Company registration number: No. 1512178

CANDOVER

Candover Investments plc/Report and accounts/2010

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

2010 was a transformational year for Candover. We changed our investment policy, agreed the spin-out of our investment manager and the sale of a strip of our portfolio.

These disposals have now been completed, and combined with the proceeds from exits achieved so far in 2011, have had a positive effect on our key performance metrics. We now have a clear strategy to deliver long-term equity value to our shareholders from a sustainable financial position.

Key metrics
Pro-forma impact of disposals

	Year end position	Pro-forma position[1]
Net assets as at 31st December 2010	£177.9m	**£177.9m**
Loan-to-value covenant at 31st December 2010	32.6%	**13.7%**
Net assets per share as at 31st December 2010	814p	**814p**
Outstanding commitments as at 31st December 2010	£38.9m	**£27.6m**
Net debt at 31st December 2010	£91.0m	**£26.7m**
Ratio of cash to outstanding commitments	2x	**5x**
Ratio of net debt to net assets	51.2%	**15.0%**

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

1 Includes sale of the strip (assumes no rights are exercised by tag investors) associated costs, and realisation proceeds from disposals agreed pre year end

Dear Shareholder

2010 was another year of major change for Candover Our objectives at the beginning of the year were to continue to deliver greater stability for the business whilst also exploring the options available to allow us to protect and grow value for our shareholders We are pleased to report that we ended the year having put in place a clear strategy aimed at delivering long-term equity value, based on a sustainable financial position and with an independent stable investment manager in place

In our interim announcement in August we outlined our belief that the best way to optimise the long-term value of the underlying investments in the portfolio for shareholders was to focus solely on a progressive return of cash over time as portfolio realisations were made by our investment manager, Candover Partners Limited ("CPL") We would no longer make new investments

In December, we announced the final steps to effect this strategy; a formal change in investment policy and two consequent proposed disposals – the sale of CPL to Arle Capital Partners LLP ("Arle"), a new private equity partnership formed by some of the CPL team, and the sale of a strip of Candover's investments in the portfolio for a cash consideration of £60 0 million to an entity backed by Arle and Pantheon, one of the largest private equity fund of fund and secondary managers in the world.

The change in investment policy is now in place after being approved by shareholders, and the two disposals were completed on 19th April 2011, having received the necessary consents and regulatory approvals

The rationale behind the disposals was to mitigate some of the volatilities surrounding our business in order to protect and deliver long-term shareholder value. The transforming effects of this strategy can clearly be seen in some of our key performance metrics at the year end The strip sale, combined with initial proceeds from other disposals completed by CPL since the year end, reduces debt on a pro-forma basis to £26 7 million from 31st December's £91 0 million and the pro-forma loan-to-value covenant to 13 7% compared to 32 6% reported at 31st December Additionally, as a result of the strip disposal, Candover's liability to fund outstanding commitments has been reduced by £11 2 million to £27 6 million

In light of the financial results for 2010 which reflect the significant changes in our business this year, the Board is not recommending the payment of a dividend.

The completion of the transactions on 19th April 2011 has seen Gerry Grimstone stand down as Chairman and retire from the Board I would like to take this opportunity to acknowledge Gerry's contribution to Candover He served on your Board for 11 years, the last five of which were as Chairman In particular, throughout the challenges of the last two years, he has shown great determination and commitment in steering the Company into calmer waters We wish him every success for the future As a consequence of Gerry's retirement, I am delighted to be taking over as Chairman

We believe that we have been able to put in place an innovative solution to a complex series of challenges and one which provides a greater certainty of being able to return cash and maximise value for shareholders over time Against this backdrop we will continue to review how best to ensure that the cost of administering the affairs of the Company are minimised, in addition to monitoring the performance of the investment manager and the portfolio

2010 has been the end of an era for Candover – we will no longer be making new investments in a new fund – but it is also the start of a new era for the CPL team as they transition to Arle We wish them every success in building their own sustainable model for the future, whilst continuing to maximise the returns for all stakeholders from the existing investments they manage

Richard Stone
Chairman
19th April 2011

Business review

CEO's report

Malcolm Fallen
Chief Executive Officer

Our priority over the last year has been to develop and implement a clear strategy aimed at delivering long-term equity value from a stable and sustainable position. We are now focussed entirely on benefitting from the realisation of the portfolio, and have reshaped the Company's balance sheet to reflect this.

Performance

As has already been outlined, the two disposals, which completed on 19th April 2011, significantly strengthen the Group's balance sheet by reducing the level of net debt and markedly improving the covenant position At the same time, the level of outstanding liabilities to future commitments to the Candover 2005 Fund has also been reduced Whilst net asset value per share has decreased in the short-term as a consequence of the disposals, foregoing some of the upside means we have established greater likelihood of being able to deliver long-term shareholder value

The disposals will leave the Company focussed entirely on benefitting from the realisation of existing investments as the investment manager runs off the portfolio Accordingly, we have decided that our balance sheet should be restructured to reflect this We have therefore not only provided against the costs of completing the disposals and related restructuring costs but we have also made a provision against the future cost of our property lease obligations, as well as writing off all related leasehold improvements Overall, the majority of the costs represent an acceleration of existing contractual liabilities of the Group Whilst this has adversely affected our results in the short-term, it provides transparency and the impact will be to simplify our balance sheet and align its make-up with that of a run-off vehicle for our portfolio of investments

The Company's net assets per share of 814p at 31st December 2010 includes costs and provisions for the discontinued operations (the sale of CPL and the strip disposal) and exceptional non-recurring costs (primarily a provision against an ongoing property liability) This is a decrease of 21 6% since 31st December 2009 (1038p) and a decrease of 9 9% since 30th June 2010 (903p) If these provisions and costs were excluded, net assets per share would have been 1026p, a decrease of 1 2% from 31st December 2009, but an increase from 30th June 2010 of 13 6%

During the year, Candover received realisation proceeds (including income) of £36 9 million from funds managed by CPL from the sale of Springer Science+Business Media and Ontex Since the year end we have received further realisation proceeds of £15 4 million from the sale of Equity Trust and the disposal of our interest in two mezzanine funds, with additional deferred proceeds of £8 2 million contracted to be received in June 2011 These proceeds are all in line with year end valuations Follow-on investments totalling £34 7 million were made to support a number of portfolio companies

The realisations have led to a further concentration of the portfolio during the last year As at 31st December 2010, the ten largest investments comprised 87 0% of Candover's investment value (2009 81 5% on a like-for-like basis) with Expro International individually accounting for 27 9% (2009 29 9%) This trend will continue as further realisations occur

The combination of follow-on investments and operating and financing costs, which have only been partially offset by inflows from realisations, has resulted in our net debt at the year end rising to £91 0 million against £74 8 million at the start of 2010 At 31st December 2010 our loan-to-value ratio was 32 6% compared to 26 4% at 31st December 2009 and 25 0% at 30th June 2010

The transforming effect of the strip sale on our net debt level and loan-to-value covenant can clearly be seen in this context The proceeds from the strip sale of £60 0 million before related costs and adjustments for tag rights, combined with proceeds from other disposals completed since the year end, will reduce debt on a pro-forma basis to £26 7 million at 31st December 2010 from £91 0 million as reported at the year end with the pro-forma loan-to-value covenant improving to 13 7% from 32 6%

As we move towards a net cash position, our current hedging structure may no longer be required The existing arrangements were put in place when the original US private placement notes were raised in 2007 and were structured to match the currency of our indebtedness against the currency of our investments Based on our current estimates it may be appropriate to unwind the existing hedges which would benefit the Company's net assets

Key strategic events and initiatives

Termination of the Candover 2008 Fund

As reported in the 2009 Report and accounts, the investment period of the Candover 2008 Fund was formally terminated in January 2010 This had a significant impact on our financial position very early on in the year, with outstanding commitments to ongoing funds capped at our outstanding exposure to the Candover 2005 Fund (€90 0 million as at 31st December 2009) compared to the combined exposure to both the Candover 2005 and 2008 Funds of €994 0 million prior to the termination

Unsolicited approach

In April we received an unsolicited approach from a third party to buy the whole of the Company As the Board has a fiduciary duty to consider any credible approach, we began discussions with this third party aimed at understanding how such a potential offer might bring further financial stability to Candover These talks ended in July when the potential offeror concluded that it was not able to make a firm proposal that could be considered by the Board

Change of investment policy and disposals

At the half year we indicated that following our ongoing review of our options, a decision had been reached with regard to the future of the Company Based on our belief that there was significant long-term value in the portfolio we considered that the best way to optimise value for shareholders was to remain as a listed investment trust, no longer to make new investments, and instead to focus solely on returning cash to investors over time as portfolio realisations were made by CPL

In December we announced the final steps to facilitate these plans As a consequence of the proposed change in investment policy, we proposed two disposals, the sale of CPL to Arle for a nominal consideration, and the sale of a strip of our investments in the portfolio for a cash consideration of approximately £60 0 million

The new investment policy and the interconditional disposals were approved by shareholders in December The investment policy came into immediate effect, while the two disposals were completed on 19th April 2011 following receipt of the outstanding consents and regulatory approvals

The sale of CPL

With the change of investment policy Candover will not commit to a new fund and therefore does not need a manager with the capacity to make new investments It does however need a stable and focussed investment manager to manage its existing assets, and the sale of CPL to Arle achieves this

Arle is a new private equity partnership formed by some of the CPL Directors and led by John Arney, who is Managing Partner of CPL CPL will continue to manage the portfolio on behalf of the Funds' Limited Partners It will also manage Candover's investments for a market-based fee of 1 5% of their value The team's independence provides a stable platform through which a motivated investment manager can be retained in order to focus on maximising and realising the value of the portfolio Independence for the team also increases their prospects of raising a new fund at some stage in the future, which is an important factor in the retention and incentivisation of a professional and dedicated group of executives

The sale of a portfolio strip

When considering the sale of the strip, the Board felt that while Candover was more financially stable than 12 months previously, there were still volatilities surrounding the business that could impact on the ability to deliver the return of cash strategy – for example, the lack of control over follow-on investments and realisations, movements in valuations, the level of our debt, the leveraged nature of the investments in the portfolio and the portfolio's highly concentrated nature

Whilst we recognised that some of these volatilities could not be controlled – for example when and for how much the individual portfolio companies could be sold for, or the timing of any follow-on investments – other volatilities could be mitigated We decided, therefore, that the most appropriate strategy to mitigate the impact of future potential volatility on the return of cash to shareholders was to strengthen the Company's balance sheet by reducing net debt

After considering various options, the Board concluded that the sale of a strip of the portfolio, from a shareholder perspective, was preferable to a highly dilutive rights issue as a way of reducing net debt

The portfolio strip sale comprised selling 29 1% of each portfolio company (excluding Ontex and Equity Trust and the 2001 Fund carry) to a new entity formed by Arle and Pantheon The transaction, which was negotiated in September 2010, was structured to deliver cash sale proceeds of £60 0 million (assuming no rights were exercised by tag investors) which represented a discount of 14 3% to the 30th June 2010 carrying value of £70 0 million of the strip of assets being sold

The strip sale reduces net debt on a pro-forma basis to £26 7million from 31st December's £91 0 million with a pro-forma loan-to-value covenant of 13 7% (actual 32 6%) In addition, the strip sale has reduced Candover's liability to fund its remaining commitments by £11 2 million from £38 9 million as at 31st December 2010 to £27 6 million, on a pro-forma basis

Pro-forma impact of disposals	Year end position	Pro-forma position[1]
Net assets as at 31st December 2010	£177 9m	£177 9m
Net assets per share as at 31st December 2010	814p	814p
Net debt at 31st December 2010	£91 0m	£26 7m
Ratio of net debt to net assets	51 2%	15 0%
Loan-to-value covenant at 31st December 2010	32 6%	13 7%
Outstanding commitments as at 31st December 2010	£38 9m	£27 6m
Ratio of cash to outstanding commitments	2 x	5 x

1 Includes sale of the strip (assumes no rights are exercised by tag investors), associated costs and Equity Trust and ICG sale proceeds (excluding the additional contractual proceeds expected in June 2011)

Proceeds from the sale of the strip will be used to reduce net debt and this will also reduce the Company's net annual interest costs The proceeds will be made available to the 2007 noteholders to prepay part of the outstanding notes at par If this offer of prepayment is not accepted by some of the noteholders, the remaining proceeds will be invested in cash and cash equivalent assets to meet future repayment obligations

The sale of the portfolio strip to Pantheon, who require an independent manager to run their purchase and who have put in place additional incentives for the team, provided additional context for the spin-out of CPL.

Future return of capital
In reviewing when and how to return cash to shareholders, the Board has agreed with its noteholders that it is prudent that no money should be returned until the Company is in a net cash position, with total available cash in excess of the outstanding principal and accrued interest on the notes, and the then outstanding commitments to the Candover 2005 Fund (the follow-on investment period of which currently expires in August 2011), as well as an appropriate cash reserve to support future operating cash flow The one exception will be dividends that may be required to be paid to meet investment trust obligations

Reaching the point of returning cash will be determined by the pace of realisations that are achieved by the investment manager and so the timing is hard to predict at present The Board will consider different mechanisms for returning cash to shareholders in anticipation of a successful programme of realisations

Risk and performance management
We intend to review our financial and investment risks in light of the change in the balance sheet profile and, as already mentioned, specifically assess the appropriateness of our current hedging techniques

We will retain our focus on the key measures we believe are clear determinants of shareholder value – net assets per share, net debt and outstanding commitments – and use these to provide clarity on our performance

Outlook
The Board is confident that the decisions and actions taken are the best way to ensure shareholders will benefit from the long-term value inherent in the portfolio Candover now has an appropriate operating model with a transparent and simplified balance sheet This provides a solid base from which to deliver significant potential value in the underlying investments

Malcolm Fallen
Chief Executive Officer
19th April 2011

Financial review

Net asset value per share

Net asset value per share after discontinued operations and exceptional non-recurring costs was 814p, a decrease of 21 6% since 31st December 2009 (1038p) and a decrease of 9 9% since 30th June 2010 (903p) Excluding the impact of discontinued operations and exceptional non-recurring costs the net asset value per share would have been 1026p, a decrease of 1 2% from 31st December 2009, but an increase from 30th June 2010 of 13 6% See Table 1

As outlined in the business review, the combined disposal of CPL and a strip of investments has significantly strengthened the Group's balance sheet, improved its covenant position and reduced its uncalled Fund commitments Whilst these disposals have reduced net assets, the liquidity event has positioned the Company, and the investment manager, on a more stable financial basis to enable shareholders to benefit from the anticipated growth in value and realisation of the residual investments

Investments

The valuation of investments, including carried interest and accrued loan note interest, was £310 0 million at 31st December 2010 (31st December 2009 £319 9 million)

Table 1

	£m	p/share
Net asset value at 31st December 2009	227 0	1038
Gain on financial instruments and other income[1]	12 7	58
Recurring administrative expenses	(7 0)	(32)
Finance costs	(6 5)	(29)
Others (including tax)	2 1	10
	228 3	1045
Currency impact		
- Unrealised investments	(5 9)	(27)
- Restatement of cash and cash equivalents	(6 3)	(29)
- Translation of loan and swap balances	8 2	37
	224 3	1026
Loss from CPL disposal group (discontinued operations)	(21 7)	(99)
Loss relating to assets subject to strip disposal (discontinued operations)	(19 6)	(90)
Exceptional non-recurring costs	(5 1)	(23)
Net asset value at 31st December 2010 as reported	177 9	814

1 Stated before adverse currency impact of £4 0 million and adverse ineffective interest rate swap movements of £1 2 million (included in "Others")

Table 2

	£m
Investments at 31st December 2009	319 9
Disposals at valuation	(33 1)
Additions at cost	34 7
Less release of financial liability on equity commitments	(12 2)
Investments adjusted for additions and disposals	309 3
Revaluation of investments[1]	
– Valuation movements before currency impact	7 6
– Currency impact on unrealised investments	(6 9)
Investments at 31st December 2010 (including assets held for sale)	310 0
Investments held for sale[2]	(80 0)
Investments at 31st December 2010	230 0

