



CANDOVER INVESTMENTS plc

Report and Accounts

for the year ended 31st December, 1984

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Directors left to right

H A Hicks CBE

S W C - can Deputy Chief Executive

P G V - ciord Chairman

C R E Brooke Chief Executive (standing)

M C Stoddart

L V D Tindale CBE

R A P King

Company Secretary

S M Alexander

Auditors

Thornton Baker, Chartered Accountants

Fairfax House

Fulwood Place

London WC1V 6DW

Bankers

Barclay, Bank PLC

9 Gracechurch Street

London EC3V 0BB

Registrars

Barclays Bank PLC

Registration Department

Radbroke Hall

Knutsford

Cheshire WA16 9EU

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Registered Office

4/7 Red Lion Court

London EC4A 3EB

Telephone: 01-583 5090

Telex: 883934

Solicitors

Ashurst, Morris, Crisp & Co.

Broadgate House

7 Eldon Street

London EC2M 7HD

Stockbrokers

Cazenove & Co.

12 Tokenhouse Yard

London EC2R 7AN



I would like to welcome the many new members who have become shareholders of Candover Investments plc following the placing of the company's shares on The Stock Exchange, London, in December 1984.

Results for 1984

The net profit before tax for the year to 31st December 1984 was £266,954 compared with £185,797 for the eighteen months ended 31st December 1983. For the same periods the net profits after tax and before extraordinary items were £184,865 and £71,594, respectively.

The total net assets attributable to the ordinary shares at 31st December 1984 were £12.166 million (170p per share) before provision for the recommended dividend and after including current asset investments at market or directors' valuation less attributable taxation. Assuming conversion of the £3 million loan notes into ordinary shares the comparable total net assets at 31st December 1983 were £9.141 million (128p per share). The increase in net asset value in 1984 primarily reflects the higher values of Candover's investments, particularly in management buy-out companies, and is a measure of the success of the companies we have supported in achieving good overall progress during the year.

The net asset value at 26th November, 1984 (the valuation date for the purposes of the prospectus) was £11.910 million (166p per share).

Dividends

The directors have decided to recommend payment of a net dividend for the year of 2.0p per share. This increase over the forecast of 1.4p per share made at the time of the placing reflects the satisfactory profit performance of the company and the outlook for 1985.

Activities in 1984

Perhaps the single most important event for the company in 1984, apart from Candover's own placing, was the flotation of Stone International plc on The Stock Exchange in October. The progress of Stone since the management buy-out in May 1982 from the receivers of Stone-Plant Industries has been a remarkable success story and Candover is proud to have played a leading part in organising the buy-out finance. It was also pleasing to note the progress of DPCE Holdings, another buy-out in the organisation of which Candover played a leading role. DPCE's shares were listed on The Stock Exchange in July 1983 and the sharp increase in the company's market value since that date reflects the continuing good progress being made.

During the year Candover organised three substantial management buy-outs in the UK—Technology Project Services (Holdings) (formerly Consultants & Designers (UK)), Thos. Storey Engineers and the Simplex Electrical Group. The buy-out of Simplex was completed in December 1984 after the publication of Candover's prospectus. It is believed to be the largest UK management buy-out of an industrial manufacturing company in recent years. Simplex produces a wide range of electrical control, distribution and installation equipment used by the mining, petrochemical, construction and general engineering industries. The purchase price was £27.5 million and in addition to Candover a number of Candover's institutional shareholders

participated in providing the financial backing. The management team, who obtained a significant equity stake in the business, are confident that the group can continue to grow profitably.

The organisation of large buy-outs in the UK has continued to be the main focus of the company's activities. In addition to the three investments already mentioned, Candover made a further seven sterling investments in companies at a total cost of £530,183. These were primarily in unlisted companies requiring further capital for development in which the management already owned significant shares of the equity. However, two were management "buy-ins", where one or two experienced managers have led the purchase of a business in which they had not previously been employed.

In the USA Candover participated in two large management buy-outs organised by Forstmann Little—Dr. Pepper Company and Topps Chewing Gum—at a total cost of \$185,959. All the five buy-out companies introduced by Forstmann Little in which Candover has investments appear to be making satisfactory progress.

Candover also made investments at a total cost of \$840,000 in nine unlisted US companies, mostly introduced by Chappell and Co., a San Francisco based firm specialising in early stage technology oriented venture capital projects and medium sized management buy-outs. The companies in which Candover has invested in association with Chappell and Co. are all at an early stage of development.

During the year Candover assisted in arranging additional finance for three UK companies and one US company in which it already held investments. The purpose was to provide additional capital to finance development and, in two cases, acquisitions.

Candover also assisted Gower Holdings, which manufactures and distributes self-assembly kitchen furniture, in arranging a substantial investment during 1984 by a syndicate of BES funds to finance the company's development.

The Hoare Candover Exempt Fund

The Hoare Candover Fund, which was formally established in March 1984 with a capital of £7,475,000 to provide funds for unlisted companies, has up to the end of March 1985 made investments in ten companies in the UK and one in the US at a total cost of £2,723,198 and \$550,000 respectively. While it is too early to make a meaningful assessment of these investments, overall their progress so far has been satisfactory.

