investments (1984 £18,000).

## 2 Administrative expenses

Administrative expenses include the following:

	1985 £'000	1984 £'000
Staff costs	477	315
Depreciation	33	26
Auditors' remuneration	12	12
Staff costs during the year were:		
Salaries	399	267
Social security	26	10
Pension costs	52	38
	<u>477</u>	<u>315</u>

The average number of employees of the group during the year was 9 (1984 7).

Staff costs include remuneration and consultancy fees paid in respect of services provided by directors, as follows:

	1985 £'000	1984 £'000
Directors' fees	47	41
Management remuneration	204	143
	<u>251</u>	<u>184</u>

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

	1985 £'000	1984 £'000
The chairman	20	14
The highest paid director	102	69

Other directors:

	1985 Number	1984 Number
£ 0 to £ 5,000	2	1
£ 5,001 to £10,000	4	4
£45,001 to £50,000	—	1
£75,001 to £80,000	1	—

Higher paid employees:

	1985 Number	1984 Number
£35,001 to £40,000	1	—
£40,001 to £45,000	1	—
£45,001 to £50,000	1	—



**3 Interest payable and similar charges**

	1985 £'000	1984 £'000
On bank loans, overdrafts and other loans		
—repayable within 5 years, otherwise than by instalments	12	24
—repayable wholly or partly in more than 5 years	—	172
	<u>12</u>	<u>196</u>

**4 Tax on profit on ordinary activities**

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

	1985 £'000	1984 £'000
United Kingdom corporation tax at 41.25% (1984 46.25%)	272	575
Tax on realised capital gains charged to capital reserve	—	(582)
Deferred tax (note 18)	(12)	17
Tax attributable to franked investment income	36	66
Adjustments relating to prior years	4	(3)
	<u>300</u>	<u>73</u>

**5 Extraordinary items**

	1985 £'000	1984 £'000
Profit arising on conversion of Loan Notes	—	1,440
Expenses of placing	—	(300)
	<u>—</u>	<u>1,140</u>

**6 Profit for the year**

As permitted by section 228(7) 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 £375,000 (1984 £1,322,000) which is dealt with in the financial statements of the parent company.

**7 Dividends**

	1985 £'000	1984 £'000
Proposed final dividend of 4p (1984 2p)	<u>286</u>	<u>143</u>

**8 Earnings per share**

The calculation of earnings per ordinary share is based on the profit on ordinary activities for the year after taxation of £444,000 (1984 £185,000) and 7,155,000 (1984 5,402,000) shares in issue during the year.



Notes to the Financial Statements—continued

9 Tangible fixed assets

Group	Total £'000	Plant and equipment £'000	Motor vehicles £'000
Cost			
At 1st January, 1985	110	62	48
Additions	82	29	53
Disposals	(30)	(20)	(10)
At 31st December, 1985	162	71	91
Depreciation			
At 1st January, 1985	43	28	15
Provided in the year	33	15	18
Disposals	(15)	(10)	(5)
At 31st December, 1985	61	33	28
Net book amount at 31st December, 1985	101	38	63
Net book amount at 31st December, 1984	67	34	33

10 Fixed asset investments

Group	Total £'000	Investments other than loans £'000	Loans £'000
Valuation at 1st January, 1985	11,777	11,738	39
Additions at cost	8,255	8,255	—
Disposals	(11,864)	(11,864)	—
Appreciation	1,060	1,068	(8)
Valuation at 31st December, 1985	9,228	9,197	31
Reconciliation			
Cost of investments	6,582	6,555	27
Net unrealised appreciation of investments	2,646	2,642	4
	9,228	9,197	31

At 31st December, 1985 downward adjustments of £517,000 and \$1,270,000 had been made against investments with original costs of £630,000 and \$2,075,000.

Investments and loans of the group at valuation include:	1985 £'000	1984 £'000
UK		
Listed investments	851	3,890
Unlisted investments at directors' valuation	4,308	5,190
US		
Listed investments	1,076	—
Unlisted investments at directors' valuation	2,893	2,697
	9,228	11,777



# Fixed asset investments continued

Company	Total £'000	Shares in group companies (note 11) £'000	Investments other than loans £'000	Loans £'000
Valuation at 1st January, 1985	11,625	931	10,655	39
Additions at cost	8,253	465	7,788	—
Disposals	(11,864)	—	(11,864)	—
Appreciation	696	—	704	(8)
Valuation at 31st December, 1985	8,710	1,396	7,283	31
Reconciliation				
Cost of investments	6,680	1,412	5,241	27
Net unrealised appreciation of investments	2,030	(16)	2,042	4
	8,710	1,396	7,283	31

At 31st December, 1985 downward adjustments of £517,000 and \$867,000 had been made against investments with original costs of £630,000 and \$1,485,000.