1 Stated before the impact of the assets subject to the strip disposal
2 Includes the investments realised as part of the strip disposal (£77 4 million by value at 31st December 2010) and the interests in the ICG mezzanine funds the disposals of which were agreed in December 2010 and completed post year end (£2 6 million by value at 31st December 2010)

Table 3

	31st December 2010 £m	31st December 2009 £m
Loans and borrowings	**200.5**	194 6
Fair value hedge adjustment	**(16.5)**	(13 3)
Deferred costs	**1.0**	1 3
Value of bonds	**185.0**	182 6
Value of related swaps	**(14.1)**	(1 5)
Cash	**(79.9)**	(106 3)
Net debt	**91.0**	74 8

Table 4

	Pro-forma £m
Net debt as reported at 31st December 2010	91 0
Initial proceeds from Equity Trust realisation (including carried interest)	(14 1)
Initial proceeds from realisation of ICG mezzanine funds	(1 3)
Proceeds from disposal of the strip of investments[1]	(60 0)
Exceptional costs – post year end cash impact	11 1
Pro-forma net debt	26 7

1 Assumes no rights are exercised by tag investors

Valuation movements for the year before currency effects were £7 6 million Taking into account additions and disposals, this is an increase of 2 5% on the value of investments at 31st December 2009, and 10 8% since 30th June 2010 See Table 2

Net debt and loan-to-value covenant
Candover's net debt increased from £74 8 million at 31st December 2009 to £91 0 million at 31st December 2010 This reflects net operating outflows of £20 5 million, including £6 1 million of net interest paid Over the course of the year a further £34 7 million of follow-on investments were made, offset by inflows from realisations of £35 5 million (£36 9 million including income proceeds) See Table 3

At this level of net debt the year end loan-to-value covenant on the Company's borrowings was 32 6% compared to 26 4% at 31st December 2009 and 25 0% at 30th June 2010

As noted above, the strip disposal significantly improves the net debt and covenant position of the Company On a pro-forma basis, taking into account the impact of the strip disposal (including related costs), the initial proceeds from the realisations of Equity Trust (including carried interest) and the ICG mezzanine funds, the net debt of the Company would be £26 7 million, with a resulting loan-to-value ratio of 13 7% See Table 4

In addition the impact of the strip realisation has also reduced the outstanding commitment of the Company to the Candover 2005 Fund from £38 9 million to £27 6 million (the follow-on investment period of which currently expires in August 2011) further improving the Group's financial stability

Profit before tax
Profit before tax for continuing operations for the year was £0 3 million compared to £8 1 million in the prior year This reflects a reduction in the level of investment and other income recognised and the impact of the change in capitalisation policy In light of the change in our focus on realisation rather than investment, we have reviewed and revised the allocation of expenses between revenue and capital In particular, this change reflects the impact of longer hold periods on investments before realisations which will result in a greater proportion of the anticipated future return being received as loan stock interest, rather than capital gains, which would therefore be recognised as revenue rather than capital return in the future

As a consequence of the change in investment strategy of the business and the decision to dispose of CPL and the strip assets, the Group has reported £41 3 million of losses (of which £19 6 million are reported as a capital loss) on discontinued operations and £5 1 million of exceptional non-recurring costs The costs comprise losses attributable to the CPL disposal group of £21 7 million, a provision of £17 4 million against the fair value of the investments subject to the strip disposal (reported as a derivative) as well as losses for the year on those assets of £2 2 million; and £5 1 million of exceptional non-recurring costs primarily comprising a provision against the ongoing property liability Of these costs, post year end cash payments of £11 1 million will be incurred

Manager's portfolio review

Overview
The European buyout market recovered well during 2010, with the volume and value of transactions completed rising by 43% and 169% respectively, at 367 deals worth €63.1 billion. The increase in buyout activity is encouraging in the context of exits, and to this end CPL realised its investment in Springer Science+Business Media, Ontex and Equity Trust all via secondary buyouts. The Springer and Ontex transactions were two of the largest buyouts announced in Europe during the year.

As it currently has no new investment capability other than for follow-on investments, CPL has focussed exclusively on continuing to explore ways to enhance portfolio company values both organically and through add-on acquisitions with the objective of maximising realisable values. We have also made it a priority to ensure that our portfolio has been well positioned to take advantage of the improvements seen in the developing economies, whilst minimising the negative impacts of a slower recovery in the more developed economies.

Six of our top ten investments have achieved Last Twelve Months ("LTM") earnings at 31st December 2010 above the comparative 2009 LTM position. The average implied multiple of the top ten investments is 7.6x LTM EBITDA compared to 8.5x 2009 LTM EBITDA. In terms of the level of leverage across the portfolio, the weighted average net debt to EBITDA multiple for the largest ten investments has fallen to 5.1x (2009: 5.3x) reflecting the focus on maximising cash flow and ensuring sustainable capital structures are in place. Excluding Expro International, which replaced its senior debt with a high yield bond in December 2009, this leverage falls to 3.6x (2009: 4.6x).

The following review and analysis of the portfolio is prior to the impact of the strip disposal on Candover.

Realisations
Candover and the managed funds achieved realisation proceeds of £169.2 million during the year – Candover's own share of such realisation proceeds was £36.9 million (including income proceeds).

Ten largest investments
Analysis by value as at 31st December 2010

By valuation method	By sector	By region	By age
Multiple of earnings 94%	**Industrials 45%**	**United Kingdom 54%**	**2-3 years 61%**
Sale price 6%	**Energy 32%**	**Benelux 23%**	**3-4 years 23%**
	Leisure 13%	**Spain 13%**	**4-5 years 2%**
	Financials 8%	**Italy 6%**	**>5 years 14%**
	Support services 2%	**France 2%**	
		Switzerland 2%	

In February 2010, Candover and the Candover 2001 Fund sold their investment in Springer Science+Business Media The sale generated total proceeds of £11 7 million for Candover (including loan note interest of £0 1 million), of which £8 0 million resulted from the catch up phase of the carried interest scheme The Candover 2001 Fund achieved a return of £32 1 million before payments of carried interest (including loan note interest of £0 5 million), bringing the overall investment multiple to 1 8x with an IRR of 28% At the same time, Candover received proceeds of £4 6 million relating to the return of surplus cash from the Candover 2001 Fund which went towards the remaining carried interest catch up amount

In May 2010, Candover and the Candover 2001 Fund completed the exit of Gala Coral achieving an overall multiple of 0 6x In November, the sale of Ontex to Goldman Sachs and TPG completed for an enterprise value of €1 2 billion The sale generated initial cash proceeds for Candover of £17 3 million, including £4 9 million of carried interest A guaranteed, interest accruing deferred payment, will result in further proceeds valued today at £7 6 million and will be payable between completion and September 2012 The carried interest from this deferred payment will return an additional £3 0 million The Candover 2001 Fund received initial proceeds of £96 8 million and a further £59 3 million from the deferred payment, giving an investment multiple, before carried interest, of 0 7x the original investment

Post the year end, the sale of Equity Trust to Doughty Hanson completed in January 2011, generating initial cash proceeds of £14 1 million for Candover, including £4 0 million of carried interest A deferred payment of £5 1 million, guaranteed by funds managed by the purchaser, is payable upon the earlier of a refinancing or recapitalisation of the business and the end of June 2011 The carried interest from this deferred payment will return an additional £2 0 million The Candover 2001 Fund received initial proceeds of £79 1 million and will receive a further £40 2 million from the deferred payment, giving an investment multiple, before carried interest, of 1 5x the original investment

The principal realisations are set out in Table 1

Table 1

Portfolio company	Candover £m	Funds £m	Type
Candover 2001 Fund carried interest[1]	17 7	–	Crystallisation of carried interest
Ontex	12 4	96 8	Private equity sale
Springer Science+Business Media	3 7	32 1	Private equity sale
Other	3 1	3 4	
Total realisations[2] – 2010	**36.9**	**132.3**	
Equity Trust	10 1	79 1	Private equity sale
Candover 2001 Fund carried interest[1]	4 0	–	Crystallisation of carried interest
Other	1 3	–	
Total realisations[2] – 2011 to date	**15.4**	**79.1**	

1 The carried interest receipts are distributed to the Company from the fund receipts
2 Proceeds shown above include loan interest income

Follow-on investments

In September, Expro International completed the acquisition of Production Testers International, an Asian-based oilfield services company. Candover invested £1.5 million and the Candover 2005 and 2008 Funds invested £25.8 million in the transaction.

In addition, during the year Candover made further investments in the following portfolio companies:

- £2.2 million in DX Group as part of a balance sheet restructuring;
- £2.4 million in EurotaxGlass's ("ETG") as part of a restructuring;
- £6.8 million in Hilding Anders to repay a facility put in place to fund acquisitions; and
- £21.6 million in Technogym to repay a debt facility put in place at the time of the original acquisition.

Since the year end, ETG has completed the acquisition of Autovista in Finland, a business supplying motor vehicle valuation data products. The acquisition should drive the ETG business forward, enabling it to supply its customers with more robust data in near real time. Candover invested £0.6 million and the Candover 2005 Fund invested £3.6 million in the transaction.

Portfolio valuation review

Table 2 shows the valuation movement by portfolio company. Adverse exchange rate movements reduced the effect of the valuation uplifts on the Euro denominated investments, although overall the portfolio has been written up by £0.7 million (3p per share) since 31st December 2009.

Table 2

Portfolio company	Residual cost[1] £m	Valuation at 31st December 2009 £m	Additions and disposals £m	Valuation movement excluding FX[2] £m	Valuation movement attributable to FX[2] £m	Valuation at 31st December 2010 £m	Valuation movement pence per share[2]
Expro International	110.9	95.8	1.5	(14.2)	3.3	86.4	(50)
Stork	48.9	43.8	0.0	19.9	(2.2)	61.5	82
Parques Reunidos	25.7	34.7	0.0	3.0	(1.7)	36.0	6
Capital Safety Group	11.9	10.8	0.1	7.7	0.3	18.9	37
Qioptiq	9.6	15.8	0.0	2.1	(0.8)	17.1	6
Technogym	41.2	0.0	9.4[3]	6.0	0.6	16.0	30
Equity Trust	8.3	12.6	0.0	3.3	(0.6)	15.3	12
Innovia Films	3.8	5.0	0.0	2.0	(0.2)	6.8	8
Alma Consulting Group	20.5	30.9	0.0	(23.0)	(1.7)	6.2	(113)
EurotaxGlass's	19.8	11.4	2.4	(6.8)	(1.4)	5.6	(38)
Ten largest investments[4]	**300.6**	**260.8**	**13.4**	**(0.0)**	**(4.4)**	**269.8**	**(20)**
Hilding Anders	34.2	0.0	6.8	(1.7)	0.4	5.5	(6)
DX Group	30.2	0.0	2.2	0.0	0.0	2.2	0
Ono	3.1	1.4	0.0	0.1	(0.1)	1.4	0
Candover 2001 Fund carried interest	0.0	27.9	(15.5)	5.9	(0.8)	17.5	23
Other[5]	65.1	29.8	(17.5)	3.3	(2.0)	13.6	6
Other investments	**132.6**	**59.1**	**(24.0)**	**7.6**	**(2.5)**	**40.2**	**23**
Total	**433.2**	**319.9**	**(10.6)**	**7.6**	**(6.9)**	**310.0**	**3**

1 Residual cost is original cost less realisations to date
2 Compared to the valuation at 31st December 2009 or acquisition date, if later
3 Net investment of £21.6 million and release of equity bridge provision of £12.2 million
4 Excluding Candover 2001 Fund carried interest
5 Includes £33.5 million relating to Alcontrol and Gala which are fully written off and £8.0 million relating to the cost of the vendor loan note remaining on Ontex

1. Expro International

Industry sector:	**Energy**
Geography:	**UK**
Date of investment:	**July 2008**
Residual cost of investment £m	**110.9**
Directors' valuation £m	**86.4**
Change over prior valuation £m	**(10.9)**
Effective equity interest (fully diluted)	**6.7%**
% of Candover's net assets	**48.6%**
Basis of valuation.	**Multiple of earnings**
Dividends received £m:	**-**
Year end:	**March 2010**
Sales:	**US$1,018.8m**
Earnings[1]	**US$302.9m**

Expro International is one of the leading oilfield service providers specialising in well flow management, with a particular focus on the most technically challenging deepwater environments Expro International's operations are critical to the development of oil and gas reservoirs and are utilised by multinational oil majors as well as state owned national oil companies The macro factors affecting Expro International's markets are improving, such as increased global demand for oil and rising oil prices The company continues to build its order backlog but there will inevitably be a lag before a pick up in performance is seen because of the long lead times between orders and the recognition of revenue In light of the weaker performance of the business over the last 12 months and no impact yet from the positive sectoral trends, the investment has been written down by £10 9 million (50p per share), after adding back favourable foreign exchange movements

Company website
www exprogroup com

2. Stork

Industry sector:	**Industrials**
Geography:	**The Netherlands**
Date of investment:	**January 2008**
Residual cost of investment £m.	**48.9**
Directors' valuation £m:	**61.5**
Change over prior valuation £m	**17.7**
Effective equity interest (fully diluted)	**6.4%**
% of Candover's net assets:	**34.6%**
Basis of valuation:	**Multiple of earnings**
Dividends received £m	**-**
Year end	**December 2009**
Sales:	**€1,626.0m**
Earnings[1]	**€118.0m**

Stork is a diversified Dutch engineering conglomerate active in the aerospace and technical services sectors The group enjoys good positions in the markets and sectors in which it operates and there is a clear strategy for driving value from each of the divisions Stork has performed strongly over the year with profits ahead of prior year and budget As a result of the improved trading and positive outlook for the business, the investment in Stork has been written up by £17 7 million (82p per share), after adverse exchange rate movements

Company website
www.stork.com

3. Parques Reunidos

Industry sector:	**Leisure**
Geography:	**Spain**
Date of investment:	**March 2007**
Residual cost of investment £m	**25.7**
Directors' valuation £m:	**36.0**
Change over prior valuation £m	**1.3**
Effective equity interest (fully diluted)	**5.6%**
% of Candover's net assets	**20.2%**
Basis of valuation	**Multiple of earnings**
Dividends received £m:	**–**
Year end	**September 2010**
Sales:	**€516.8m**
Earnings[1]	**€178.8m**

Parques Reunidos further consolidated its position during the year as one of the world's leading operators of attraction parks The company enjoys strong positions in all its key markets and the majority of the parks are the leading family attraction in the surrounding area Parques performed well in 2010, with profits for its financial year to September ahead of prior year despite the economic downturn and poor weather in parts of Europe and the US during the summer months Management continue to drive operational improvements throughout the park portfolio, particularly in the parks acquired in the past 12 to 18 months In February 2011 the equity bridges for Parques were repaid in full At the same time, the US part of the business was refinanced with a high yield bond, freeing up cash to provide the company with additional acquisition capability going forward The investment was written up by £1 3 million (6p per share), after adverse foreign exchange movements

Company website
www parquesreunidos com

4. Capital Safety Group

Industry sector:	**Industrials**
Geography:	**UK**
Date of investment:	**June 2007**
Residual cost of investment £m:	**11.9**
Directors' valuation £m:	**18.9**
Change over prior valuation £m.	**8.0**
Effective equity interest (fully diluted)	**7.2%**
% of Candover's net assets	**10.6%**
Basis of valuation:	**Multiple of earnings**
Dividends received £m:	**–**
Year end.	**March 2010**
Sales:	**US$197.0m**
Earnings[1]:	**US$50.1m**

Capital Safety Group is one of the global market leaders in height safety and fall protection equipment Capital Safety's products are widely used in industries such as oil and gas, construction (predominantly non-residential), utilities, renewable energy and telecoms Capital Safety Group has had a strong year with order intake, sales and earnings significantly ahead of prior year and budget This is underpinned by a strong recovery in nearly all end markets, geographies and sales channels As a result, the investment has been written up by £8 0 million (37p per share), including a small positive foreign exchange movement

Company website
www capitalsafety com

5. Qioptiq

Industry sector:	Industrials
Geography:	UK
Date of investment:	December 2005
Residual cost of investment £m	9.6
Directors' valuation £m	17.1
Change over prior valuation £m:	1.3
Effective equity interest (fully diluted).	7.2%
% of Candover's net assets:	9.6%
Basis of valuation:	Multiple of earnings
Dividends received £m:	-
Year end	December 2009
Sales.	US$370.0m
Earnings[1]	US$71.4m