Events since the year end

Since the year end, one company in which Candover had an investment, Neighbourhood Stores which operates "7-Eleven" convenience stores, has been sold to Arthur Guinness and Sons plc. It was decided to realise Candover's investment and the sale proceeds amounted to £362,650 compared with an initial cost of £126,000. In addition advantage was taken of relatively strong markets to lighten the company's holdings in its quoted investments. As a result of these transactions, and the redemption of the £867,857 loan notes held following the disposal of Vickers da Costa, the company now has sterling and dollar funds of approximately £3.7 million and \$0.9 million respectively which can be utilised for further investments.

Future prospects

The flow of investment opportunities to Candover continues at a satisfactory level and has increased since the placing. As explained in the prospectus document, the Board believes that the process of concentration in the UK is likely to continue, with the result that companies will decide to divest divisions or subsidiaries which they judge not to be mainstream activities, and some of which will take the form of buy-outs. It is likely that the future pattern of investment by Candover will continue to be in a small number of relatively large management buy-outs in parallel with the provision of development capital for a greater number of small to medium sized unlisted companies. In the USA, the Company is continuing to see a satisfactory number of investment opportunities, particularly through Chappell & Co., and the opportunity exists to continue to deploy our dollar assets in selected projects where we have confidence in the expertise of the lead investor. The company is currently examining certain new initiatives to re-inforce our ability to undertake large transactions in the UK and to participate in management buy-outs in Europe.

Finally, the Board remains confident that many of the buy-out companies and other unlisted companies in which the Company has investments will develop successfully to a listing of their shares on the USM or the Stock Exchange and that this will also be the case with the more successful of the US companies in which the company has investments. It is impossible to predict the timing of these developments and it is therefore likely that the increase in Candover's asset value will be as uneven in the future as it has been in the past. The most significant impact on asset values is achieved when companies in which Candover has investments obtain a listing of their shares or are sold to other companies, since values which the Board places on unlisted investments must be conservative.

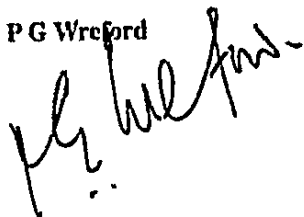
Board

Following his move to Jersey, Mr D P Murphy retired as a director in November. He joined the Board in July 1981 and has made a most valuable contribution. I am glad that we shall continue to benefit from his experience and commercial acumen through our investment in Peregrine Holdings Jersey, of which he is Chairman.

Staff

I would like to express appreciation once again for the dedication and hard work of our staff who have had both an extremely busy year on the investment side and the additional task of handling the work involved in the placing.

P G Wreford





Ten largest investments

by valuation at 31st December, 1984

DPCE Holdings

Original cost of investment	Holding as at 31st December, 1984	Valuation as at 31st December, 1984
£166,875	500,000 ordinary shares	£2,140,000

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, Holland and US. Its ancillary activities include training, hardware consultancy and supply of equipment.

DPCE reported profits before tax of £1.123 million for the six months to 31st December, 1984 compared with £818,000 for the same period in the previous year. In the year to 30th June, 1984, profits before tax amounted to £1.9 million.

Dividend income from the investment amounted to £17,857 in the year to 31st December, 1984.

Stone International

Original cost of investment	Holding as at 31st December, 1984	Valuation as at 31st December, 1984
£119,000	1,250,000 ordinary shares	£1,750,000

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.

Stone reported profits before tax of £3.159 million in the six months to 30th November, 1984 compared with £2.63 million for the same period in the previous year. In the year to 31st May, 1984, profits before tax amounted to £5.7 million.

Dividend income from the investment amounted to £27,152 in the year to 31st December, 1984.

Famous Names (Holdings)

Original cost of investment	Holding as at 31st December, 1984	Valuation as at 31st December, 1984
£226,000	36,000 ordinary shares 50,000 preference shares	£1,500,000

Famous Names (Holdings) manufactures Famous Names liqueur chocolates, Elizabeth Shaw mint crisps and sugar confectionery under various brand names including Parkinsons and Chewits.

Sales for the year ended 31st March, 1984 were £23.1 million (1983: £21.4 million) and profits before tax were £1.61 million (1983 £1.46 million). At 31st March, 1984, total net assets were £6.5 million.

Dividend income from the investment amounted to £46,726 in the year to 31st December, 1984.

Vickers da Costa

Original cost of investment	Holding as at 31st December, 1984	Valuation as at 31st December, 1984
£271,590	£867,857	£1,108,183
	10% unsecured loan note	
	92,786	
	10% preference stock of \$3 each	

The above investments were acquired as a result of Citicorp's acquisition of certain parts of Vickers da Costa (Holdings) plc. The unsecured loan note was redeemed at the end of January 1985.

Dividend income from Vickers da Costa (Holdings) plc up to the date of acquisition was £70,411 including a special final dividend amounting to £66,276 in the year to 31st December 1984.

Agridata Resources

Original cost of investment	Holding as at 31st December, 1984	Valuation as at 31st December, 1984
\$913,506	68 shares of Class A common and preferred stock	\$541,728

Agridata Resources operates a computer based business information and communications system which serves the agricultural sector in the US and Canada.

The company also publishes a controlled circulation monthly business magazine and paid circulation weekly business newsletter for larger farmers and ranchers. The company, being a closely held US corporation, does not publish financial information.

No dividend income was received in the year to 31st December, 1984.