	1985 £'000	1984 £'000
Investments and loans at valuation include:		
UK Listed	851	3,890
UK Unlisted at directors' valuation	4,408	5,190
US Listed	564	—
US Unlisted at directors' valuation	1,491	1,614
	7,314	10,694

At 31st December, 1985 the company had interests of more than 10 per cent. in nominal value of the allotted share capital in the following classes but did not have interests of more than 20 per cent. in nominal value of the total allotted share capital of any company concerned. This table also incorporates percentage interests in the relevant class of share capital owned directly or through limited partnerships in the group's fifteen largest investments by valuation.

Companies incorporated in Great Britain	Class of shares held	Percentage of Class held
Builders Mate Limited	Cumulative convertible participating preferred ordinary	12.5
Caradon Limited	Cumulative convertible participating preferred ordinary	7.55
Castle Mines Limited	Cumulative redeemable preference Cumulative convertible participating preferred ordinary	3.08
Centaur Communications Limited	Ordinary	13.94
Colour Marketing Services Limited	Cumulative participating preferred ordinary	2.40
DPCE Holdings plc	Ordinary	20.00
Fenland Sheepskin Company Limited	'A' Ordinary	0.91
	'B' Ordinary	1.00
Gower Holdings plc	Ordinary	25.00
Karablue Limited	Cumulative redeemable preference	11.02
Millbank Publishing Group Limited	'B' Ordinary	13.88
Office Workstations Limited	Cumulative convertible participating preferred ordinary	20.00
Radyne Holdings Limited	Cumulative convertible participating preferred ordinary	10.00
Security Holdings Limited	Cumulative convertible participating preferred ordinary	27.20
Speyworth Limited	Cumulative redeemable preference Cumulative convertible participating preferred ordinary	9.34
Stone International plc	Ordinary	16.90
Technology Project Services (Holdings) Limited	Cumulative redeemable preference Cumulative convertible participating preferred ordinary	16.94
Thos. Storey Limited	Cumulative convertible participating preferred ordinary	25.00
Timpson Shoes Limited	Ordinary	25.00



## Fixed asset investments continued

In some cases, where the participation of management in the equity share capital is related to the achievement of target profits, the group's ultimate percentage equity interest will depend on the performance of the company concerned.

Companies incorporated in other than Great Britain	Class of shares held	Percentage of Class held
Agridata Resources, Inc. (incorporated in the state of Wisconsin)	'A' Common stock	14.16
Allied Filmmakers N.V. (incorporated in the Netherlands Antilles)	'A' Preferred stock	14.16
Armand Group Limited	Common B	10.41
Emb-Tex Corporation (incorporated in the State of Delaware)	'A' Preferred stock	80.00
Pentron Industries, Inc. (incorporated in the State of Illinois)	Limited partnership capital	5.00
Peregrine Holdings Jersey Limited (incorporated in Jersey)	Secured convertible note	12.50
Tekna, Inc. (incorporated in the State of California)	Ordinary	13.33
Valley Data Sciences, Inc. (incorporated in the State of California)	'A' Convertible preferred stock	10.00
	'A' Preferred stock	10.88

## 11 Subsidiary companies

At 31st December, 1985 the principal subsidiaries, all of which are wholly owned directly by the holding company, were:

Subsidiaries	Nature of business	Issued share capital
Candover Services Limited	Arrangement of investment syndications	£2
Candover Realisations Limited	Investment dealing company	£100
Candover Investments (West Indies) Inc.	Investment holding company	US\$1,972
Candover (Trustees) Limited	Debenture stock trustee	£100

All of the above companies are incorporated in Great Britain and are registered and operational in England with the exception of Candover Investments (West Indies) Inc., which is incorporated in the Turks and Caicos Islands and is operational in the West Indies.