Qioptiq is one of the world's leaders in high-precision optical and photonic technologies Despite a softening in the US defence market, the business has outperformed compared to the prior year The main drivers for the continued growth of the business have been the recovery of the industrial markets and the increased volumes of defence modules and equipment sales As a result of this improved performance the valuation has been written up by £1 3 million (6p per share), after adverse foreign exchange movements

Company website
www qioptiq com

6. Technogym

Industry sector:	Industrials
Geography:	Italy
Date of investment:	August 2008
Residual cost of investment £m	41.2
Directors' valuation £m	16.0
Change over prior valuation £m	6.6
Effective equity interest (fully diluted)	4.5%
% of Candover's net assets:	9.0%
Basis of valuation.	Multiple of earnings
Dividends received £m:	-
Year end	December 2009
Sales:	€305.8
Earnings[1]:	€32.3m

Technogym is a global leader in the design and manufacture of premium branded fitness equipment and wellness solutions and enjoys strong brand recognition internationally The business performed strongly in all of its three main product segments, and also across its geographies, with sales ahead of prior year in all but one of the regions The resulting year-on-year earnings growth has seen the investment valuation increased by £6 6 million (30p per share) after adverse foreign exchange movements

Company website
www technogym.com

7. Equity Trust

Industry sector	**Financials**
Geography	**UK**
Date of investment	**May 2003**
Residual cost of investment £m	**8.3**
Directors' valuation £m	**15.3**
Change over prior valuation £m	**2.7**
Effective equity interest (fully diluted)	**5.6%**
% of Candover's net assets	**8.6%**
Basis of valuation	**Sale price**
Dividends received £m	**-**
Year end	**December 2009**
Sales	**€134.8m**
Earnings[1]	**€32.9m**

Equity Trust, a leading trust and fiduciary services group, was sold in January 2011 for £15 3 million, including a deferred payment of £5 1 million These proceeds result in an uplift of £2 7 million (12p per share) despite adverse foreign exchange movements

Company website
www equitytrust com

8. Innovia Films

Industry sector	**Industrials**
Geography:	**UK**
Date of investment	**September 2004**
Residual cost of investment £m:	**3.8**
Directors' valuation £m	**6.8**
Change over prior valuation £m	**1.8**
Effective equity interest (fully diluted)	**8.0%**
% of Candover's net assets	**3.8%**
Basis of valuation	**Multiple of earnings**
Dividends received £m	**-**
Year end	**December 2009**
Sales	**€345.7m**
Earnings[1 2]	**€51.4m**

Innovia Films manufactures speciality films primarily for packaging and is the only manufacturer of polymer bank notes in the world via a joint venture with the Reserve Bank of Australia The business has had an excellent year with volumes continuing their positive trend resulting in record earnings The valuation was therefore written up by £1 8 million (8p per share) after adverse foreign exchange movements

Company website
www innoviafilms.com

9. Alma Consulting Group

Industry sector:	Financials
Geography:	France
Date of investment:	December 2007
Residual cost of investment £m	20.5
Directors' valuation £m	6.2
Change over prior valuation £m	(24 7)
Effective equity interest (fully diluted)	5 4%
% of Candover's net assets:	3.5%
Basis of valuation	Multiple of earnings
Dividends received £m	-
Year end:	December 2009
Sales:	€271 0m
Earnings[1]	€98.2m

Alma Consulting Group is one of the European leaders in cost reduction and optimisation, offering a wide range of services based on a success fee model The business has underperformed over the year with a decline in earnings as a result of a series of difficulties in its small business lines combined with increased costs driven by regulatory changes in one of its major products The regulatory environment remains uncertain, with recent statutory changes implemented by the French Government altering the Research Tax Credit scheme thereby reducing the value Alma brings to its customers As a result, the valuation has been written down by £24 7 million (113p per share) including adverse foreign exchange movements

Company website
www.almacg.com

10. EurotaxGlass's

Industry sector:	Support services
Geography:	Switzerland
Date of investment:	June 2006
Residual cost of investment £m[2]	19.8
Directors' valuation £m	5.6
Change over prior valuation £m	(8.2)
Effective equity interest (fully diluted)	7.9%
% of Candover's net assets	3 1%
Basis of valuation	Multiple of earnings
Dividends received £m	-
Year end:	December 2009
Sales:	€100.5m
Earnings[1]	€30.3m

EurotaxGlass's, a provider of automotive intelligence, is predominantly a B2B subscription business providing valuation data to all sectors of the automotive industry The business has had a solid trading performance over the past 12 months with earnings in line with the restructuring plan implemented this year Management expect that the market will start to recover slightly in 2011 with some positive signs already seen in Germany, Switzerland and Austria. The investment has been written down by £8 2 million (38p per share) to reflect both the restructuring and the difficult trading environment, as well as adverse foreign exchange movements

Company website
www eurotaxglass com

Notes

1 Earnings figures are taken from the portfolio company's most recent audited accounts or financial statements filed with regulatory bodies The figures shown are the total earnings on ordinary activities before exceptional items, depreciation, goodwill amortisation, interest and tax for the period
2 Excludes earnings from associate joint venture (Securency)

Other investments
The remainder of the portfolio, including carried interest, was written up by £5 1 million (23p per share)

1. Hilding Anders
Hilding Anders is a European and Asian manufacturer of beds and mattresses The company has diverse products and operations, selling both branded and private label products and operates in 40 countries Since the buyout in December 2006, the company has grown both organically and via acquisition However, demand for its products continues to be impacted by the prevailing economic conditions The valuation has decreased by £1 3 million (6p per share), reflecting the decline in trading

2. DX Group
DX Group is one of the largest independent end-to-end operators in the UK postal market offering mail solutions for both businesses and the secure mail market Key customers include property lawyers, financial institutions, national and local government agencies and credit card companies, all of which have been adversely impacted by the recession in the UK Given the significant impact of the recession on trading, the company restructured its balance sheet during the year with Candover injecting £2 2 million The trading tracked the restructuring plan during the year and as a result the valuation of the business remains in line with the follow-on investment

3. Ono
Ono is a Spanish cable operator in which Candover and the Candover 2001 Fund have a small minority interest The company performed well in 2010 with earnings ahead of prior year and restructured its balance sheet to provide stability for growth going forward The investment has remained unchanged driven by a slight valuation increase offset by adverse foreign exchange movements

4. Candover 2001 Fund carried interest
Candover's share of the Candover 2001 Fund carried interest was valued at £17 5 million, representing a £5 1 million increase from 2009 after adverse foreign exchange movements

Conclusion
In conclusion, the majority of the investee companies are performing to plan and we will continue to focus on maximising value throughout the portfolio over the course of 2011 and beyond

Candover Partners Limited
19th April 2011

Ten largest investments
as at 31st December 2010

Investment	Date of investment	Residual cost of investment £m	Directors' valuation £m	Movement from 31st Dec 2009	Effective equity interest (fully diluted)	% of Candover's net assets	Basis of valuation
1. **Expro International** Oilfield services	Jul-08	110 9	86 4	(10 9)	6 7%	48 6%	Multiple of earnings
2. **Stork** Engineering conglomerate	Jan-08	48 9	61 5	17 7	6 4%	34 6%	Multiple of earnings
3. **Parques Reunidos** Operator of attraction parks	Mar-07	25 7	36 0	1 3	5 6%	20 2%	Multiple of earnings
4. **Capital Safety Group** Fall protection equipment	Jun-07	11 9	18 9	8 0	7 2%	10 6%	Multiple of earnings
5. **Qioptiq** Optical engineering	Dec-05	9 6	17 1	1 3	7 2%	9 6%	Multiple of earnings
6. **Technogym** Premium fitness equipment and wellness products	Aug-08	41 2	16 0	6 6	4 5%	9 0%	Multiple of earnings
7. **Equity Trust** Trust services	May-03	8 3	15 3	2 7	5 6%	8 6%	Sale price
8. **Innovia Films** Transparent and coated films and polymer bank notes	Sep-04	3 8	6 8	1 8	8 0%	3 8%	Multiple of earnings
9. **Alma Consulting Group** Cost reduction and optimisation	Dec-07	20 5	6 2	(24 7)	5 4%	3 5%	Multiple of earnings
10. **EurotaxGlass's** Automotive data intelligence	Jun-06	19 8	5 6	(8 2)	7 9%	3 1%	Multiple of earnings

Valuation policy

Investments are valued by the investment manager in compliance with the principles of IAS 39 Financial Instruments Recognition and Measurement and the International Private Equity and Venture Capital Valuation Guidelines as recommended by the British Venture Capital Association ("the BVCA")

Principles of valuation of unlisted investments
Investments are stated at amounts considered by the investment manager to be a reasonable assessment of their fair value, subject to the requirement to apply a degree of caution in making the necessary estimates Fair value is the amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction In estimating fair value, a methodology is used which is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio

Investments are valued on one of the bases described below Typically, the earnings multiple basis of valuation will be used unless this is inappropriate, as in the case of certain asset-based businesses

When valuing on an earnings basis, profits before interest and tax of the current year will normally be used Such profits will be adjusted to a maintainable basis and multiplied by an appropriate and reasonable earnings multiple normally related to comparable quoted companies, with adjustments made for points of difference between the comparator and the company being valued, in particular for risks, earnings growth prospects and surplus assets or excess liabilities In addition, factors such as the likely timing of an exit, the influence over that exit, the risk of achieving conditions precedent to that exit and general market conditions are considered when evaluating the price/earnings multiple

Where a company has incurred losses, or if comparable quoted companies are not primarily valued on an earnings basis, then the valuation may be calculated with regard to the underlying net assets and any other relevant information, such as the pricing for subsequent recent investments by a third party that is deemed to be at arm's length In cases where an exit is actively being sought, any offers from potential purchasers would be relevant in assessing the valuation of an investment and are taken into account in arriving at the valuation

When investments have obtained an exit (either by listing or trade sale) after the valuation date but before finalisation of the accounts of the relevant Candover Funds, the valuation is based on the exit valuation subject to an appropriate discount to take account of the time period between the valuation and exit dates

In arriving at the value of an investment, the percentage ownership is calculated after considering any potential dilution through outstanding warrants, options and performance-related mechanisms

Valuation procedures
Valuations prepared by the investment manager are initially prepared by its finance department using comparable multiples sourced from an independent third party and financial results provided directly by the investee companies These are then passed to the relevant investment executive for review and comment, in particular with respect to the sustainability of earnings and level of underlying debt, the comparables, and any adjustments to be made thereto for points of difference Any changes to earnings basis or comparables used in a valuation, compared to the prior valuation, must be approved by the senior management of the investment manager

These valuations are then subject to review, challenge and approval by the senior management of the investment manager, who at the same time will discuss the underlying trading and outlook, both internal and external, of the investee company

The valuations are audited by the independent auditor of the Candover Funds (separate auditors to those of the Company)

In conjunction with this process, the auditors of the Company also review the valuations of the investee companies prior to the approval by the Board of Directors of the Company

Governance

The Board of Directors

The Company's Board of Directors (the "Directors" or the "Board") sets the strategic direction for the business and is the principal body responsible for decision making. The Board's remit includes strategy, oversight of the investment management agreement, the risk assessment and regulatory issues. The performance of the Board is subject to an annual evaluation exercise led by the Senior Independent Director.

Each of the Directors listed below served on the Board throughout the year. Antony Hichens, Chris Russell and Nicholas Jones retired from the Board on 20th May 2010. Gerry Grimstone retired from the Board on 19th April 2011.

Richard Stone FCA

Chairman, 68

Appointment date:
May 2005

Committee membership:
Chairman of the Nominations Committee and committee member of the Audit, Risk and Valuation Committee and the Remuneration Committee

Background and relevant experience:
Until 1998, he was deputy chairman of Coopers & Lybrand and chairman of the firm's European corporate finance activities From 1998 to 2000, he served as a member of the global board of PricewaterhouseCoopers LLP

External appointments:
He is Senior Independent Director of Halma PLC and a non-executive director of Trustco Finance plc, TR Property Investment Trust PLC and Gartmore Global Trust plc

Malcolm Fallen

Chief Executive Officer, 51

Appointment date:
September 2009

Committee membership:
None

Background and relevant experience:
He was previously director and Chief Executive Officer of KCOM Group plc, a UK-based IT and telecommunications services business Prior to KCOM he was chief financial officer of eircom, the incumbent telecommunications operator in Eire His previous career has included senior roles with Bowater, BT and British Biotech

External appointments:
None

Lord Jay of Ewelme GCMG

Senior Independent Director, 64

Appointment date:
January 2008

Committee membership:
Committee member of the Audit, Risk and Valuation Committee, the Nominations Committee and the Remuneration Committee

Background and relevant experience:
He was formerly the Permanent Under-Secretary at the Foreign Office and Head of the Diplomatic Service, having previously served as British Ambassador to France

External appointments:
Non-executive director of Associated British Foods plc, Credit Agricole SA, EDF Group and Valeo SA, chairman of the international aid agency Merlin, a registered charity, and the educational charity Culham Languages and Sciences He is chairman of the House of Lords Appointments Commission

Jan Oosterveld

Non-executive director, 67

Appointment date:
October 2008

Committee membership:
Chairman of the Remuneration Committee and committee member of the Audit, Risk and Valuation Committee and the Nominations Committee

Background and relevant experience:
He spent over 30 years with Royal Philips Electronics, where he was Chief Executive Officer of Philips Asia Pacific, chairman of LG Philips LCD and a member of the Group Management Committee with responsibility for corporate strategy

External appointments:
He is chairman of Crucell NV and a non-executive director of Cookson Group plc and Barco NV

For more information, go to:
www.candoverinvestments.com

Report of the Directors

The Directors present their report containing statutory and corporate governance information together with the audited financial statements for the year ended 31st December 2010

Principal activities
Candover Investments plc was a mid-market UK and European private equity investor Following the change in investment policy approved by shareholders on 22nd December 2010 the Company's main activity will be to focus solely on returning cash to investors over time as portfolio realisations are made by the Investment Manager The Company will remain as a listed investment trust but will no longer make new investments

Tax and investment company status
The Company is an investment company within the meaning of section 833 of the Companies Act 2006 In addition, Her Majesty's Revenue and Customs has approved the Company's status as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 for the year ended 31st December 2009 In the opinion of the Directors, the Company's affairs since that date have been conducted so as to enable it to continue to be treated as an investment trust

Investment policy and strategy
Under the Company's previous investment policy, its principal focus was investing alongside other third parties in the Candover Funds The Company remains contractually committed to the co-investments it has made and accordingly such investments will only be realised when the Candover Funds dispose of their own interests in such investments The Company's direct investments which were made independently of the Candover Funds are now in the process of being realised The Company will make dividend payments in compliance with the relevant investment trust conditions

The Company will not make any new investments save that (a) investment may be made to satisfy commitments to the Candover Funds under existing contractual arrangements, and (b) realised cash may be invested in liquid cash-equivalent securities, including short-dated corporate bonds, government bonds, cash funds, or bank cash deposits No more than 15% of the Company's qualifying investments may be invested in any single cash equivalent instrument or placed on deposit with any single institution, except that this limit does not apply to investment in government bonds, which are unconstrained

The Company will continue to comply with the requirements of the UK investment trust legislation and the restrictions imposed by the Listing Rules in force from time to time

Any material change to the Company's investment policy would require shareholder approval in accordance with the Listing Rules

Investment returns and revenues
The Company's investment returns and revenues will be derived from its co-investment arrangements The Company's commitment to co-invest alongside the Candover Funds is set out in the co-investment agreement for each fund entered into between the Company, the general partner or manager of the various limited partnerships making up the relevant Candover Fund and other investors Each co-investment agreement requires the Company to contribute its proportionate share of any investment made by the relevant Candover Fund, but permits the Company to limit its share of any investment on acquisition to 15% by value of its qualifying investments, to avoid jeopardising the Company's status as an approved investment trust