Gower Holdings

Original cost of investment	Holding as at 31st December, 1984	Valuation as at 31st December, 1984
£338,000	1,188,610 ordinary shares	£447,110
	152,777 preference shares	
	£12,333 10% unsecured loan stock	

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

In the year ended 31st March, 1984, Gower made profits before tax of £602,000 (1983: £323,000) on a turnover of £11.7 million (1983 £13.5 million). At 31st March, 1984, total net assets were £2.5 million. Gower is budgeting for further profit improvement in its current financial year to 31st March, 1985.

Dividend income of £37,103 was received in the year to 31st December, 1984 including arrears of preference dividend amounting to £19,643.

Timpson Shoes

Original cost of investment	Holding as at 31st December, 1984	Valuation as at 31st December, 1984
£113,750	1,086,905 ordinary shares	£428,750

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

In April 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 amounted to £100,000. For the year ended 30th September, 1984, profits from ordinary activities amounted to £901,000 on turnover of £58.1 million. In addition there were net realised profits from property transactions of £1.115 million. Total net assets at 30th September, 1984 were £12.99 million. No dividend income was received in the year to 31st December 1984.

Neighbourhood Stores

Original cost of investment	Holding as at 31st December, 1984	Valuation as at 31st December, 1984
£126,000	60,000 ordinary shares	£362,650

Neighbourhood Stores operates 7-Eleven convenience stores, under licence from the Southland Corporation of the US. On 21st December, 1984, Arthur Guinness & Sons plc announced a recommended offer for the whole of the issued capital on the basis of 3 Guinness shares for every 2 Neighbourhood shares. 150,000 Guinness shares were received as a result of that offer and were sold in February 1985 for £362,650. No dividend income was received in the year to 31st December, 1984.

Emb-Tex Corporation

Original cost of investment	Holding as at 31st December, 1984	Valuation as at 31st December, 1984
\$180,000	\$180,000 limited partnership capital	\$325,800

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, 1984.

Armand Group

Original cost of investment	Holding as at 31st December, 1984	Valuation as at 31st December, 1984
\$300,000	2,667 shares of Series A preferred stock	\$300,000

The corporation organises and invests in leveraged management buy-outs in the US and, being a closely held US corporation, does not publish financial information. No dividend income was received in the year to 31st December, 1984.

Report of the Directors

The directors present their report together with financial statements for the year ended 31st December, 1984.

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 III of the Companies Act 1980.

The company is seeking the 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.

Capital restructuring

On 12th December, 1984 the ordinary share capital of the company was admitted to the Official List of The Stock Exchange following a placing of 1,788,750 ordinary shares.

Prior to the placing the authorised and issued share capital of the company was restructured and share capital was issued as detailed in note 19 to the financial statements.

Results and review of business

The group profit on ordinary business after taxation for the twelve months was £184,865 compared with £71,594 for the eighteen months to 31st December, 1983. 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 2p per ordinary share on 26th April 1985 to holders on the register at the close of business on 25th March, 1985.

After payment of dividend, the amount retained by the group in respect of the twelve months ended 31st December, 1984 will be £1,181,774. The

directors propose to transfer £1,140,009 to capital reserve and carry forward £41,765 in profit and loss account.

Directors

The directors listed below served on the Board throughout 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*
M C Stoddart*
L V D Tindale*

*non executive

Mr D P Murphy resigned from the Board on 8th November, 1984.

Directors' interests

The interests of the directors in the shares of the company are as follows:

	31st December 1984 ordinary shares of 25p	31st December 1983 *A* or *B* ordinary shares of £1
Beneficial		
P G Wreford	48,000	1,500
C R E Brooke	540,800	24,500
S W Curran	239,840	9,000
H A Hicks	32,000	250
M C Stoddart	6,000	—
Non beneficial		
C R E Brooke	191,040	4,000
S W Curran	—	1,500

In addition, Mr Brooke and Mr Curran have options to subscribe for 57,600 and 6,400 ordinary shares respectively.

The above interests remained unchanged as at 5th March, 1985.

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 5th
March, 1985:

Electra Investment Trust plc	12.45%
Globe Investment Trust plc	12.45%
C R E Brooke (including non beneficiaries)	10.23%
Prudential Corporation plc	6.97%
Investors in Industry plc	6.27%
The British Petroleum Pension Trust Ltd.	6.27%

Auditors

Thornton Baker offer themselves for
reappointment as auditors in accordance
with section 14(1) of the Companies Act,
1976.

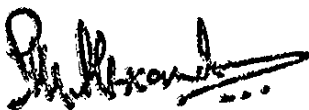
Tax status

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

By order of the Board

S M Alexander

Secretary



47 Red Lion Court
London EC4A 3EB

5th March, 1985



Report of the Auditors

to the Members of Candover Investments plc

We have audited the financial statements on pages 11 to 25 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, 1984 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Acts 1948 to 1981.

Thornton Baker

Thornton Baker

London

5th March, 1985

Accounting Policies

for the year ended 31st December, 1984

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 period.

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, 1984. 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 after charging taxation at 30% on the realised chargeable gains. Fixed asset investments are not held for resale and any profits on realisation are not available for distribution. Accordingly the excess of the market value of investments over cost is shown as an unrealised surplus and deferred taxation is not provided.