## 12 Associated company

The group and the company have an interest of 50% in the ordinary share capital of Hoare Candover Limited. This company manages The Hoare Candover Exempt Fund and is incorporated in Great Britain and registered and operational in England.

Hoare Candover Limited has authorised and issued share capital of 1,000 ordinary shares of £1 each.

At 1st January and 31st December, 1985

Group Share of net assets £'000	Company Shares at cost £'000
3	1



### 13 Debtors

	Group		Company	
	1985 £'000	1984 £'000	1985 £'000	1984 £'000
Due within one year:				
Trade debtors	22	401	—	—
Amounts owed by group companies	—	—	666	470
Other debtors	22	613	3	612
Prepayments and accrued income	524	121	81	73
	<u>568</u>	<u>1,135</u>	<u>750</u>	<u>1,155</u>
Due after more than one year:				
Other debtors	50	—	50	—
Total debtors	<u>618</u>	<u>1,135</u>	<u>800</u>	<u>1,155</u>

### 14 Current asset investments

	Group		Company	
	1985 £'000	1984 £'000	1985 £'000	1984 £'000
Listed investments	3,229	19	3,216	—
Unlisted investments	2,272	302	2,020	277
	<u>5,501</u>	<u>321</u>	<u>5,236</u>	<u>277</u>

Unlisted investments consist mainly of short-term deposits. The market value of the listed investments was £3,229,000 (1984 £214,000).

### 15 Creditors: due within one year

	Group		Company	
	1985 £'000	1984 £'000	1985 £'000	1984 £'000
Trade creditors	100	362	—	—
Amounts owed to group companies	—	—	268	363
Current taxation	566	640	476	624
Social security and other taxes	80	46	—	22
Proposed dividends	286	143	286	143
Accruals and deferred income	99	260	2	205
	<u>1,131</u>	<u>1,451</u>	<u>1,032</u>	<u>1,357</u>

### 16 Creditors: due after one year

	Group		Company	
	1985 £'000	1984 £'000	1985 £'000	1984 £'000
Other creditors	24	—	24	—
Bank loan	104	—	104	—
	<u>128</u>	<u>—</u>	<u>128</u>	<u>—</u>

The bank loan at 31st December 1985 was a US\$150,000 loan repayable in full not later than February 1988 carrying interest at 9% at that date. It is secured by a sterling deposit of equivalent value.



Notes to the Financial Statements—continued

17 Provisions for liabilities and charges

	Deferred taxation (note 18) £'000
Group and company	
At 1st January, 1985	31
Decrease in year	(12)
At 31st December, 1985	<u>19</u>

18 Deferred taxation

Deferred taxation provided for in the financial statements is set out below. In addition, at 31st December, 1984 there were amounts for the group and for the company of £2,110,000 which represented contingent liabilities at the balance sheet date, being corporation tax on unrealised capital gains on investments. The company has received the provisional approval of the Board of Inland Revenue as an investment trust for tax purposes with effect from 1st January, 1985 and, as such, the company will no longer be liable to corporation tax on capital gains.

	Group		Company	
	1985 £'000	1984 £'000	1985 £'000	1984 £'000
Accelerated capital allowances	5	8	—	—
Other timing differences	<u>19</u>	<u>31</u>	<u>19</u>	<u>31</u>
	24	39	19	31
	<u>(5)</u>	<u>(8)</u>	<u>—</u>	<u>—</u>
	<u>19</u>	<u>31</u>	<u>19</u>	<u>31</u>

The group has unrelieved tax losses in certain subsidiaries not adjusted through the deferred taxation provision estimated at £23,000 (1984 £120,000) which are available to be set against future trading profits.

19 Called up share capital

	1985 and 1984 £'000
Authorised	
9,540,000 ordinary shares of 25p each.	<u>2,385</u>
Allotted, called up and fully paid:	
7,155,000 ordinary shares of 25p each.	<u>1,789</u>

The company has granted options to certain directors and employees in respect of 132,000 ordinary shares at prices of 62.5p and 214.66p per share which are exercisable between 7th August 1987 and 14th January 1989.