Other than with respect to the Candover 2008 Fund (see below) the Company also participates in the profits from the Candover Funds, subject to an overall minimum return having first been generated for third party investors In respect of the Candover 2001 Fund the Company receives a straight percentage split The exact percentage received by the Company in respect of the Candover 2005 Fund will be determined by a ratchet mechanism which is based on the investment multiple achieved Based on current valuations value is recognised in respect of the Candover 2001 Fund but not the Candover 2005 Fund

The Company earns income from interest on loan notes structured as part of an investment in a portfolio company and from its cash balances

Business review
The Company's performance during the year to 31st December 2010, its position at that date and the Company's future developments are detailed in the Chairman's letter, the CEO's report, the Financial review and the Manager's portfolio review on pages 2 to 20 which comprise the formal Business review

The Business review should be treated as part of the Report of the Directors

Results and dividends
The financial statements of the Company and its subsidiaries for the year to 31st December 2010 appear on pages 49 to 94

The Group's total recognised income and expense for the financial year after taxation was a loss of £23 1 million (2009 £9 0 million) Revenue from continuing operations was £8 1 million (2009 £13 3 million) Administrative expenses from continuing operations charged to revenue were £9 6 million, including £5 1 million of exceptional costs (2009 £11 3 million including £7 9 million of exceptional costs) A loss charged to revenue relating to discontinued operations of the CPL disposal group was £21 7 million for the year (2009 loss £9 2 million) Capital return for the year was a loss of £25 9 million (2009 £11 3 million profit) which includes a £19 6 million loss relating to assets subject to the strip disposal (2009 £nil)

The changes in fixed asset investments are described, together with a review of Candover's activities, in the CEO's report, Financial review and Manager's portfolio review on pages 2 to 20

The Directors do not recommend the payment of a final dividend for 2010 (2009 final dividend of £nil)

Investment management and administration
On 1st January 2010, the Company entered into two agreements with CPL to establish arm's length investment management and administrative support arrangements The effect of entering into the agreements was to place the relationship between the Company and its investment manager and then subsidiary, CPL, within a formal, legal and operational framework which provided clarity as to each party's rights and duties to the other Following the disposal of CPL to Arle, revised agreements have now been implemented

A revised transaction services agreement (the "Revised Transaction Services Agreement") will govern the investment advisory activities which CPL carries out on behalf of the Company Pursuant to the Revised Transaction Services Agreement, CPL is appointed to act as adviser in respect of the co-investments which the Company has made alongside the Candover Funds The Revised Transaction Services Agreement can only be terminated in respect of any particular investment if CPL ceases to be the manager of the Candover Fund which holds that investment This achieves an alignment of interest between CPL as manager of the relevant fund and the Company in respect of each co-investment asset The fees payable by the Company are broadly equivalent to 1 5% of the aggregate of the book value of the investments and outstanding co-investment commitments (excluding the value of the Company's holdings in the carried interest), payable in advance on a bi-annual basis

This arrangement does not affect the Company's participation in the carried interest arrangements for the Candover 2001 and 2005 Funds

A revised administrative services agreement (the "Revised Administrative Services Agreement"), covers certain administrative services that are to be provided to the Company by Arle The services cover the provision of company secretarial, financial management and reporting together with IT support services The Revised Administrative Services Agreement is for an initial duration up until 30th June 2011, during which time the Company will review, in conjunction with Arle, how these services might be transferred to a third party service provider A fixed periodic fee is payable by the Company to Arle for the provision of such services pursuant to the terms of the Revised Administrative Services Agreement

Conflicts of interest
The Companies Act 2006 sets out directors' general duties which require that a director must avoid a situation where he has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests This requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect The Companies Act 2006 also permits the articles of association to contain other provisions for dealing with directors' conflict of interest to avoid a breach of duty The Company's articles of association (the "Articles") provide the Directors with the ability to authorise such conflicts and include other provisions to allow conflicts of interest to be dealt with The Company has implemented various safeguards which apply when the Directors decide whether to authorise a conflict or potential conflict Firstly, only the Directors who have no interest in the matter being considered will be able to take the relevant decision and, secondly, in taking the decision, the Directors must act in a way which they consider, in good faith, will be most likely to promote the Company's success The Directors may also impose conditions when authorising conflicts of interest

Appointment and re-election of Directors
In accordance with the Articles and in compliance with the Combined Code of Corporate Governance dated June 2008 (the "Combined Code"), Lord Jay will retire and, being eligible, will offer himself for re-election at the Annual General Meeting The terms of appointment of Lord Jay and his fees are described in the Directors' remuneration report on pages 42 to 48 and his biography appears on page 23

Directors' and officers' liability insurance and indemnities
The Company has purchased and throughout the year maintained appropriate insurance cover in respect of directors' and officers' liabilities In accordance with the Articles, the Combined Code and the provisions of the Companies Act 2006, the Company has maintained qualifying third party indemnity arrangements for the benefit of the Directors throughout the year

Information for shareholders
(i) Articles of association
The business of the Company is managed by the Board, which may exercise all the powers of the Company, including the power to issue or buy back shares, subject to the provisions of the Articles, relevant statutory law and any direction which may be given by the Company in a general meeting by special resolution

A summary of the rights, restrictions and obligations attaching to the shares in the Company is set out below Full details are contained in the Articles, a copy of which can be found at www candoverinvestments com The Articles may only be changed by a special resolution passed by the members of the Company

(ii) Share capital
The Company's share capital consists of a single class of ordinary shares with a nominal value of 25p each (the "Shares"), all of which are fully paid As at 19th April 2011, the issued share capital of the Company comprised 21,856,615 Shares, of which 78,035 Shares are held in treasury by the Company Note 21 to the accounts, on page 78, sets out the details of the Company's capital structure

(iii) Major interests in Shares
As at 19th April 2011, the Company had been notified, pursuant to the Disclosure and Transparency Rules of the Financial Services Authority, of certain significant holdings in the Company's share capital Details of members with interests of 3% or more of the Company's Shares are set out in note 21 to the accounts on page 79

(iv) Rights attaching to Shares
The rights attaching to the Company's Shares are set out in the Articles All Shares in issue (excluding those held by the Company in treasury) carry equal rights

(v) Dividends
By passing an ordinary resolution, members may declare final dividends although the amount of a dividend cannot exceed that recommended by the Board All Shares, excluding shares held by the Company in treasury, carry equal rights in respect of declared dividends The Board may pay interim dividends provided that, in the opinion of the Board, the financial position of the Company justifies such payment If authorised by an ordinary resolution of the members, the Board may offer any member the right to elect to receive new shares in the Company, which will be credited as fully paid, instead of their cash dividend Any dividend which has not been claimed for 12 years, or more, after becoming due for payment will be forfeited and will revert to the Company

(vi) Voting rights
Except as described below, there are no restrictions on the voting rights attaching to the Company's Shares There are no special control rights in relation to the Shares and the Company is not aware of any agreements between members that may result in restrictions in voting rights

Subject to the Company's Articles and to law, votes are exercisable at a general meeting of the Company at which the relevant resolutions are being heard Votes may be exercised in person, by proxy, or, in the case of corporate members, by corporate representative, but in all cases the member must be entered on the register of members of the Company in respect of the relevant Shares at such time (not being earlier than 48 hours before the meeting) as may be specified by the Company in the notice of general meeting

For each resolution proposed every member present, or otherwise duly represented, has one vote on a show of hands and on a poll has one vote for each Share held In the case of joint holders only the vote of the most senior holder who votes, whether in person or by proxy, can be accepted For this purpose, seniority is determined by the order in which the names stand in the register of members

(vii) Restrictions on voting
Unless the Board of Directors otherwise determines, no member shall be entitled to attend or vote either personally or by proxy at a general meeting in respect of a Share if any call or other sum presently payable by him to the Company in respect of such Share remains unpaid In addition, no member shall be entitled to attend or vote, either in person or by proxy, in respect of Shares if he has failed to provide, within 14 days of delivery of a notice by the Company, information concerning interests in the Shares ("Restricted Shares")

(viii) Appointment of proxies
Under the Articles, members are entitled to appoint a proxy, who need not be a member of the Company, to exercise all or any of their rights to attend, speak and vote on their behalf at a general meeting A member may appoint more than one proxy, provided each proxy is appointed to exercise rights attached to different Shares If votes are to be exercised by proxy, the Articles provide that proxy forms must be received not less than 48 hours before the time appointed for the holding of the meeting A notice of general meeting and accompanying proxy form explain the full method for voting by proxy

(ix) Transfers of Shares
A member does not need to obtain the approval of the Company or other members in order for a transfer of Shares, whether in certificated or uncertificated form, to take place Transfers of Shares in uncertificated form must be carried out using CREST

The Board may refuse to register a transfer of Shares
- if the Shares are not fully paid, provided that this discretion may not be exercised in a way which the Financial Services Authority or the London Stock Exchange regards as preventing dealings in the Shares from taking place on an open and proper basis,
- if the transfer is in favour of more than four transferees jointly, whether the Shares are fully paid or not,
- in relation to Shares in certificated form, where the provisions of article 42 of the Company's Articles are not met,
- in relation to Shares in uncertificated form, in accordance with the Uncertificated Securities Regulations, and
- if the shares are Restricted Shares (as defined above in the section entitled "Restrictions on voting") and represent at least 0 25% in nominal value of the issued Shares of the same class, as more fully described in the Articles

There are no other restrictions on the transfer of Shares, other than restrictions imposed from time to time by laws and regulations (for example, insider trading laws) or pursuant to the Listing Rules of the Financial Services Authority (whereby all employees of the Company require the approval of the Company to deal in Shares).

(x) Creditor payment policy
The Company's policy is to negotiate payment terms with its suppliers on an individual basis The Company had trade creditors outstanding at 31st December 2010 representing on average 36 days (being the ratio of the number of the Company's trade creditors at the end of the year to the amounts invoiced by trade creditors to the Company during the year)

(xi) Agreements which are affected by a change of control of the Company
As at 19th April 2011, the Company was party to the following agreements which take effect after or terminate on a change of control of the Company following a takeover bid

(a) Note Purchase Agreement dated 12th October 2007 between the Company and certain financial institutions in respect of (a) US$200 0 million 7 02% Series A Senior Notes due 12th October 2014 (b) €30 0 million Floating Rate Series B Senior Notes due 12th October 2014 and (c) £30 0 million 7 45% Series C Senior Notes due 11th January 2015 (together the "Notes") Under this agreement, the Company is required to give written notice to the holders of the Notes within 21 days of a change of control taking place and offer to prepay the entire unpaid principal amount of the Notes held by each holder together with interest thereon within 45 days of the Company issuing a change of control notice Each noteholder is required to accept or reject the prepayment offer within 30 days of it being made by the Company

(b) Awards and options under the employee share schemes referred to in the Directors' remuneration report on page 43, will vest or become exercisable upon or shortly after a change of control, although the number of shares comprised within those awards or options may be reduced

As set out in the Directors' remuneration report on pages 42 to 48, there are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid or subsequent change of control of the Company

Auditors
Grant Thornton UK LLP have expressed willingness to continue in office In accordance with section 489(4) of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting to be held on 18th May 2011

Corporate governance
A summary of the Company's approach to corporate governance, approved by the Directors, can be found on pages 30 to 37 The Company's Corporate Governance report should be treated as part of the Report of the Directors

Risks
A summary of the Company's risk management framework and an overview of the Company's principal operating risks are detailed in the Risk review on pages 38 to 41 The Risk review should be treated as part of the Report of the Directors

Political and charitable donations
During the year, the Company made no political or charitable donations (2009: £169)

Corporate and social responsibility
Following the change in Candover's investment policy, the long-term success of our business will depend on both growth in the value of the current portfolio and the successful realisation of the investments by the investment manager Throughout this period the Company will continue to maintain positive relationships with our stakeholders, including our shareholders, and our investment manager

We are of the view that the direct environmental and social impact of Candover's activities is relatively low

Our principal social and environmental impacts and the consequent risks and opportunities arise in the portfolio companies which operate in a diverse range of sectors and countries. Candover does not manage these businesses directly and is a co-investor in the funds managed by the investment manager However, as a co-investor, there are commercial and legal considerations that limit the influence the Company can exert on the funds managed by the investment manager We consider that we have an open and transparent dialogue with the investment manager in relation to its activities and we remain focussed on ensuring that non-financial issues do not impact negatively on the Company's reputation

Employees and employee share schemes
Information regarding Candover's employees and employee share schemes is given in note 2 to the financial statements on pages 64 to 66 and in the Directors' remuneration report on page 43.

Shares in the Company may be held, from time to time, by the trustee of the Candover Investments SMP Trust (the "SMP Trust") established in connection with the share matching plan referred to in the Directors' remuneration report on page 43, which is an employees' share scheme The trustee of the SMP Trust may not vote shares that are held in the trust As at 31st December 2010, no Shares were held by the trustee of the SMP Trust.

Going concern
Under the Combined Code and applicable regulations and guidance, including the FRC's "Going Concern and Liquidity Risk Guidance for Directors of UK Companies 2009", the Directors are required to satisfy themselves that it is reasonable to presume that the Company is a going concern

Candover's business activities, together with the factors likely to affect its future development, performance and position, are set out in the CEO's report and the Manager's portfolio review on pages 2 to 20 The financial position of Candover, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 7 to 9 In addition, the Risk review and note 29 to the financial statements on pages 38 to 41 and pages 82 to 93 respectively, includes Candover's financial risk management objectives, its capital management policies and procedures, details of its financial instruments and hedging activities and its exposures to market risk, currency risk, interest rate risk, credit risk, liquidity risk and other pricing risk

As described in the Chairman's letter and the CEO's report on pages 2 to 6, the completion of the disposal of the strip of assets has had a significant positive impact on the Company's financial position by reducing the level of net debt, increasing the headroom relative to its covenants and reducing the level of outstanding commitments to the Candover 2005 Fund As a result the Directors have a reasonable expectation that Candover and the Group have adequate resources to continue as a going concern for the foreseeable future For these reasons, they continue to adopt the going concern basis in preparing the Report and accounts

Statement of Directors' responsibilities
The Directors are responsible for preparing the Directors' report and the Financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as each of the Directors is aware

- there is no relevant audit information of which the Company's auditor are unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

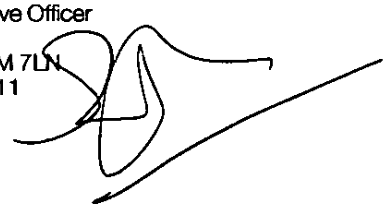
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

To the best of my knowledge

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- the Chairman's letter and CEO's report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

On behalf of the Board

Malcolm Fallen
Chief Executive Officer
20 Old Bailey
London EC4M 7LN
19th April 2011



Corporate governance

The Combined Code sets out guidance in the form of principles and provisions on how companies should be directed and controlled to follow good corporate governance practice The Financial Services Authority requires companies listed in the UK to disclose in relation to Section 1 of the Combined Code how they have applied its principles and whether they have complied with its provisions throughout the accounting year In the event that the provisions have not been complied with, the Company must provide an explanation.

The Board is of the view that the Company has been fully compliant with the provisions set out in Section 1 of the Combined Code This report explains how the Company has applied the principles contained in the Combined Code during 2010 Further information on the Combined Code can be obtained at www frc org uk.

In May 2010, the FRC published the final version of the UK Corporate Governance Code which replaces the Combined Code Since the Company has a year end to 31st December, the Company is only required to report against the new code for the first time in the 2011/12 reporting season However, for the year to 31st December 2010, the Company has opted to comply with certain provisions of the UK Corporate Governance Code

The Company's overall approach to corporate governance

The Company believes that strong corporate governance is essential for delivering sustainable value, enhancing a culture of business integrity and maintaining confidence in the Company The following summarises the key issues affecting our governance responsibilities and how we address them

A The Board

1. **The Board:**
   How do we ensure that the Company is headed by an effective and collectively responsible Board of Directors?
2. **Chairman and Chief Executive Officer:**
   How does the Company ensure that no one individual has unfettered powers of decision?
3. **Board balance and independence:**
   How do we ensure that no individual or small group of individuals can dominate decision making by the Board of Directors?
4. **Appointments to the Board:**
   How do we ensure that there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board?
5. **Information and professional development:**
   How do we induct and regularly inform our Board of Directors?
6. **Performance evaluation:**
   How do we formally evaluate the performance of the Board, Committees and individual Directors?
7. **Re-election:**
   How does the Company ensure planned and progressive refreshing of the Board?