Investments held as current assets are dealt with through the profit and loss account and subject to the provision for deferred taxation as appropriate. They are held at cost to the relevant subsidiary company which may be different from their cost to the group.

Shares in subsidiary companies are maintained at cost less provisions.

e) Work in progress

External fees payable in respect of investment projects under investigation are carried forward as work in progress to the extent that they are recoverable.

f) 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 except to the extent that there is a reasonable probability of the tax not falling due for payment in the foreseeable future. Such tax not provided for is disclosed as a contingent liability.

Transfers to and from deferred taxation are calculated taking account of the current and future rates of corporation tax adjusting for any changes in rate as compared with the preceding period.

From the total of deferred taxation is deducted unrelieved advance corporation tax in respect of dividends paid and proposed.

g) 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, 1984

	Notes	12 months to 31st December, 1984 £	18 months to 31st December, 1983 £
Income	1	916,356	1,137,521
Administrative expenses	2	(484,743)	(647,465)
Operating income		431,613	490,056
Share of profits of associated company		30,976	—
Profit before interest		462,589	490,056
Interest payable and similar charges	3	(195,635)	(304,259)
Profit on ordinary activities before tax		266,954	185,797
Tax on profit on ordinary activities			
Group	4	(72,797)	(114,203)
Associated company		(9,292)	—
		(82,089)	(114,203)
Profit on ordinary activities after tax		184,865	71,594
Extraordinary items	5	1,140,009	—
Profit for the financial period	6	1,324,874	71,594
Dividends	7	(143,100)	(64,435)
		1,181,774	7,159
Transfer to capital reserve	20	(1,140,009)	—
Profit retained	20	£41,765	£7,159
Earnings per share	8	3.42p	1.38p

The accounting policies on pages 11 and 12 and notes on pages 17 to 25 form part of these financial statements.

Group Balance Sheet

at 31st December, 1984

	Notes	£	1984 £	£	1983 £
Fixed assets					
Tangible assets	9		66,466		45,012
Investments	10		11,777,095		8,446,124
Associated company	12		2,684		—
			<u>11,846,245</u>		<u>8,491,136</u>
Current assets					
Debtors	13	1,135,454		92,666	
Investments	14	320,686		1,278,353	
Cash at bank and in hand		94,320		22,481	
		<u>1,550,460</u>		<u>1,393,500</u>	
Creditors: due within one year	15	1,450,940		351,845	
			<u>99,520</u>		<u>1,041,655</u>
Net current assets					
			<u>11,945,765</u>		<u>9,532,791</u>
Total assets less current liabilities					
Creditors: due after one year	16		—		(3,620,048)
Provisions for liabilities and charges	17		(30,623)		(13,991)
			<u>£11,915,142</u>		<u>£5,898,752</u>
Capital and reserves					
Called up share capital	19		1,788,750		164,200
Share premium account	20		10,900		6,900
Capital reserve	20		1,076,259		—
Realised net appreciation reserve	20		2,773,218		419,538
Unrealised net appreciation reserve	20		6,212,755		5,295,635
Profit and loss account	20		53,260		12,479
			<u>£11,915,142</u>		<u>£5,898,752</u>

The financial statements were approved by the Board of Directors on 5th March, 1985.

P G Wreford } Directors
C R E Brooke }

The accounting policies on pages 11 and 12 and notes on pages 17 to 25 form part of these financial statements.



Balance Sheet

at 31st December, 1984

	Notes	£	1984 £	1983 £
Fixed assets				
Investments	10		11,625,108	6,574,305
Associated company	12		500	—
			<u>11,625,608</u>	<u>6,574,305</u>
Current assets				
Debtors	13	1,155,293	960,853	
Investments	14	276,924	1,155,000	
Cash at bank and in hand		83,778	10,363	
		<u>1,515,995</u>	<u>2,126,216</u>	
Creditors: due within one year	15	<u>1,356,622</u>	<u>501,942</u>	
Net current assets			<u>159,373</u>	<u>1,624,274</u>
Total assets less current liabilities			<u>11,784,981</u>	<u>8,198,579</u>
Creditors: due after one year	16		—	(3,620,048)
Provisions for liabilities and charges	17		(30,623)	(13,991)
			<u>£11,754,358</u>	<u>£ 4,564,540</u>
Capital and reserves				
Called up share capital	19		1,788,750	164,200
Share premium account	20		10,900	6,900
Capital reserve	20		1,076,259	—
Realised net appreciation reserve	20		2,764,787	412,841
Unrealised net appreciation reserve	20		6,062,586	3,968,120
Profit and loss account	20		51,076	12,479
			<u>£11,754,358</u>	<u>£ 4,564,540</u>

The financial statements were approved by the Board of Directors on 5th March, 1985.