## 20 Share premium account and reserves

	Share premium account £'000	Capital reserve £'000	Realised net appreciation reserve £'000	Unrealised net appreciation reserve £'000	Profit and loss account £'000
<b>Group</b>					
At 1st January, 1985	11	1,076	2,773	6,213	53
Surplus on revaluation of investments	—	—	—	1,060	—
Investments realised in year	—	—	5,754	(4,578)	—
Exchange differences	—	—	(150)	22	—
Retained profit for year	—	—	—	—	158
At 31st December, 1985	11	1,076	8,377	2,717	211
<b>Company</b>					
At 1st January, 1985	11	1,076	2,765	6,062	51
Surplus on revaluation of investments	—	—	—	696	—
Investments realised in year	—	—	5,754	(4,578)	—
Exchange differences	—	—	(150)	10	—
Retained profit for year	—	—	—	—	89
At 31st December, 1985	11	1,076	8,369	2,190	140

## 21 Capital commitments

	Group		Company	
	1985 £'000	1984 £'000	1985 £'000	1984 £'000
Contracted but not provided for	—	88	—	—

## 22 Contingent liabilities

The company is liable to purchase at an original cost of £233,000 certain investments made by The Hoare Candover Exempt Fund, representing 7½% of that fund's equity shareholding in investee companies, within five years from completion of the investment or at the time of termination of that fund, whichever is the earlier.

The company has been advised of a potential liability to US taxation arising from the liquidation of The Union Ice Company. The directors have been informed by the official responsible for the liquidation that reserves established by him are sufficient to meet all known claims and they therefore consider the possibility of any further US tax liability falling on the company to be remote.

The contingent liability for deferred taxation is disclosed in note 18.

The company had agreed with Electra Investment Trust PLC ("Electra") that it would bear fifty per cent of any liability incurred by Electra in respect of an indemnity which Electra had given to secure a \$1.5 million loan to a Californian limited partnership in which Candover and Electra had an interest. The indemnity expired during 1985.

## 23 Pension commitments

The group contributes towards a number of personal pension arrangements designed to provide retirement benefits for certain of its directors and employees.

# 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 Wednesday, 16th April, 1986 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, 1985.

2 To declare a dividend of 4p per share on the ordinary shares for the year ended 31st December, 1985.

3 To re-elect P J Scott Plummer a director of the company.

4 To re-elect J G West a director of the company.

5 To propose as an ordinary resolution:

THAT pursuant to the provisions of Article 90 of the Articles of Association which provide that the fees which may be paid to directors in respect of their services as directors may not exceed in the aggregate the annual sum of £60,000 without the consent of the company in general meeting, this meeting does approve the payment of such fees in aggregate not exceeding £75,000 during the year ending 31st December, 1986 and in all subsequent years hereafter.

6 To propose as an ordinary resolution:

THAT the Directors be and they are hereby authorised to amend the Rules of the Candover Executive Share Option Scheme:

(1) by the insertion in Rule 1. after the definition of "the Model Code" of the following:

" "Net Asset Value of an Ordinary Share" the net asset value of the Company divided by the total number of Ordinary Shares in issue;"

(2) by the deletion of "higher" in the fourth line of Rule 4. and the substitution therefor of "highest";

(3) by the deletion of "and" in the fifth line of Rule 4.;

(4) by the insertion of "and" at the end of Rule 4.(b);

(5) by the insertion of the following new Paragraph (c) in Rule 4.;

"(c) the Net Asset Value of an Ordinary Share as determined by the Auditors by reference to the most recently published results (annual or half yearly) of the Company";

(6) by the deletion of "5" on the tenth line of Rule 6.(a) and the substitution therefor of "6.5";

(7) by the deletion of "3" on the fourth line of Rule 6.(c) and the substitution therefor of "6.5"; and

(8) by the deletion of Rule 8. and the substitution therefor of the following:

"8. Exercise of Options

(a) Save as provided to the contrary in the other provisions of this Rule 8, Options shall be exercisable (provided they have not lapsed pursuant to Rule 9 below) at any time after the third anniversary of the grant of the relevant Options and prior to the tenth anniversary thereof ("the Exercise Period").