B Remuneration

1. **Level and make-up of remuneration:**
   How do we ensure that executive Directors' remuneration links rewards to corporate and individual performance?
2. **Procedure:**
   What is our procedure for developing policy on executive remuneration?

C Accountability and audit

1. **Financial reporting.**
   How do we ensure that the Board of Directors presents a balanced and understandable view of the Company's position and prospects?
2. **Internal control:**
   What does the Board of Directors do to maintain a sound system of internal control?
3. **Audit Committee and auditors:**
   How does the Board of Directors formally apply the financial reporting and internal control principles?

D Relations with shareholders

1. **Dialogue with institutional shareholders:**
   How does the Board of Directors ensure that a satisfactory dialogue with shareholders takes place?
2. **Constructive use of the Annual General Meeting:**
   How does the Board of Directors use its Annual General Meeting to communicate with investors and encourage their participation?

A The Board

1. The Board: How do we ensure that the Company is headed by an effective and collectively responsible Board of Directors?

The Board of Directors is responsible to shareholders for ensuring that the Company is appropriately managed, that it meets its objectives, and is collectively responsible for the long-term success of the Company The Board of Directors meets regularly to determine the Company's strategic direction, review its financial performance and to oversee the performance of the Company's investment manager All Directors have allocated sufficient time to discharge their responsibilities to the Company

The Board has approved terms of reference that address a wide range of corporate governance matters The terms of reference contain a formal schedule of matters reserved to the Board of Directors and its duly authorised Committees for decision

These include
- approval of the Company's overall strategy and business plans,
- approval of the Company's half-yearly and annual financial statements and changes in the Group's accounting policies or practices,
- valuation of the Company's investments,
- changes relating to the capital structure of the Company,
- dividend policy,
- investments and divestments in the ordinary course of business above certain limits set by the Board from time to time,
- appointments to the Board, and
- constitution of Board Committees

Matters delegated by the Board to management include implementation of the Board approved strategy, day-to-day management of the business and the formulation and execution of risk management policies and practices The schedule of matters reserved to the Board is available on the Company's website

Board meetings
The Board met 11 times during 2010 (2009 15 times) Some of these meetings were called at short notice for operational reasons which meant that not all of the Directors were able to attend Attendance at Board meetings and Committee meetings is set out in Table 1 on page 32

The principal matters considered by the Board during 2010 (in addition to matters formally reserved to the Board) included
- the strategic options facing the Company particularly given the volatilities it faced that it could not directly control,
- the unsolicited approach from a third party to buy the whole of the Company,
- the sale of a strip of investments to an entity backed by Pantheon;
- the sale of CPL to Arle,
- the change in investment policy of the Company,
- regular reports from the Chief Executive Officer,
- the recommendations of the Audit, Risk and Valuation Committee;
- consideration and review of the Company's key risks,
- the Company's relationship with its investment manager,
- financial reports on the performance and outlook for the Company including compliance with covenants and regulations, and
- bespoke external adviser reports

Board information
The Board of Directors receives reports and papers in a timely manner containing clear and accurate information for all Board and Committee meetings Additional papers are provided to address specific issues from time to time All Directors are provided with appropriate information on the Company and access to its operations and staff

The Board's discussions and its approval of the Group's strategic plan and annual budget provide the non-executive directors with the opportunity to contribute to and validate the plans of the Company's management and assist in the development of strategy The non-executive directors receive regular reports and information which enable them to scrutinise the Company's and its management's performance

The Company Secretary
The Board of Directors has access to the advice and services of the Company Secretary, who is responsible for advising the Board, through the Chairman, on governance matters The Articles and the schedule of matters reserved to the Board or its duly authorised Committees for decision provide that the appointment and removal of the Company Secretary is a matter for the full Board

Table 1

	Board	Audit, Risk and Valuation Committee	Remuneration Committee	Nominations Committee
Number of meetings in the year	**11**	**7**	**4**	**3**
Gerry Grimstone	11	N/A	4	2
Malcolm Fallen	11	N/A	N/A	N/A
Richard Stone	10	7	4	2
Lord Jay	10	6	3	3
Jan Oosterveld[1]	7	5	2	2
Chris Russell[2]	6	4	3	2
Antony Hichens[2]	6	4	3	2
Nicholas Jones[3]	3	4	3	N/A

1 Jan Oosterveld was appointed to the Nominations Committee on 20th May 2010 He attended all meetings subsequent to his appointment
2 Antony Hichens and Chris Russell resigned on 20th May 2010 They attended all meetings prior to that date
3 Nicholas Jones resigned on 20th May 2010 There were six Board meetings prior to his resignation

2. Chairman and Chief Executive Officer: How does the Company ensure that no one individual has unfettered powers of decision?

The division of responsibilities between the Chairman of the Board and the Chief Executive Officer is clearly defined and has been approved by the Board The Chairman's priority is the leadership of the Board and the Chief Executive Officer's priority is the management of the Company

The Chairman
Richard Stone, in his role as Chairman, leads the Board in all areas including the determination of strategy and is responsible for organising the business of the Board, setting its agenda and ensuring the effectiveness of the overall Board and the individual Directors Given the non-executive nature of the role, the Chairman has no involvement in the day-to-day activities of the Company The Chairman is also responsible for ensuring a culture of openness and debate at Board level Gerry Grimstone stepped down as Chairman on completion of the disposals on 19th April 2011

The Chief Executive Officer
Malcolm Fallen in his role as Chief Executive Officer is accountable to the Board for reviewing and considering strategic options for the Company, for managing the financial and operational performance of the Company and assisting the Board in executing the Company's strategy The Chief Executive Officer is, in particular, responsible for the day-to-day management of the Company's relationship with its investment manager Together with the Chairman, he provides leadership of the Company which includes representing the Group to all stakeholders

Senior Independent Director
Pursuant to the Combined Code, the Board has appointed one of the non-executive directors to act as Senior Independent Director The main role of the Senior Independent Director is to be available to shareholders should they have concerns that they have been unable to resolve through normal channels or when such channels would be inappropriate The Senior Independent Director provides a sounding board for the Chairman and serves as an intermediary for the other non-executive directors The Senior Independent Director is also responsible for leading the Board's discussion on the Chairman's performance and the appointment of a new Chairman, when appropriate Lord Jay has been Senior Independent Director since 20th May 2010

3. Board balance and independence: How do we ensure that no individual or small group of individuals can dominate decision making by the Board of Directors?

It is the Board's view that each Director is independent in character and judgement and that no Director has any relationships that could materially interfere with his judgement None of the Directors have been interested in any contract or arrangement subsisting during or at the end of the financial period that was significant in relation to the business of the Company All of the non-executive directors were considered by the Board to be independent for the purposes of the Combined Code in the year to 31st December 2010, save for Gerry Grimstone as Chairman, who was independent on appointment in 2004 As noted previously Gerry Grimstone stepped down as Director and Chairman of the Company on 19th April 2011

The Board, taking into account of the changes described in section A4 below, will comprise a non-executive Chairman, a part time Chief Executive Officer and three non-executive directors, which we feel is an appropriate structure for our situation going forward

4. Appointments to the Board: How do we ensure that there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board?

The purpose of the Nominations Committee is to assist the Board in reviewing the composition of the Board and following a thorough process when making or renewing appointments of Directors to the Board The Nominations Committee was chaired by Gerry Grimstone and comprises Lord Jay, Jan Oosterveld and Richard Stone

Lord Jay, the Senior Independent Director, led the process to appoint a new Chairman acting as Chairman of the Nominations Committee After considering a number of external candidates, the Board decided to appoint Richard Stone A process to find a replacement non-executive director who will also take on Richard Stone's position as Chairman of the Audit, Risk and Valuation Committee is well underway, using external advisers

Following his appointment as Chairman of the Board, Richard Stone became Chairman of the Nominations Committee replacing Gerry Grimstone All the current members of the Committee are independent non-executive Directors The Board is satisfied that members of the Committee and the Committee Chairman, Richard Stone, have recent and relevant experience

The Committee met on three occasions in 2010 (2009 one meeting) and the members' attendance record is set out in the report on page 32 The Company Secretary acts as the secretary to the Committee and meetings are also attended by the Chief Executive Officer

The terms of reference of the Committee are available on the Company's website

5. Information and professional development: How do we induct and regularly inform our Board of Directors?

The Board believes that the Company's Directors should develop their skills and knowledge through participation in relevant training courses The Chairman is responsible for agreeing and regularly reviewing the training and development needs of each Director On appointment, all non-executive directors have discussions with the Chairman and the Chief Executive Officer following which appropriate briefings on the responsibilities of Directors, the Company's business and the Company's procedures are arranged The Company provides opportunities for non-executive directors to obtain a thorough understanding of the Company's business by regularly meeting members of the senior management team of the investment manager

6. Performance evaluation: How do we formally evaluate the performance of the Board, Committees and individual Directors?

During 2010, the Board evaluated the performance of the Board, its Committees and the individual Directors in compliance with the Combined Code including Lord Jay who has been proposed for re-election The Chairman led the process using a pre-determined template and met with each of the Directors to ascertain their views on the functioning of the Board and the various Board Committees In addition, the Chairman reviewed the performance commitment and contribution of each Director

Following discussions with the other Directors, the Senior Independent Director reviews the performance of the Chairman The Board considers that there is no need to appoint an independent third party to manage the evaluation exercise as the current process is appropriate

7. Re-election: How does the Company ensure planned and progressive refreshing of the Board?

The Board currently comprises the Chairman, two non-executive directors and one executive director A search is currently underway to add one further non-executive director Biographical details for all of the Directors are set out on pages 22 and 23

Each Director is required to be elected by shareholders at the Annual General Meeting following his appointment by the Board and to be re-elected once every three years Any Director who has served on the Board for more than nine years is to submit himself for re-election annually In addition to fulfilling their legal responsibilities, the Directors are expected to bring an independent judgement to bear on issues of strategy, performance, resources and standards of conduct and to help the Chairman and the Chief Executive Officer provide the Company with effective leadership

Directors' employment contracts

Details of the Directors' employment contracts and letters of appointment are set out in the Directors' remuneration report on page 48

1. Level and make-up of remuneration. How do we ensure that executive Directors' remuneration links rewards to corporate and individual performance?

Our remuneration policy focusses on long-term performance It is designed to ensure that we provide remuneration at the median level of our comparator group but with the opportunity to reward exceptional business performance with upper quartile total compensation The Directors' remuneration report on pages 42 to 48 summarises the remuneration policy and strategy The report details the Committee's activities over the financial year and contains details of each Director's emoluments

2. Procedure: What is our procedure for developing policy on executive remuneration?

The purpose of the Remuneration Committee is to assist the Board in determining Directors' remuneration

The Remuneration Committee is chaired by Jan Oosterveld and includes Lord Jay and Richard Stone All the current members of the Committee are independent non-executive directors The Board is satisfied that members of the Committee and the Committee Chairman, Jan Oosterveld, have recent and relevant experience and the Committee takes independent advice as required

The Committee met on four occasions in 2010 (2009 three meetings) and the members' attendance record is set out in the report on page 32 The Company Secretary acts as the secretary to the Committee and meetings are attended by the Chief Executive Officer, other than when the Committee considers matters relating to the Chief Executive Officer's remuneration

The procedure for determining Directors' remuneration is stated in the Committee's terms of reference which are available on the Company's website

C Accountability and audit

1. Financial reporting: How do we ensure that the Board of Directors presents a balanced and understandable view of the Company's position and prospects?

The Directors are required to explain their responsibility for the financial statements and this statement is given on page 29 The auditors review the Company's compliance with the provisions of the Combined Code and with the rules of the Financial Services Authority and are also required to report on their audit of the financial statements Their report is on pages 50 to 51

The Board seeks to provide investors with a balanced and clear view of the Company's position and its future prospects Further information is given in the Chairman's letter, the CEO's report and the Manager's portfolio review on pages 2 to 20

2. Internal control: What does the Board of Directors do to maintain a sound system of internal control?

The Board is required annually to review the effectiveness of the Company's key internal controls including its financial, operational and compliance controls and risk management The controls are designed to ensure that the risk of failure to achieve business objectives is managed rather than eliminated and are intended to provide reasonable rather than absolute assurance against material misstatement or loss

Through its regular meetings and the meetings of its various Committees, the Board seeks to maintain full and effective control over all strategic, financial, regulatory and operational issues The Board maintains an organisational and committee structure with clearly defined lines of responsibility and delegation of authorities

As part of the compilation of the risk register for the Company, appropriate consideration has been given to the relevant control processes and that risk is considered, assessed and managed as an integral part of the business

The Company's system of internal control includes inter alia the overall control exercise, the procedures for the identification and evaluation of business risk, the control procedures themselves and the review of these internal controls by the

Audit, Risk and Valuation Committee on behalf of the Board Each of these elements that make up the Company's system of internal control is explained in further detail below

(i) Control environment
The Company is ultimately dependent upon the quality and integrity of the staff and management of its investment manager and highly qualified and able individuals have been selected at all levels The investment manager recruits employees when appropriate in order to aid the management of the Candover Funds and staff are aware of the internal controls relevant to their activities and are also collectively accountable for the operation of those controls Appropriate segregation and delegation of duties is in place

On behalf of the Board, the Company's management in conjunction with the Company's auditors, Grant Thornton UK LLP, carry out an external review of the Company's financial controls and the auditors of the managed funds, KPMG LLP, also carry out an external review of the financial controls of those Funds KPMG LLP and Grant Thornton UK LLP carry out their review only to the extent necessary to give their audit opinions

(ii) Identification and evaluation of business risks
The key business risk at Candover remains the performance of the Company's investments which is managed by the investment manager which undertakes regular analysis and reporting of business risks in relation to each portfolio company and the taking of appropriate action to protect the investments

Whilst there remain a range of operational risks to the Company's activities, the investment risk is paramount

(iii) Key procedures
In addition to the above, the Board's key procedures involve
- a comprehensive system for reporting financial results to the Board regularly which provides actual results compared to budget and prior year Towards the end of each financial year, detailed budgets for the following year are prepared and are reviewed by the Board,
- a review of these financial controls which is carried out on behalf of the Audit, Risk and Valuation Committee twice a year and by the Company's external auditors to the extent necessary for expressing their audit opinion, and
- a twice yearly review of investment valuations by the Board including reports on the underlying investment performance

Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's system is designed to assist the Directors in obtaining reasonable assurance that problems are identified on a timely basis and dealt with appropriately

The Company, through a function of its size, does not have an internal audit function

It is the view of the Board that the controls in relation to the Company's operating, accounting, compliance and IT risks performed robustly throughout the year In addition, all staff have been in full compliance with the Company's policies and external regulations, including
- personal account dealing,
- money laundering,
- treatment and handling of confidential information,
- Listing Rules,
- applicable Financial Services Authority regulations,
- compliance policies,
- conflicts of interest, and
- health and safety

There were no protected disclosures made pursuant to the Company's whistleblowing policy during the year to 31st December 2010

In summary, the Board considers that the Company's existing internal controls, coupled with the analysis of risks inherent in the business models of the Company and its subsidiaries continue to provide appropriate tools for the Company to monitor, evaluate and mitigate its operating risks

3. Audit Committee and auditors: How does the Board of Directors formally apply the financial reporting and internal control principles?