P G Wreford } Directors
C R E Brooke }

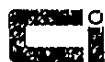
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Source and Application of Funds

for the Group for the year ended 31st December, 1984

	12 months to 31st December, 1984 £	18 months to 31st December, 1983 £
Source of Funds		
From operations		185,797
Profit on ordinary activities before tax	266,954	—
Placing expenses	(299,991)	—
	(33,037)	185,797
Adjustment for items not involving the movement of funds		
Depreciation	26,172	19,021
Loss/(gain) on sale of fixed assets	481	(1,244)
Exchange differences	293,238	(41,228)
Share of profits of associated company	(30,976)	—
	288,915	(23,451)
	255,878	162,346
From other sources		
Issue of share capital	4,800	10,600
Proceeds of disposals of tangible fixed assets	1,572	4,570
Proceeds of disposals of fixed asset investments	3,646,749	987,850
Bank loan	—	620,048
Dividend from associate	19,500	—
	3,672,621	1,623,068
	3,928,499	1,785,414
Application of Funds		
Dividend paid	64,435	27,006
Tax paid	119,869	(527)
Purchase of tangible fixed assets	49,679	41,598
Purchase of fixed asset investment	3,418,917	1,664,410
Tax deducted at source on investment income	66,560	64,377
Bank loan repaid	620,048	—
Investment in associated company	500	—
	4,340,008	1,796,864
Net outflow of funds	£(411,509)	£(11,450)
Increase/(decrease) in working capital		
Work in progress	—	(8,330)
Debtors	1,042,788	(55,795)
Creditors: amounts falling due within one year	(568,469)	(22,047)
	474,319	(86,172)
Net liquid funds		
Current asset investments	(957,667)	103,946
Cash at bank and in hand	71,839	(29,224)
	(885,828)	74,722
Net decrease in working capital	£(411,509)	£(11,450)



Notes to the Financial Statements

for the year ended 31st December, 1984

1 Income

	12 months to 31st December, 1984 £	18 months to 31st December, 1983 £
Financial services	253,000	370,535
Investment dealing	212,868	280,373
Other operating income	15,103	2,756
	<u>480,971</u>	<u>653,664</u>
Investment income		
Income from fixed asset investments	300,808	285,937
Other interest receivable, arising on short term deposits and loans	134,577	197,920
	<u>435,385</u>	<u>483,857</u>
	<u>£916,356</u>	<u>£1,137,521</u>

Overseas income from financial services amounted to £43,877 (1983 £94,525). The remainder originated from the United Kingdom and the Channel Islands.

Of the income from fixed asset investments, £17,857 arises from listed investments (1983 Nil).

2 Administrative expenses

Administrative expenses include the following:

	12 months to 31st December, 1984 £	18 months to 31st December, 1983 £
Staff costs	314,600	318,968
Depreciation	26,172	19,021
Auditors' remuneration	12,000	11,700
Staff costs during the period were:		
Salaries	266,532	276,059
Social security	9,838	10,337
Pension costs	38,230	32,572
	<u>£314,600</u>	<u>£318,968</u>

The average number of employees of the group during the period was 7 (1983 6). Staff costs include remuneration and consultancy fees paid in respect of services provided by directors, as follows:

	12 months to 31st December, 1984 £	18 months to 31st December, 1983 £
Directors' fees	41,016	51,762
Management remuneration	143,284	173,745
	<u>£184,300</u>	<u>£225,507</u>

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

	12 months to 31st December, 1984	18 months to 31st December, 1983
The chairman	<u>£14,375</u>	<u>£12,500</u>
The highest paid director	<u>£68,544</u>	<u>£84,288</u>

Other directors:

	1984 Number	1983 Number
£ 0 to £ 5,000	1	1
£ 5,001 to £10,000	4	5
£15,001 to £50,000	1	—
£55,001 to £60,000	—	1

Higher paid employees:

No employees of the group received more than £30,000, excluding pension contributions, during the period (1983 one employee received more than £30,000 but less than £35,000).

3	Interest payable and similar charges	12 months to	18 months to
		31st December, 1984 £	31st December, 1983 £
	On bank loans, overdrafts and other loans		
	— repayable within 5 years, otherwise than by instalments	24,265	34,259
	— repayable wholly or partly in more than 5 years	171,370	270,000
		<u>£195,635</u>	<u>£304,259</u>
4	Tax on profit on ordinary activities	12 months to	18 months to
		31st December, 1984 £	31st December, 1983 £
	The taxation charge is based on the profit for the period and is made up as follows:		
	United Kingdom corporation tax at 46.25% (1983 52%)	575,000	188,300
	Tax on realised capital gains charged to capital reserve	(582,225)	(133,858)
	Deferred tax	16,632	(6,406)
	Tax attributable to franked investment income	66,560	64,377
	Adjustments relating to prior years	(3,170)	1,790
		<u>£72,797</u>	<u>£114,203</u>
5	Extraordinary items	12 months to	18 months to
		31st December, 1984 £	31st December, 1983 £
	Profit arising on conversion of Loan Notes (note 19)	1,440,000	—
	Expenses of placing	(299,991)	—
		<u>£1,140,009</u>	<u>£—</u>
6	Profit for the financial period	12 months to	18 months to
		31st December, 1984 £	31st December, 1983 £
	As permitted by section 149(5) of the Companies Act 1948 the company has not included its own profit and loss account in these financial statements. The group profit for the period includes £1,321,706 (1983 £71,594) which is dealt with in the financial statements of the parent company.		
7	Dividends	12 months to	18 months to
		31st December, 1984 £	31st December, 1983 £
	Ordinary shares		
	Proposed final dividend of 2p per share on 7,155,000 shares (1983 1.891p on 5,254,400 shares)	£143,100	£64,435
	In 1983 there were eight waivers of dividends amounting to £8,167.		
8	Earnings per share	12 months to	18 months to
		31st December, 1984 £	31st December, 1983 £
	The calculation of earnings per ordinary share is based on the profit on ordinary activities for the period after taxation of £184,865 (1983 £71,594) and the weighted average number of shares in issue during the period of 5,402,025 (1983 5,200,352).		