(b) An Option may not be exercised as set out in Rule 8(a) unless the middle market quotation of an Ordinary Share as derived from the Daily Official List of The Stock Exchange for the last dealing day prior to the date on which the notice of exercise of the Option is received by the Secretary of the Company pursuant to Rule 10 below expressed as a multiple of the Subscription Price (as such price may have been adjusted pursuant to Rule 11 below) is such that the multiple exceeds a factor (as determined from the formula set out below) which represents the result of compounding at an annual rate of three per cent plus the average

gross redemption yield of five year medium coupon gilts as shown in the table of Average Gross Redemption Yields within the Financial Times Actuaries Share Indices table on the date the Option was granted over a period (calculated to the nearest number of entire half years) commencing on the date of grant of the Option and ending on the date on which the Option is exercised.

$$\text{Factor} = \left( 1 + \frac{(Y + 3)}{100} \right)^N$$

where Y = Average Gross Redemption Yield @ date of grant

N = Period in years (expressed to the nearest number of entire half years)

PROVIDED THAT the provisions of this Rule 8 (b) shall not apply to Options over the first 214,650 Ordinary Shares in respect of which Options are granted under the Scheme.

(c) Notwithstanding the provisions of Paragraphs (a) and (b) of this Rule, Options may (subject to the Options not having lapsed pursuant to Rule 9 below, and subject also to the provisions of Rule 8 (d)) additionally be exercised earlier in the circumstances provided for in Rule 9 below.

(d) Notwithstanding the foregoing provisions of this Rule 8, no Option shall be exercisable during the period of two months immediately preceding the preliminary announcement of the Company's annual results and the announcement of the half-yearly results or such other period as is referred to in the Model Code as being a period during which dealing should not take place. This restriction shall apply to all Participants and not only to directors of the Company.

(9) By the insertion of the words "the number of Ordinary shares set out in Rule 8 (b) above," after the word "Scheme" on the fifth line of Rule 11."

And the directors be and they are hereby authorised to carry such amendments into effect with such further consequent amendments if any as may be required to secure the approval of the Board of Inland Revenue under the Finance Act 1984.

7 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.

By order of the Board

S M Alexander

Secretary

11th March, 1986

#### NOTES:

Every Member entitled to attend and vote at the above Meeting may appoint a proxy 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.

Copies of service contracts of the directors with the company and its

subsidiaries that are for periods in excess of one year will be available for inspection at the Registered Office during business hours on any weekday (excluding Saturday) from the date of this notice until the date of the Annual General Meeting and at the venue of that Meeting from 11.45 am on 16th April, 1986 until the conclusion of the Meeting.

# Form of Proxy



I/We .....  
BLOCK CAPITALS

of .....  
being (a) member(s) of Candover  
Investments plc hereby appoint the  
chairman of the meeting or  
.....as my/our proxy to vote  
for me/us and on my/our behalf at the  
Annual General Meeting of the  
Company for 1985 to be held at 12 noon  
on 16th April, 1986 and at any  
adjournment thereof.

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

	FOR	AGAINST
1 To receive the report of the directors and the audited financial statements for the year ended 31st December, 1985	<input type="checkbox"/>	<input type="checkbox"/>
2 To declare a dividend of 4p per share on the ordinary shares for the year ended 31st December, 1985	<input type="checkbox"/>	<input type="checkbox"/>
3 To re-elect P J Scott Plummer a director of the company	<input type="checkbox"/>	<input type="checkbox"/>
4 To re-elect J G West a director of the company	<input type="checkbox"/>	<input type="checkbox"/>
5 To approve the payment of directors' fees	<input type="checkbox"/>	<input type="checkbox"/>
6 To authorise the Directors to amend the Rules of the Candover Executive Share Option Scheme	<input type="checkbox"/>	<input type="checkbox"/>
7 To reappoint the auditors and to authorise directors to fix their remuneration	<input type="checkbox"/>	<input type="checkbox"/>

Date .....

Signature .....

## NOTES:

If no indication is given, the proxy holder will vote or abstain from voting at his or her discretion.

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.

In the case of joint holders, the signature of any one holder will be sufficient.

In the case of a corporation, the proxy should be executed under its common seal or under the hand of some officer, duly authorised in writing in that behalf.

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 meeting.

FORM ML8

BULK LIST OF SHAREHOLDERS OR MEMBERS

A bulk list (over 10 pages) for the company named below has been lodged but does not appear on this Annual Return microfiche.

If you wish to search the list, please enquire at the Search Control Counter.

Company Number .....1512178.....

Company Name .....CANDOVER INVESTMENTS PIC.....  
.....

Made-up-date.....30.11.86.....