The purpose of the Audit, Risk and Valuation Committee is to assist the Board in discharging its responsibilities for the integrity of the Company's financial statements and in assessing the effectiveness of the Company's internal controls and the objectivity of external auditors

The Audit, Risk and Valuation Committee is temporarily chaired by Richard Stone and comprises Lord Jay, and Jan Oosterveld As previously stated, a search is underway to recruit a new non-executive director who will also replace Richard Stone as Chairman of the Audit, Risk and Valuation Committee All the members of the Committee are independent non-executive directors The Board is satisfied that members of the Committee and the Committee Chairman, Richard Stone, have recent and relevant financial experience

The Committee met on seven occasions in 2010 (2009 four meetings) and the members' attendance record is set out in the report on page 32 The Company Secretary acts as the secretary to the Committee and meetings are attended by the Chairman of the Company and the Chief Executive Officer

During the year, the Committee reviewed, in conjunction with the external auditors, the Company's accounting disclosures comprised in the half-yearly and annual financial statements of the Company, the scope of the annual audit plan and the external audit findings The Committee exercised its judgment to ensure that this information was presented fairly and objectively and that appropriate accounting policies were applied and observed The Committee also reviewed the financial and accounting aspects of the disposals announced in the year The Committee reviewed the risk register of the Company It also examined the Company's compliance with its regulatory requirements, third party liabilities and off balance sheet liabilities and received reports on compliance with the terms of its loan notes

The Committee reviewed the valuation of the Company's investment assets The Committee oversaw the Company's relations with the external auditors including assessing auditor performance, independence and objectivity, recommending the auditors' reappointment and approving the auditors' fees

The terms of reference of the Committee are available on the Company's website

Auditors' independence and objectivity
Subject to annual appointment by shareholders, auditor performance is monitored on an ongoing basis and formally reviewed every five years, the last review being held during the year to 31st December 2010 Following this review the Audit, Risk and Valuation Committee concluded that Grant Thornton UK LLP's appointment as the Company's auditors should be continued

The Audit, Risk and Valuation Committee recognises the importance of ensuring the independence and objectivity of the Company's auditors It reviews the nature and extent of the services provided by them, the level of their fees and the element comprising non-audit fees

The Audit, Risk and Valuation Committee Chairman is notified of all assignments allocated to Grant Thornton UK LLP over a set threshold Safeguards have been put in place to reduce the likelihood of compromising auditor independence, including the following principles which are applied in respect of services provided by the auditors and other accounting firms and monitored by the Audit, Risk and Valuation Committee

- services required to be undertaken by the auditors, which include regulatory returns, formalities relating to borrowings, shareholders and other auditors,
- services which it is most efficient for the auditors to provide, and
- services that could be provided by a number of firms, including general consultancy work All significant consultancy projects are normally put out to tender and work would be allocated to the auditors only if it did not present a potential threat to the independence of the audit team Included in this category is due diligence work relating to the investment process If this service were to be provided by Grant Thornton UK LLP, the specific team engaged would be independent of the audit team

The Company paid £0 1 million to Grant Thornton UK LLP for audit services during the year to 31st December 2010 relating to the statutory audit of the Company's financial statements and the audit of the Company's subsidiaries and associates pursuant to legislation (2009 £0 1 million) The fees are explained in further detail in note 2 to the accounts on page 64

D Relations with shareholders

1. Dialogue with institutional shareholders: How does the Board of Directors ensure that a satisfactory dialogue with shareholders takes place?

The Board of Directors recognises the importance of maintaining a meaningful relationship with the Company's shareholders The Directors consider it important to understand the views of shareholders and any issues which are of concern to them The Chairman and Chief Executive Officer meet with the Company's principal institutional shareholders to discuss relevant issues as they arise and ensure that shareholders are apprised of the Company's strategy and corporate governance within the constraints of information that has been made public

The Board of Directors receives reports from the Company's brokers on shareholder issues Non-executive directors are invited to attend the Company's presentations to analysts and are offered the opportunity to meet shareholders

The Senior Independent Director is available to be contacted by shareholders in situations where contact through the Chairman is felt to be inappropriate

The Company has taken full advantage of the relevant provisions of the Companies Act 2006 allowing communications to be made electronically to shareholders where they have not requested hard copy information Therefore, the Company's website is the primary method for information sharing with investors

The Report and accounts of the Company together with its interim reports, interim management statements and all other public announcements are designed to present a balanced and understandable summary of the Company's activities and are made available on the Company's website

The Company's share capital and information for shareholders is described in the Report of the Directors on pages 24 to 29

The Chairman is responsible for ensuring that all Directors are made aware of the issues and concerns of major shareholders

2. Constructive use of the Annual General Meeting: How does the Board of Directors use its Annual General Meeting to communicate with investors and encourage their participation?

The Company uses the Annual General Meeting as an opportunity to communicate with its shareholders At each Annual General Meeting, the Company complies with the Combined Code as it relates to voting, the separation of resolutions and the attendance of Committee Chairmen The Chairmen of the Remuneration, Audit, Risk and Valuation and Nominations Committees are available to answer shareholders' questions and shareholders are invited to meet the Directors after the conclusion of the formal business of the meeting In accordance with the requirements of the Combined Code, the results of proxy voting by shareholders, including votes withheld, are made available to shareholders on request and are placed on the Company's website following the Annual General Meeting.

The Combined Code suggests that notice is given for annual general meetings at least 20 working days prior to the date of the meeting The notice for the Annual General Meeting to be convened on 18th May 2011 will be given in accordance with the Companies Act 2006, which requires 21 calendar days notice, but will not meet the suggested period under the Combined Code This is because the completion of the disposals, which the Board believe are of significant benefit to shareholders, was dependent on a number of conditions precedent being satisfied Some of these conditions were outside the Company's direct control, and due to unforeseen delays in the completion process, posting of the notice was delayed

On behalf of the Board

Malcolm Fallen
Chief Executive Officer
20 Old Bailey
London EC4M 7LN
19th April 2011

Risk review

Introduction

The Directors consider that in managing the Company's risk profile it is appropriate to analyse risks inherent in its business model As already noted in the Chairman's letter and the CEO's report on pages 2 to 6, the Company has been faced by discrete challenges, and whilst many of the industry-wide issues have been relevant in identifying and managing its risks, due to its particular business model the Company has limited ability to directly influence many of the volatilities that may affect it The risk level within private equity as an asset class is inherently higher than conventional assets reflecting the potential to earn higher rewards However, in considering how to mitigate some of the risks through the likes of hedges and derivatives, the Directors note that potential returns from the Company's equity investments could be significantly impacted

Risk review

The Company has conducted a review of risks affecting its business The approach taken was to (i) categorise areas of risk (ii) identify individual material risks and (iii) evaluate the inherent impact of that risk before the controls are applied

In the context of the Company's change in strategy following the disposal of CPL, risks have been categorised as either strategic, financial and investment, operational or people The Directors have identified existing controls in relation to each risk and the extent to which such controls operate as effective mitigants In addition, actions designed to enhance controls have been identified and responsibility for the management of each risk has been allocated The analysis highlighted the risks inherent in private equity and those which are foreseeable and avoidable and therefore could, to a greater extent, be eliminated The Risk review also noted that whilst the overall risk profile for the Company was not inherently severe, the ability to mitigate those risks inherent in the private equity asset class or arising from the Company's business model was limited

Risk category	Risk summary	Risk mitigation
Strategic risk	Instability of investment manager	As a result of the strip sale transaction, the Company has materially improved its financial stability and in doing so, CPL has gained its independence and has been able to retain, incentivise and motivate appropriate staff to manage and maximise the value of its investments This has largely eliminated the risk of instability of the investment manager in the short to medium term The Company will continue to monitor the performance of the investment manager through its investment management agreement.
	Single material asset failure as portfolio concentrates	As our investment portfolio matures and exits take place our exposure to the remaining assets in the portfolio increases. This creates a risk that if one or more of those remaining assets were to fail, the impact on the Company's returns could be disproportionately negative and could trigger breaches of our arrangements with our noteholders Regular reviews of all portfolio investments and monitoring of realisation timelines is completed by the investment manager As realisations occur and the Company moves to a net cash position the impact of the risk is also reduced
	Company's operational model does not provide adequate returns to shareholders	While the portfolio performance will determine the returns to the Company, a breakdown in the operating model could undermine future returns The investment manager could be removed by the other investors in the Candover Funds with the result that the Company would have to transfer the management of its investments to another manager determined by the other investors. The Company will monitor the investment manager's performance on a regular basis

Risk category	Risk summary	Risk mitigation
Financial and investment risk	Company's capital structure results in an inability to maximise value	The Company's obligations to its noteholders include a requirement to maintain a loan-to-value ratio of not less that 0 4 1 As a result of the strip sale transaction recently concluded, the Company created significant headroom relative to the loan-to-value ratio The Company regularly monitors its financial position (cash/net debt) using hedging instruments if relevant and undertaking sensitivity testing
	Failure to meet financial commitments	It is possible that the failure of the Company to realise sufficient value from its investments could lead to a failure to fund its future commitments to the Candover Funds or meet the obligations under its noteholder agreement However, the strip sale transaction recently concluded materially improves the Company's financial position providing significant headroom to meet all of its future funding commitments to the Candover Funds and service its obligations to the noteholders The Company actively monitors the level of indebtedness, covenants and outstanding commitments
	Financial market risks impacting on NAV	The Company's investment returns may be negatively affected by the impact of adverse currency and interest rate fluctuations and negative movements in valuation multiples If appropriate, the Company is able to mitigate this risk by the use of hedging techniques and regular forecasts of its liquidity position The strip sale transaction significantly mitigates the exposure to an event of default under the Company's Notes arising from a significant reduction in NAV
	Counterparty risk resulting in loss	The failure of a contractual counterparty in a financial transaction entered into by the Company may cause loss to the Company's shareholders This risk is addressed by the use of reputable counterparties and the segregation of cash held with third parties

Risk category	Risk summary	Risk mitigation
Operational risk	Failure of investment manager's operational systems and procedures	The Company has contractual management and administrative arrangements in place covering the provision of investment management and certain business support services The arrangements clearly delineate responsibilities and refer to appropriate procedures and processes that are required to be observed in the management of the Company's investments The Company monitors the services provided by third parties to ensure they meet the Company's objectives and as a means to assess whether the investment manager's operational performance is adversely affecting the Company
	Change in regulatory or legislative environment	While the regulation of the private equity industry has seen increased focus from policy makers and central banks in recent years, it is anticipated that this trend will increase in the short-to-medium term In the light of the Company's strategy to progressively return cash to shareholders as the portfolio is realised by the investment manager, unless any regulatory change is retrospective, the impact is no longer seen as significant
People	Inadequate Board composition and inadequate corporate governance	The Company's failure to adhere to applicable corporate governance standards and a failure to ensure the appropriate level of skills at Board level are factors which could result in financial loss, reputational damage or a drop in the Company's share price as a result of poor decision making The Company addresses these risks by ensuring effective Board membership through a rigorous selection process overseen by the Nominations Committee and annual Board evaluation In addition, through the Chairman the Company Secretary provides effective guidance on corporate governance matters

Directors' remuneration report

The Directors' remuneration report sets out (i) the activities of the Remuneration Committee for the year ended 31st December 2010, (ii) the Company's remuneration policy, and (iii) the remuneration of its executive and non-executive directors It has been prepared on behalf of the Board in accordance with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Combined Code It will be put to shareholders for approval by ordinary resolution at the Annual General Meeting to be held on 18th May 2011

The audited sections of the Directors' remuneration report have been clearly marked

Remuneration Committee

Composition and operation

The Remuneration Committee is responsible for setting a remuneration policy that reflects the Company's strategic goals and incentivises its executives who have a significant role in ensuring that the Company meets its strategic objectives

Prior to the Annual General Meeting held on 20th May 2010 the members of the Remuneration Committee were Richard Stone (Chairman), Gerry Grimstone, Antony Hichens, Chris Russell, Lord Jay, Nicholas Jones and Jan Oosterveld Following that meeting a number of Directors stepped down from the Board and as a consequence Jan Oosterveld became Chairman of the Remuneration Committee with the other members being Richard Stone, Lord Jay and Gerry Grimstone

The full Remuneration Committee, which meets as often as necessary to discharge its duties, met on four occasions in 2010 Attendance at Committee meetings is set out in the Corporate governance section on page 32 Terms of reference of the Committee are available on the Company's website

No member of the Remuneration Committee has any personal financial interests or conflicts of interest (other than as shareholders) In this regard, the Remuneration Committee gives full consideration to the provisions of the Combined Code

Professional advice

The Company takes professional advice in support of its remuneration policy to ensure that it remains in line with market trends and practice No third party advice was required during the course of the year

Activities during the year

Given the challenges faced by the Company and changes made to the strategy in 2010, the Remuneration Committee worked to ensure that the Company's remuneration policy reflected and supported the Company's strategic goals throughout the year

As described in the Chairman's letter, the Company has now embarked on a strategy focussed on returning cash to shareholders progressively over time as the portfolio is realised The Remuneration Committee was fully engaged through the course of the change in the Company's strategy that led to the announcement made on 6th December 2010 The Committee worked to ensure that where severance arrangements were entered in to they were consistently applied and that the existing incentive arrangements for those employees transferring to Arle would remain in place, appropriately allocated and targeted to ensure that the long-term value of the portfolio would be maximised In particular, the Remuneration Committee considered how best to maximise the impact of the existing employee benefit trusts ("EBTs") where the benefit is directly linked to the realisation of assets by the investment manager These incentive arrangements are more fully described below

As described in the Company's Report and accounts for the year ended 31st December 2009, a scheme was put in place comprising deferred payments for certain employees of CPL The scheme was designed to ensure the retention of those employees over a two year period As a consequence of the disposal of CPL, only part of these arrangements crystallised during the year As at 31st December 2010, the Company had a residual contingent liability of £4 3 million to certain employees Following the sale of CPL some of these employees have transferred to Arle whilst others have already been made redundant As a consequence of the disposal, therefore, the full payment will not fall due The Company will make a discretionary award of £3 3 million to an employee benefit trust established by the Company, which may subsequently make future distributions to members of Arle In addition, the Company made a payment to CPL of approximately £0 9 million in recognition of the obligation to make retention payments to certain of those employees whose employment transferred to Arle

In 2008, the Group set up an executive co-investment structure whereby €100 0 million had been separately committed to the Candover 2008 Fund The termination of the Candover 2008 Fund has dissolved this commitment going forward During the year, as a result of this, the Group assigned its interest in diverted management fees of £4 7 million in respect of the Candover 2008 Fund to certain executives within the Group

The Remuneration Committee reviewed salaries and performance related bonuses payable to Candover Group employees No discretionary bonuses have been or will be paid to investment executives of CPL for the period to 31st December 2010 There were no wholesale salary increases implemented across the Group during the year

Remuneration policy
The remuneration policy is designed to
- ensure the Company maintains competitive remuneration packages in order to recruit, retain and motivate executives of exceptional quality in the overall interests of shareholders,
- reward people equitably for the size of their responsibilities, performance and potential, and
- align and recognise the individual's contribution to the success of our business goals

The Remuneration Committee has considered the structure of senior executive pay from a risk perspective. It is satisfied that inappropriate risk taking is not encouraged.