9 Tangible fixed assets

Group	Total £	Plant and equipment £	Motor vehicles £
Cost			
At 1st January, 1984	67,833	33,035	34,798
Additions	49,679	29,778	19,901
Disposals	(7,694)	(528)	(7,166)
At 31st December, 1984	£109,818	£62,285	£47,533
Depreciation			
At 1st January, 1984	22,821	13,601	9,220
Provided in the period	26,172	15,118	11,054
Disposals	(5,641)	(265)	(5,376)
At 31st December, 1984	£43,352	£28,454	£14,898
Net book amount at 31st December, 1984	£66,466	£33,831	£32,635
Net book amount at 31st December, 1983	£45,012	£19,434	£25,578

10 Fixed asset investments

Group	Total £	Investments other than loans £	Loans £
Valuation at 1st January, 1984	8,446,124	8,378,116	68,008
Additions at cost	3,418,917	3,418,917	—
Disposals	(2,500,137)	(2,463,131)	(37,006)
Appreciation	2,412,191	2,404,341	7,850
Valuation at 31st December, 1984	£11,777,095	£11,738,243	£38,852
Reconciliation			
Cost of investments	5,874,685	5,847,478	27,207
Net unrealised appreciation of investments	5,902,410	5,890,765	11,645
	£11,777,095	£11,738,243	£38,852

At 31st December, 1984 downward adjustments of £429,940 and \$607,178 had been made against investments with original costs of £564,075 and \$1,303,906.

Investments and loans of the group at valuation include:

	1984 £	1983 £
Investments listed in UK	3,890,000	1,285,500
Unlisted at directors' valuation	5,189,702	4,501,405
In UK and Channel Islands	2,697,393	2,659,219
US		
Total investments at valuation	£11,777,095	£8,446,124

Fixed asset investments continued

Company	Total	Shares in group companies (note 11)	Investments other than loans	Loans
	£	£	£	£
Valuation at 1st January, 1984	6,574,305	206,742	6,367,563	—
Additions at cost	3,157,953	736,581	2,421,372	—
Transfers from subsidiaries	1,931,204	—	1,863,196	68,008
Disposals	(2,490,572)	—	(2,453,566)	(37,006)
Appreciation	2,452,218	(11,777)	2,456,145	7,850
Valuation at 31st December, 1984	£11,625,108	£931,546	£10,654,710	£38,852
Reconciliation				
Cost of investments	5,686,761	947,413	4,712,141	27,207
Net unrealised appreciation of investments	5,938,347	(15,867)	5,942,569	11,645
	£11,625,108	£931,546	£10,654,710	£38,852

At 31st December, 1984 downward adjustments of £429,940 and \$487,178 had been made against investments with original costs of £564,075 and \$1,113,906.

Investments and loans at valuation include:	1984	1983
	£	£
Investments listed in UK	3,890,000	1,285,000
Unlisted at directors' valuation:		
In UK and Channel Islands	5,189,702	4,501,405
US	1,613,860	581,158
	£10,693,562	£6,367,563

At 31st December, 1984 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 ten largest investments by valuation.

Companies incorporated in Great Britain	Class of shares held	Percentage of Class held
Castle Mines Limited	Convertible cumulative participating preferred ordinary	13.94
Colour Marketing Services Limited	Cumulative participating preferred ordinary	20.00
DPCE Holdings plc	Ordinary	4.24
Famous Names (Holdings) Limited	"B" Cumulative preferred ordinary	24.00
	Cumulative redeemable preference	20.00
Fenland Sheepskin Company Limited	"B" ordinary	25.09
Gower Holdings Plc	Ordinary	11.92
	Cumulative redeemable preference	13.88
Millbank Publishing Group Limited	Cumulative convertible participating preferred ordinary	10.00
	Ordinary	2.55
Neighbourhood Stores PLC	Cumulative convertible participating preferred ordinary	33.00
Office Workstations Limited	Convertible cumulative participating preferred ordinary	16.90
	Cumulative redeemable preference	16.94
	Ordinary	4.19
Stone International plc	Convertible cumulative participating preferred ordinary	16.70
Technology Project Services (Holdings) Limited	Cumulative convertible participating preferred ordinary shares	10.00
Thos. Storey Limited	Ordinary	6.55
Timpson Shoes Limited		

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.

Fixed asset investments continued

Companies incorporated other than in Great Britain	Class of shares held	Percentage of Class held
Agidata Resources, Inc (incorporated in the State of Wisconsin)	'A' Common stock	14.16
Armand Group Limited (incorporated in the State of Delaware)	'A' Preferred stock	14.16
Bomb-Tex Corporation (incorporated in the State of Delaware)	'A' Preferred stock	80.00
Peregrine Holdings Jersey Limited (incorporated in Jersey)	Common stock	5.00
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
Vickers da Costa Securities (Holdings), Inc (incorporated in the State of Delaware)	'A' preferred stock	10.88
	Cumulative redeemable preference stock	100.00

11 Subsidiary companies

At 31st December, 1984, 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\$1,330
Candover Overseas Investments (UI) Limited	Investment holding company	£100
Candover (Trustees) Limited	Debenture stock trustee	£100

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

12 Associated companies

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 in England.