Long-term incentive arrangements
As is customary in the private equity industry, investors in third party funds managed by CPL expect executives with responsibility for managing those funds to participate in incentive arrangements linked to those funds These arrangements comprise carried interest and co-investment

(i) Carried interest
Carried interest is a beneficial interest in the limited partnerships comprising each of the Candover Funds In order to align executives' interests with those of third party investors in the Candover Funds, certain performance conditions are applied such that any gains achieved through the carried interest arrangements associated with the Candover Funds is conditional upon a certain minimum return being generated for investors The attainment of this minimum return is subject to independent verification by KPMG LLP in their capacity as auditors to the Candover Funds These carried interest gains are paid by Candover Funds out of profits made by those funds and are not a charge on the profits of Candover

(ii) Co-investment
Under the co-investment arrangements in place, executives of CPL are required to make an investment in the ordinary equity and loan capital of companies in which Candover, as well as the third party funds managed by CPL, have made an investment EBTs were established as additional co-investment vehicles during 2001 and 2005 as part of the arrangements constituting the Candover 2001 and Candover 2005 Funds The Company, on behalf of its employees, co-invests in portfolio companies alongside the Candover 2001 and Candover 2005 Funds managed by CPL As and when investments are realised by the Candover 2001 and Candover 2005 Funds, the EBTs distribute realisation proceeds to the executives of CPL who are beneficiaries of the EBTs

Share matching plan
Candover implemented a share matching plan ("SMP") for the executives of CPL The purpose of the SMP was to encourage executives to own shares in Candover Investments plc, promoting a better alignment of interests and a focus on Group performance Demanding performance criteria, which required the Company's net asset per share growth to outperform the FTSE All-Share Index by a fixed margin over a fixed three year period, were attached to the receipt of any matching shares

Share option plan
Candover implemented a company share option plan ("CSOP") for its support staff who played an important role that added to shareholder value, but who did not participate in incentive schemes linked to funds managed by Candover Partners

Further details can be found in note 2 to the accounts on page 65 No individual employee was eligible for both the SMP and CSOP schemes in any given year No further allocations under either plan is currently anticipated

Summary of Chief Executive Officer's remuneration package

The remuneration package for Malcolm Fallen comprises both fixed and variable elements, including salary, a performance related bonus, pension contributions and participation in a long-term incentive award fully aligned to the Company's primary objective of maximising shareholder return

Base salary

Malcolm Fallen's base salary takes account of the size of his role and his individual contribution The base salary is reviewed annually on 1st January The Remuneration Committee have determined that the annual salary should be increased by 2 5% to £410,000 with effect from 1st January 2011

Discretionary performance related bonus

The annual performance related bonus is capped at 100% of salary and is awarded based upon achieving annually agreed performance objectives

Malcolm Fallen's performance objectives for 2010 were specifically targeted on reviewing the strategic challenges and options faced by Candover following the unprecedented turmoil experienced during 2009 In particular his objectives were focussed on finding a solution to secure an appropriate ownership model for CPL and also to address the risks faced by the Company in the light of its operating model and funding structure In respect of the financial year ended 31st December 2010, a bonus of 100% of his base salary was awarded

Pension contributions

The Company operates a non-contributory Group personal pension plan for the benefit of its employees, which executive Directors are eligible to join Contributions are made based on a percentage of base salary

Future arrangements

In the light of the change in the Company's strategy, it has been agreed that Malcolm Fallen's terms will be amended to reflect a reduction in his time commitment required It is currently anticipated that he will reduce his commitment to three days per week which will result in a pro-rata reduction in his remuneration

Long-term incentive award

On 9th September 2009, Malcolm Fallen was granted a nil cost option over 325,000 Shares in the Company No payment was made for the grant of the option and no payment is required on exercise The option was granted to Malcolm Fallen under Listing Rule 9 4 2R(2) specifically to facilitate his retention beyond his original six month term of employment and to secure Malcolm Fallen's recruitment as the new Chief Executive Officer of the Company A summary of the principal terms of the option are set out below

The option will normally become capable of exercise shortly following the date of announcement of the preliminary results of the Company for the financial year ending 31st December 2012 (the "2012 Year") and will remain exercisable up until the tenth anniversary of grant, subject to the satisfaction of the performance conditions and Malcolm Fallen being an employee or Director of the Company's at that time

On exercise, the option will be satisfied using existing Shares purchased in the market The option may also be satisfied in cash

(i) Performance conditions

The option has been granted subject to a performance condition which is based on the average price of a Share during the ten dealing days immediately following the date of announcement of results for the 2012 Year, plus the aggregate cash value of dividends and other distributions paid on a Share ("Absolute Total Shareholder Return") during the period from grant up to the tenth dealing day immediately following the announcement of results for the 2012 Year (the "Performance Period") The option will not become capable of exercise unless Absolute Total Shareholder Return is at least equal to £8 Thereafter the option will become capable of exercise, as follows

Absolute Total Shareholder Return at the end of the Performance Period	Percentage of the option becomes exercisable
Equal to or greater than £12	100%
Between £8 and £12	On a straight-line basis between 20% and 100%
Equal to £8	20%
Less than £8	0%

For the purposes of calculating Absolute Total Shareholder Return, in addition to dividends paid during the Performance Period, the Remuneration Committee may, at its discretion, include the value of any other capital or income distribution associated with the proceeds of sale of portfolio investments during the Performance Period, which may include a share buy-back, reduction of capital or the creation of a new class of share in the Company which is subsequently redeemed, repurchased or cancelled

The Remuneration Committee may vary the performance condition if an event has occurred which causes the Committee to consider that it would be appropriate to do so, provided the Committee considers that the varied condition is fair and reasonable and is neither materially more nor less challenging than the original condition would have been, but for the event in question

(ii) Leaving employment
If Malcolm Fallen ceases employment for any reason (except summary dismissal), the option may be exercised early within the period of 12 months of the date of cessation, subject to the satisfaction of the performance condition at that time In this case, Absolute Total Shareholder Return will normally only be calculated by reference to the dividends and other distributions paid during the period from grant to the date of cessation of employment However the Committee may, at its discretion, also include the average price of a Share for the ten dealing days immediately prior to cessation If Malcolm Fallen is summarily dismissed, his option will lapse

(iii) Corporate events
In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation), the option shall vest to the extent (if at all) determined by the Remuneration Committee at its discretion

In the event of an internal corporate reorganisation, the option will be replaced by an equivalent new option over Shares in a new holding company, unless the Remuneration Committee decides that the option should become exercisable on the basis which would apply in the case of a takeover

(iv) Rights over Shares
The option will not confer any shareholder rights until it has been exercised and Shares have been transferred to Malcolm Fallen

Malcolm Fallen will be entitled to receive a payment (in cash and/or Shares) on or shortly following the exercise of his option of an amount equivalent to the dividends and, at the discretion of the Remuneration Committee, the value of any other return of capital or income to shareholders that would have been paid on those Shares in respect of payment dates between the date of grant and the date when the option first becomes capable of exercise

(v) Variation of capital
In the event of any variation of the Company's share capital, a demerger, payment of a special dividend or similar event which materially affects the market price of the Shares, the Remuneration Committee may make such adjustment as it considers appropriate to the number of Shares subject to the option

(vi) Alterations to the plan
The Company may, at any time, amend the option agreement in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to Malcolm Fallen's advantage in respect of the basis for determining his entitlement to, and the terms of, the Shares or cash to be acquired and the adjustment of his option

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the option agreement, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Malcolm Fallen or for any company in the Group

(vii) General
The option is not transferable, except on death
The option is not pensionable

Malcolm Fallen did not participate in the SMP or the CSOP in 2010 and will not do so in 2011

Non-executive directors' fees

For non-executive directors, the Chairman of the Company recommends the level of fees to be paid based on market information, time commitment required and the level of responsibility undertaken The members of the Remuneration Committee, excluding the Chairman, recommend the Chairman's fee These recommendations are then put to a meeting of the Executive Committee of the Company for approval There have been no increases in non-executive directors' fees since January 2008 Base fees are set out below Fees for the non-executive Chairman and Board members are to be reduced following the completion of disposal of the strip and CPL.

	Proposed[1] £	2010 £	2009 £
Non-executive Chairman	70,000	**100,000**	125,000
Board member	30,000	**35,000**	35,000
Audit Committee Chairman	35,000	**40,000**	40,000
Remuneration Committee Chairman	35,000	**40,000**	40,000
Senior Independent Director	32,500	**37,500**	37,500

Non-executive directors are not paid bonuses or performance fees, granted share options or invited to participate in long-term incentive plans and specifically are not eligible to participate in the SMP or the CSOP

1 The proposed reductions reflect the anticipated reduction in work load following the change in the Company's strategy

Directors' emoluments (audited)

Total emoluments received by individual Directors during the year ended 31st December 2010 were as follows

	Salaries/ Directors fees £	Performance related pay £	Taxable benefits £	Total emoluments excluding pension contributions[1] 2010 £	Total emoluments excluding pension contributions 2009 £
Executive director					
Malcolm Fallen	400,000	400,000	1,601	**801,601**	552,172[3]
Non-executive directors[1]					
Gerry Grimstone	100,000	–	–	**100,000**	125,000
Antony Hichens[2]	16,667	–	–	**16,667**	40,000
Chris Russell[2]	16,667	–	–	**16,667**	40,000
Richard Stone	40,000	–	–	**40,000**	40,000
Lord Jay	36,533	–	–	**36,533**	35,000
Nicholas Jones[2]	14,583	–	–	**14,583**	35,000
Jan Oosterveld	36,533	–	–	**36,533**	35,000
Total	660,983	400,000	1,601	**1,062,584**	902,172
2009 comparatives	802,949	98,000	1,223	**902,172**	

1 No pension contributions have been made on behalf of any non-executive directors in 2010
2 Antony Hichens, Chris Russell and Nicholas Jones retired from the Board on 20th May 2010
3 Emoluments received both as acting Chief Executive Officer and as a Director

Directors' interests in Shares

The Directors' interests in Shares are shown below:

Name	Ordinary shares of 25p each at 1st January 2010 or date of appointment	Ordinary shares purchased/ (disposed)	Ordinary shares each, to date
Gerry Grimstone	**10,000**	–	10,000
Malcolm Fallen	–	–	–
Richard Stone	**8,500**	–	8,500
Lord Jay	**100**	–	100
Jan Oosterveld	–	–	–
Total	**18,600**	–	**18,600**

Pension costs (audited)

Malcolm Fallen receives a contribution of 20% of his base salary by way of pension contributions. He received £80,000 as payment in lieu of pension in 2010.

Share incentives (audited)

Malcolm Fallen's recruitment award is set out below. The award is subject to an Absolute Total Shareholder Return condition as set out on page 44.

	Grant date	Number at 1st January 2010	Granted in year	Exercised in year	Lapsed in year	Number at 31st December 2010	Share price on date of grant[1]	Earliest exercise date
Malcolm Fallen's recruitment award	9th September 2009	325,000	–	–	–	325,000	473 50p	1st March 2013

1 No payment was made for the grant of the option. No payment is required on exercise.

Termination payments and payments to third parties

No payments were made to any Director of the Company for termination of employment or to third parties for the provision of Directors' services to the Company during the year ended 31st December 2010.

Service agreements and letters of appointment

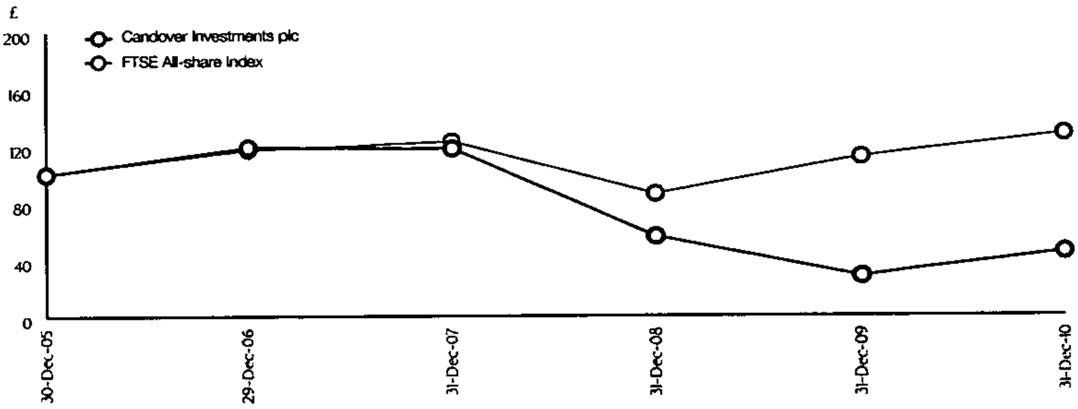
The Chief Executive Officer, as an executive Director, has a rolling service agreement with no fixed expiry date This contract may be terminated by either the Company or the Chief Executive Officer on 12 months' notice There are no provisions for the Chief Executive Officer to receive compensation upon early termination

Each non-executive director has a letter of appointment with the Company, setting out their duties and the time commitment expected from them Non-executive directors' appointments are reviewed annually and are subject to the re-election requirements of the Company's Articles There are no provisions for Directors to receive compensation upon early termination

	Date of contract	Notice period	Unexpired term
Executive director			
Malcolm Fallen	9th September 2009	12 months' from either party	No fixed expiry date
Non-executive directors			
Richard Stone	19th April 2011	Terminable on 3 months' notice by either party	Appointment reviewed annually in December
Lord Jay	7th December 2008	Terminable at the will of the parties	Appointment reviewed annually in December
Jan Oosterveld	5th November 2008	Terminable at the will of the parties	Appointment reviewed annually in December

Comparative performance

Set out below is a graph showing the Company's total shareholder return performance assuming an original investment in the Company on 31st December 2005 of £100 and with dividends reinvested for the five years to 31st December 2010 This is compared against the return performance achieved by the FTSE All-Share Index



On behalf of the Board

Jan Oosterveld
Chairman of the Remuneration Committee
19th April 2011

Financial statements

Independent auditor's report to the members of Candover Investments plc

We have audited the financial statements of Candover Investments plc for the year ended 31st December 2010, which comprise the Group and parent company statement of financial position, the Group statement of comprehensive income, the Group and parent company statements of cash flow, the Group and parent company statements of changes in equity and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' responsibilities statement set out on page 29, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31st December 2010 and of the Group's loss for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006
In our opinion

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the information given in the Corporate governance statement set out on pages 30 to 37 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made,
- we have not received all the information and explanations we require for our audit, or
- a Corporate governance statement has not been prepared by the Company

Under the Listing Rules, we are required to review
- the Directors' statement, set out on pages 28 and 29, in relation to going concern,
- the part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review, and
- certain elements of the report to the shareholders by the Board on Directors' remuneration

Grant Thornton UK LLP

Charles Hutton-Potts BSc, FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
19th April 2011

Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below These policies have been consistently applied to all the periods presented

Basis of preparation
The Group and Company have prepared their financial statements under International Financial Reporting Standards as adopted by the European Union ("IFRSs") IFRSs comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") as adopted in the European Union as at 31st December 2009

The financial statements have been prepared on the historical cost basis of accounting, except for measurement at fair value of certain assets

Going concern
Under the Combined Code and applicable regulations, the Directors are required to satisfy themselves that it is reasonable to presume that the Company is a going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman's letter, the Chief Executive Officer's report and the Manager's portfolio review The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review The Corporate governance section and the Risk review outline the Group's financial and operational risks In addition, note 29 to the financial statements includes the Group's financial risk management objectives, its capital management policies and procedures, details of its financial instruments and hedging activities and its exposures to market risk, currency risk, interest rate risk, credit risk, liquidity risk and other price risk.