Group	Share of net assets £
At 1st January, 1984	—
Additions	500
Share of post-acquisition reserves	2,184
At 31st December, 1984	£2,684
Company	Shares at cost £
At 1st January, 1984	—
Additions	500
At 31st December, 1984	£500

13 Debtors

	Group		Company	
	1984 £	1983 £	1984 £	1983 £
Due within one year:				
Trade debtors	400,768	14,345	—	—
Amounts owed by group companies (note 11)	—	—	470,244	220,903
Other debtors	613,377	382	612,155	—
Prepayments and accrued income	120,694	77,939	72,894	36,454
	<u>£1,134,839</u>	<u>£92,666</u>	<u>£1,155,293</u>	<u>£257,357</u>
Due after more than one year:				
Amounts owed by group companies (note 11)	—	—	—	703,496
Other debtors	615	—	—	—
	<u>£615</u>	<u>£—</u>	<u>£—</u>	<u>£703,496</u>
Total debtors	<u>£1,135,454</u>	<u>£92,666</u>	<u>£1,155,293</u>	<u>£960,853</u>

14 Current assets: Investments

	Group		Company	
	1984 £	1983 £	1984 £	1983 £
Listed investments	19,017	48,375	—	—
Unlisted investments	301,669	1,229,978	276,924	1,155,000
	<u>£320,686</u>	<u>£1,278,353</u>	<u>£276,924</u>	<u>£1,155,000</u>

Unlisted investments consist mainly of short-term deposits. The market value of the listed investments is £214,000 (1983 £346,829).

15 Creditors: due within one year

	Group		Company	
	1984 £	1983 £	1984 £	1983 £
Trade creditors	361,884	—	—	—
Amounts owed to group companies	—	—	363,143	347,413
Current taxation	640,261	188,300	624,321	65,492
Social security and other taxes	45,894	37,608	21,717	22,135
Proposed dividends	143,100	64,435	143,100	64,435
Accruals and deferred income	259,801	61,502	204,341	2,467
	<u>£1,450,940</u>	<u>£351,845</u>	<u>£1,356,622</u>	<u>£501,942</u>

16 Creditors: due after one year

	Group		Company	
	1984 £	1983 £	1984 £	1983 £
Loan Notes	—	3,000,000	—	3,000,000
Bank loan	—	620,048	—	620,048
	<u>£—</u>	<u>£3,620,048</u>	<u>£—</u>	<u>£3,620,048</u>

The Loan Notes, which were wholly repayable on 31st December, 2005 and carried a rate of interest of 6% per annum, were converted into 1,875,000 ordinary shares at the rate of 0.625 ordinary shares for each £1 nominal of Notes held pursuant to an agreement dated 6th December, 1984.

The bank loan at 31st December, 1983 was a US\$900,000 loan repayable otherwise than by instalments within 5 years carrying an interest rate of 1% per annum over LIBOR. It was repaid during the period.

17 Provisions for liabilities and charges

	Deferred taxation (Note 18) £
Group and company At 1st January, 1984	13,991
Increase in period	16,632
At 31st December, 1984	<u>£30,623</u>

18 Deferred taxation

Deferred taxation provided in the financial statements is set out below. In addition there are amounts for the group of £2,110,000 (1983 £1,601,100) and for the company of £2,110,000 (1983 £1,203,900) which represent contingent liabilities at the balance sheet date, being corporation tax on unrealised capital gains on investments.

	Group		Company	
	1984 £	1983 £	1984 £	1983 £
Accelerated capital allowances	7,915	11,147	—	—
Other timing differences	30,623	13,991	30,623	13,991
	<u>38,538</u>	<u>25,138</u>	<u>30,623</u>	<u>13,991</u>
Less: Trading losses	(7,915)	(11,147)	—	—
	<u>£30,623</u>	<u>£13,991</u>	<u>£30,623</u>	<u>£13,991</u>

The group has unrelieved tax losses in certain subsidiaries not adjusted through the deferred taxation provision estimated at £120,000 (1983 £85,000) which are available to be set against future trading profits.

19 Called up share capital

	1984 £	1983 £
Authorised:		
'A' ordinary shares of £1 each	—	119,200
'B' ordinary shares of £1 each	—	45,000
Undesignated shares	—	800
Ordinary shares of 25p each	2,385,000	—
	<u>£2,385,000</u>	<u>£165,000</u>

	'A' ordinary shares of £1 each £	'B' ordinary shares of £1 each £	Ordinary shares of 25p each £	Total £
Allotted, called up and fully paid:				
At 1st January 1984	119,200	45,000	—	164,200
Allotments	800	—	—	800
Redesignation	(120,000)	(45,000)	165,000	—
Allotted on loan note conversion	—	—	468,750	468,750
Bonus issue on capitalisation of reserves	—	—	1,155,000	1,155,000
	<u>£ —</u>	<u>£ —</u>	<u>£1,788,750</u>	<u>£1,788,750</u>
At 31st December 1984				

In order to enable management to participate in the ownership of the company for which they work, allotments were made during the year to senior employees of 800 undesignated shares, issued for cash as 'A' ordinary shares of £1 each for a total consideration of £4,800.

Called up share capital continued

On 12th December, 1984 the ordinary share capital of the company was admitted to the Official List of The Stock Exchange following a placing of 1,788,750 ordinary shares.

- i) On 5th December, 1984:
 - a) each 'A' ordinary share of £1 and each 'B' ordinary share of £1 was converted into and redesignated as an ordinary share of £1;
 - b) the authorised share capital of the company was increased from £175,000 to £2,385,000 by the creation of 2,210,000 new ordinary shares;
 - c) each ordinary share of £1 (both issued and unissued) was subdivided into four ordinary shares for 25p each;
 - d) subject to the share premium account being credited as a result of the conversion of Loan Notes referred to below, 4,620,000 ordinary shares of 25p each were allotted credited as fully paid to the existing holders of ordinary shares by way of capitalisation of £1,155,000 of reserves.
- ii) On 6th December, 1984 a Loan Note Conversion Agreement was entered into between the company and the holders of £3,000,000 6% Loan Notes, conditional upon the ordinary share capital of the company being admitted to the Official List, whereby each of the holders agreed that its holding of Loan Notes would be converted into fully paid ordinary shares of 25p each at the rate of 0.625 ordinary shares for each £1 nominal of notes held.

On satisfaction of the condition referred to above, 1,875,000 ordinary shares of 25p each were issued and credited as fully paid at 83.2p per share, inclusive of the amount of premium. The company has granted options to certain directors and senior employees in respect of 112,000 ordinary shares at a price of £1 in aggregate per person, exercisable not less than three years from issue at 62.5p per share.

20 Share premium account and reserves

	Share premium account £	Capital reserve £	Realised net appreciation reserve £	Unrealised net appreciation reserve £	Profit and loss account £
Group					
At 1st January, 1984	6,900	—	419,538	5,295,635	12,479
Premium on allotments during the period	1,095,250	—	—	—	—
Capitalisation on bonus issue	(1,091,250)	(63,750)	—	—	—
Transfer from profit and loss account	—	1,140,009	—	—	—
Surplus on revaluation of investments	—	—	—	2,412,191	—
Investments realised in period	—	—	2,993,258	(1,846,646)	—
Corporation tax on chargeable gains	—	—	(582,225)	—	—
Exchange differences	—	—	(57,353)	351,575	(984)
Retained profit for the year	—	—	—	—	41,765
At 31st December, 1984	£10,900	£1,076,259	£2,773,218	£6,212,755	£53,260
Company					
At 1st January, 1984	6,900	—	412,841	3,968,120	12,479
Premium on allotments during the period	1,095,250	—	—	—	—
Capitalisation on bonus issue	(1,091,250)	(63,750)	—	—	—
Transfer from profit and loss account	—	1,140,009	—	—	—
Transferred from subsidiaries	—	—	—	1,323,042	—
Surplus on revaluation of investments	—	—	—	2,463,995	—
Investments realised in period	—	—	2,991,524	(1,845,914)	—
Corporation tax on chargeable gains	—	—	(582,225)	—	—
Exchange differences	—	—	(57,353)	153,343	—
Retained profit for the year	—	—	—	—	38,597
At 31st December, 1984	£10,900	£1,076,259	£2,764,787	£6,062,586	£51,076

The realised net appreciation reserve and the unrealised net appreciation reserve for both the group and the company contain surpluses of £533,863 (prior to taxation) and £3 758,500 respectively relating to listed investments.



21 Capital commitments

	Group		Company	
	1984	1983	1984	1983
Contracted for but not provided in these financial statements	£87,800	£359,000	£—	£313,000

22 Contingent liabilities

The company has agreed with Electra Investment Trust PLC ("Electra") that it will bear fifty percent of any liability incurred by Electra in respect of an indemnity which Electra has given to secure a \$1.5 million loan to a Californian limited partnership in which Candover and Electra have an interest.

The company is liable to purchase at original cost 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 to be remote the possibility that any further US tax liability will fall on the company.

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

Apart from deferred taxation, no contingent liabilities existed at 31st December, 1983.

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.

24 Transactions in which directors have a material interest

As disclosed in note 10, the company holds 13.33% of the issued share capital of Peregrine Holdings Jersey Limited. This investment was acquired in June 1984 at a cost of £200,000. Mr D P Murphy, a director of Candover Investments plc at the time when the transaction was undertaken, is the Executive Chairman of Peregrine Holdings Jersey Limited and is beneficially interested in 16% of its share capital.



Notice of Meeting

Notice is hereby given that the Annual General Meeting of Candover Investments plc will be held at The Connaught Rooms, Great Queen Street, London WC1 on Wednesday 17th April, 1985 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, 1984.
- 2 To declare a dividend on the ordinary shares for the year ended 31st December, 1984.
- 3 In accordance with Article 88 of the Company's Articles of Association, to re-elect Howard Arthur Hicks a director of the Company, having attained the age of 70 years on 3rd May, 1984.
- 4 To re-appoint Messrs Thornton Baker, 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

5th March, 1985

NOTE:

A 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 17th April, 1985 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
Wednesday 17th April, 1985 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, 1984	<input type="checkbox"/>	<input type="checkbox"/>
2 To declare a dividend on the ordinary shares for the year ended 31st December, 1984	<input type="checkbox"/>	<input type="checkbox"/>
3 To re-elect a director — Mr H A Hicks	<input type="checkbox"/>	<input type="checkbox"/>
4 To re-appoint 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.