As described in the Chairman's letter, Chief Executive Officer's report and Financial review, the sale of the CPL disposal group and assets subject to strip disposal has substantially improved the Company's financial stability

Candover has confirmed that it is in full compliance with the terms of the US private placement bonds issued in 2007

The Directors have a reasonable expectation that the Group and the Company have adequate resources to continue as a going concern for the foreseeable future, having made enquiries and after considering and taking into account the matters described above For these reasons, they continue to adopt the going concern basis in preparing the Report and accounts

The significant accounting policies are set out below

Investment Trust SORP
Where presentational guidance set out in the Statement of Recommended Practice ("SORP") for investment trusts, issued by the Association of Investment Companies ("AIC") is consistent with the requirements of IFRSs, the Directors have sought to prepare the financial statements on a basis compliant with the SORP

Management expenses and finance costs
During the year the Company reviewed its split between revenue and capital of management expenses resulting in a revised split based on the nature of estimated long-term returns Management expenses and finance costs have been allocated 50% to capital and 50% to revenue

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary undertakings) made up to the statement of financial position date Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits directly from its activities

Revenue
Interest income on financial investments, and cash and cash equivalents, is recognised in the statement of comprehensive income using the effective interest rate applicable A provision will be made against this income where there is uncertainty as to its future recoverability The requirement or otherwise for a provision is considered in conjunction with the valuation of the related financial investment, the approach to which is stated below

Operating segments
Candover's operating segments are being reported based on the financial information provided to the Chief Executive Officer of Candover Investments Plc and to the Managing Partner of Candover Partners Limited

The Group operates two clearly defined segments First is the co-investment activity of the Company which aims to provide its shareholders with quoted access to private equity returns. The second segment mainly comprises the investment management activities of Candover Partners

The Group Statement of Comprehensive Income is analysed into these segments, the co-investment activity reported under 'capital' and the other segment reported under 'revenue'

The Group's material non-current assets are the portfolio companies of the co-investment segment. These are assessed geographically in the Manager's portfolio review on pages 10 to 20

Share-based payments
The Group entered into arrangements that were equity-settled share-based payments with certain employees These were measured at fair value at the date of grant, which is then recognised in the statement of comprehensive income on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest The charge is adjusted at each statement of financial position date to reflect the actual number of forfeitures and leavers during the period The movement in cumulative changes since the previous statement of financial position is recognised in the statement of comprehensive income, with a corresponding entry in equity Cancellations are accounted for as an acceleration of vesting rather than by adjusting the number of equity instruments expected to vest Fair value is measured by use of the Black-Scholes model

Loss from discontinued operations
A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and
- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale

Profit or loss from discontinued operations, including prior year components of the profit or loss, are presented in a single amount in the income statement This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale is further analysed in note 3

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date for the latest period presented Where operations previously presented as discontinued are now regarded as continuing operations, prior period disclosures are correspondingly re-presented

Property, plant and equipment
All property, plant and equipment is stated at historical cost less depreciation

Depreciation is calculated to write down the cost less residual value of all property, plant and equipment by equal annual instalments over their expected useful lives The periods generally applicable are plant and equipment two to five years and motor vehicles three years Leasehold improvements are depreciated over the duration of the lease The residual value of all assets is assessed annually

As a result of the sale of the CPL disposal group, accelerated depreciation was recognised on the residual net book value of these assets

Financial investments
The Directors consider that a substantial measure of the performance of the Group is assessed through the capital gains and losses arising from the investment activity of the Group Consequently, for measurement purposes financial investments, including equity, loan and similar instruments, are designated at fair value through profit and loss and are valued in compliance with IAS 39 Financial Instruments Recognition and Measurement and the International Private Equity and Venture Capital Valuation Guidelines as recommended by the BVCA, the principles of which are set out on page 20

Financial investments are recognised in the statement of financial position at fair value Gains and losses on the realisation of financial investments are dealt with through the statement of comprehensive income and taken to the realised capital reserve Financial investments are not held for immediate resale and any gains on realisations are not available for distribution as a dividend The difference between the fair value of financial investments and cost to the Group is shown as an unrealised gain or loss in the statement of comprehensive income and taken to the unrealised capital reserve

Investments in subsidiary undertakings are reflected in the Company's accounts at cost less impairment

Receivables and payables
Receivables and payables are accounted for at fair value at initial recognition and thereafter at amortised cost using the effective interest rate method

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-dated listed fixed income securities and money market instruments Such assets are held-for-trading, with capital gains, losses and fair value movements accounted for in the statement of comprehensive income, and taken to capital reserves due to the fact that such balances are held for future investment in financial investments

Borrowings
Interest-bearing loans and overdrafts are initially recognised at the fair value of the liability, net of direct issue costs After initial recognition, these are subsequently measured at amortised cost using the effective interest method, which is the rate that exactly discounts the estimated future cash flows through the expected life of the liabilities Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement Finance costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the statement of comprehensive income using the effective interest method Movements in value for currency fluctuations are taken to unrealised capital reserves, net of the impact of any designated hedging arrangements

Derivative financial instruments
Derivative financial instruments are used by the Group to manage the risk associated with foreign currency fluctuations and changes in interest rates on its borrowings This is achieved by the use of currency swaps and interest rate swaps All derivative financial instruments are held at fair value Where appropriate, derivative financial instruments are designated as fair value hedges on inception with the effectiveness tested both at this date and semi-annually thereafter on a prospective and retrospective basis

Derivative financial instruments are recognised initially at fair value on the contract date and subsequently remeasured to the fair value at each reporting date The fair value of currency swaps and interest rate swaps is determined with reference to future cash flows and future interest and exchange rates All changes in the fair value of financial instruments are accounted for in the statement of comprehensive income and taken to the unrealised capital reserve net of any designated hedging arrangements which are offset against the movements in the instrument being hedged The ineffective portion of any fair value hedge is assessed semi-annually and taken to the Statement of comprehensive income

The conditional sale of assets within the strip transaction has led to the recognition of a derivative financial liability equivalent in value at 31st December 2010 to the difference between the year-end valuations of these assets and their sale proceeds This has been recognised within discontinued operations (see note 3)

Financial assets and liabilities on equity commitments
Financial assets and liabilities on equity commitments are measured at fair value, which is determined by reference to the Group's valuation of the underlying portfolio company, in accordance with the Group's policy on financial investments

Deferred tax
Deferred tax is recognised in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the statement of financial position date

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised

Due to the Company's status as an investment trust, and the intention to continue meeting the conditions required to obtain approval in the foreseeable future, the Company has not provided for deferred tax on any capital gains and losses arising on the revaluation or disposal of investments

Foreign currencies
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income Where exchange differences result from the translation into Sterling of foreign currency resources that are held for future financial investments, the gain or loss is accounted for in the statement of comprehensive income and taken to capital reserves

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,
- income and expenses for each statement of comprehensive income are translated at actual exchange rates, and
- all resulting exchange differences are recognised in other comprehensive income

The cumulative exchange gains and losses on foreign currency net investments are accounted for in the statement of comprehensive income when these operations are disposed

Pension costs
The Group contributes towards a number of funded defined contribution pension schemes designed to provide retirement benefits for its Directors and employees The assets of the schemes are held separately from the Group in independently administered funds The pension cost charge represents contributions payable by the Group to the schemes in respect of the accounting period

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease

Provisions
A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract Provision is made for the present value of foreseeable rental commitments in respect of surplus property, after offsetting any future sub-letting income that could be earned Surplus property includes premises which will become redundant as a result of steps to which the Group is committed

Dividends payable
Final dividends are accounted for when they are approved at the Annual General Meeting Interim dividends are recognised when paid

Critical accounting estimates and judgements
The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities relate to
- the valuation of unlisted financial investments held at fair value through profit and loss, which are valued on the basis noted above (in the section headed Financial investments), the key areas of judgement being the adjustments required to normalise sustainable earnings and the appropriate comparable multiple to apply The valuation policy is set out on page 20 and the Group's exposure to valuation and market price risk is considered in note 29,
- the recognition or otherwise of accrued income on loan notes and similar instruments granted to investee companies, which are assessed in conjunction with the overall valuation of unlisted financial investments as noted above,
- the appropriateness of the allocation of management expenses between revenue and capital, which is based on the split of the long-term anticipated return between revenue and capital of net income,
- finance costs have been allocated on the same basis as the above, whereas movements in the carrying value of borrowings and related instruments have been taken to the unrealised capital reserve as they have been raised to fund future financial investments,
- the estimated future financial liability arising from future equity commitments and guarantees, which is assessed on the same basis as the valuation of unlisted financial investments as noted above,
- the recognition of the deferred tax asset, which is based on reasonable expectations on the timing of distributions to beneficiaries of the employee benefit trusts and the availability of future taxable profits, and
- the disposal of the strip assets is on an arm's length, secondary market basis

In preparing the Group financial statements for the current year, the Group has adopted the following new IFRS amendments to IFRS and IFRIC interpretations which have not had a significant impact on the results or net assets of the Group:

- Amendment to IAS 27 Consolidated and Separate Financial Statements, effective from 1st July 2009 These changes relate to the attributing of losses to a non-controlling interest and the accounting for a loss of control in a subsidiary The adoption of the amendments to IAS 27 has had no impact on the results or net assets of the Group
- Amendments to IFRS 3 Business Combinations, effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July 2009 The amendments revise the approach on to business combinations in stages, accounting for non-controlling interests, contingent consideration and costs of acquisition The adoption of the amendments to IFRS 3 has had no impact on the results or net assets of the Group
- Amendments to IAS 39 Financial Instruments Recognition and Measurement – Eligible Hedged Items, effective for annual periods beginning on or after 1st July 2009 The amendments clarify the application of the requirements on designation of a risk or a portion of cash flows for hedge accounting purposes, exemptions for business combination contracts and the treatment of loan prepayment penalties as closely related embedded derivatives
- Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, effective for periods beginning on or after 1st January 2010 Clarifies that IFRS 5 and other IFRSs that specifically refer to non-current assets (or disposal groups) classified as held for sale or discontinued operations set out all the disclosures required in respect of those assets or operations
- Amendments to IFRS 8 Operating Segments, effective for periods beginning on or after 1st January 2010 Clarifies that a measure of segment assets should be disclosed only if that amount is regularly provided to the chief operating decision maker
- Amendments to IAS 1 Presentation of Financial Statements, effective for periods beginning on or after 1st January 2010 Amendment to clarify the classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments
- Amendments to IAS 7 Statement of Cash Flows, effective for periods beginning on or after 1st January 2010 Amends IAS 7 to state explicitly that only an expenditure that results in a recognised asset can be classified as a cash flow from investing activities

Standards, amendments and interpretations effective, but do not have any impact on the Group:

- IFRIC 12 Service Concession Agreements, effective for annual periods beginning on or after 30th March 2009
- IFRIC 15 Agreements for the Construction of Real Estate, effective for annual periods beginning on or after 1st January 2010
- IFRIC 16 Hedges of Net Investment in a Foreign Operation, effective for annual periods beginning on or after 1st July 2009
- IFRIC 17 Distributions of Non-Cash Assets to Owners, effective for annual periods beginning on or after 1st July 2009
- IFRIC 18 Transfers of Assets from Customers, effective for transfers of assets from customers received on or after 1st July 2009
- Amendments to IAS 17 Leases, effective for annual periods beginning on or after 1st January 2010
- Amendments to IAS 18 Revenue, effective for annual periods beginning on or after 1st January 2010
- Amendments to IAS 36 Impairment of Assets, effective for annual periods beginning on or after 1st January 2010
- Amendments to IAS 38 Intangible Assets, effective for annual periods beginning on or after 1st January 2010
- Amendments to IFRIC 9 Reassessment of Embedded Derivatives, effective for annual periods beginning on or after 1st January 2010
- Amendments to IFRIC 16 Hedges of Net Investment in a Foreign Operation, effective for annual periods beginning on or after 1st January 2010

Standards, amendments and interpretations not yet effective, but not expected to have a significant impact on the Group:

- Revision to IFRS 1 First Time Adoption of IFRS, effective for annual periods beginning on or after 1st July 1009
- Amendment to IFRS 2 Group Case-settled Share-based Payment transactions, effective for annual reporting periods beginning on or after 1st January 2010

Group statement of comprehensive income

for the year ended 31st December 2010

	Notes	Year to 31st December 2010 Revenue £m	Capital £m	Total[1] £m	Year to 31st December 2009 Revenue £m	Capital £m	Total[1] £m
Gains/(losses) on financial instruments at fair value through profit and loss							
Realised gains and losses	26	–	(2.7)	(2.7)	–	(9 8)	(9 8)
Unrealised gains and losses	27	–	2.1	2.1	–	30 5	30 5
Total		–	(0.6)	(0.6)	–	20 7	20 7
Revenue							
Investment and other income	1	8.1	–	8.1	13 3	–	13 3
Total		8.1	–	8.1	13 3	–	13 3
Recurring administrative expenses	2	(4.5)	(2.5)	(7.0)	(3 4)	(5 2)	(8 6)
Exceptional non-recurring costs	5	(5.1)	–	(5.1)	(7 9)	–	(7 9)
Profit/(loss) before finance costs and taxation		(1.5)	(3.1)	(4.6)	2 0	15 5	17 5
Finance costs	6	(3.3)	(3.2)	(6.5)	(1 8)	(7 1)	(8 9)
Movement in the fair value of derivatives	7	–	(0.8)	(0.8)	–	(0 8)	(0 8)
Exchange movements on borrowings		–	0.8	0.8	–	3 7	3 7
Profit/(loss) before taxation		(4.8)	(6.3)	(11.1)	0 2	11 3	11 5
Analysed between							
Profit/(loss) before exceptional non-recurring costs		0.3	(6.3)	(6.0)	8 1	11 3	19 4
Exceptional non-recurring costs		(5.1)	–	(5.1)	(7 9)	–	(7 9)
Taxation	8	3.4	–	3.4	–	–	–
Profit/(loss) after taxation from continuing operations		(1.4)	(6.3)	(7.7)	0 2	11 3	11 5
Loss from CPL disposal group (discontinued operations)	3	(21.7)	–	(21.7)	(9 2)	–	(9 2)
Loss relating to assets subject to the strip disposal (discontinued operations)	4	–	(19.6)	(19.6)	–	–	–
		(21.7)	(19.6)	(41.3)	(9 2)	–	(9 2)
Profit/(loss) after taxation		(23.1)	(25.9)	(49.0)	(9 0)	11 3	2 3
Other comprehensive income							
Exchange differences on translation of foreign operations		(0.1)	–	(0.1)	0 4	–	0 4
Total comprehensive income		(23.2)	(25.9)	(49.1)	(8 6)	11 3	2 7
Earnings per ordinary share:							
Continuing operations – basic and diluted	11	(7p)	(29p)	(36p)	1p	52p	53p
Discontinued operations – basic and diluted	11	(99p)	(90p)	(189p)	(42p)	–	(42p)
Total earnings per share (continuing and discontinued operations) – basic and diluted	11	(106p)	(119p)	(225p)	(41p)	52p	11p

1 The total column represents the Group statement of comprehensive income under IFRS
i All of the profit for the year and the total comprehensive income for the year are attributable to the owners of the Company
ii The supplementary revenue and capital columns are presented for information purposes as recommended by the Statement of Recommended Practice issued by the Association of Investment Companies
iii The CPL disposal group result reflects the trading activities of CPL, including costs recharged to CPL by other parts of the Group, that will not form part of the continuing operations
iv The loss relating to assets subject to the strip disposal include the movements on those assets during the year and the movement in fair value of the related derivative at the year end

Group statement of changes in equity

for the year ended 31st December 2010

	Notes	Called up share capital £m	Share premium account £m	Other reserves £m	Capital reserves – realised £m	Capital reserves – unrealised £m	Revenue reserve £m	Total equity £m
Balance at 1st January 2010		**5.5**	**1.2**	**0.2**	**359.5**	**(160.5)**	**21.1**	**227.0**
Net revenue after tax		–	–	–	–	–	(23 1)	(23 1)
Unrealised gain on financial instruments	27	–	–	–	–	2 1	–	2 1
Realised gain/(loss) on financial instruments	26	–	–	–	6 7	(9 4)	–	(2 7)
Movement in fair value of derivatives – continuing operations	7	–	–	–	–	(0 8)	–	(0 8)
Loss relating to assets subject to the strip disposal – discontinued operations	4	–	–	–	–	(19 6)	–	(19 6)
Exchange movements on borrowing		–	–	–	–	0 8	–	0 8
Costs net of tax		–	–	–	(5 7)	–	–	(5 7)
Profit after tax		–	–	–	1 0	(26 9)	(23 1)	(49 0)
Other comprehensive income								
Exchange differences on translation of foreign operations		–	–	(0 1)	–	–	–	(0 1)
Total comprehensive income		–	–	(0 1)	1 0	(26 9)	(23 1)	(49 1)
Balance at 31st December 2010		**5.5**	**1.2**	**0.1**	**360.5**	**(187.4)**	**(2.0)**	**177.9**

	Notes	Called up share capital £m	Share premium account £m	Other reserves £m	Capital reserves – realised £m	Capital reserves – unrealised £m	Revenue reserve £m	Total equity £m
Balance at 1st January 2009		5 5	1 2	(0 2)	369 8	(182 1)	30 1	224 3
Dividends								
Share-based payments								
Share buy-backs								
Transactions with equity holders								
Net revenue after tax		–	–	–	–	–	(9 0)	(9 0)
Unrealised gain on financial instruments	27	–	–	–	–	30 5	–	30 5
Realised gain/ loss on financial instruments	26	–	–	–	2 0	(11 8)	–	(9 8)
Movement in fair value of derivatives	7	–	–	–	–	(0 8)	–	(0 8)
Exchange movements on borrowing		–	–	–	–	3 7	–	3 7
Costs net of tax		–	–	–	(12 3)	–	–	(12 3)
Profit after tax		–	–	–	(10 3)	21 6	(9 0)	2 3
Other comprehensive income								
Exchange differences on translation of foreign operations		–	–	0 4	–	–	–	0 4
Total comprehensive income		–	–	0 4	(10 3)	21 6	(9 0)	2 7
Balance at 31st December 2009		5 5	1 2	0 2	359 5	(160 5)	21 1	227 0

Company statement of changes in equity

for the year ended 31st December 2010

	Notes	Called up share capital £m	Share premium account £m	Other reserves £m	Capital reserve – realised £m	Capital reserve – unrealised £m	Revenue reserve £m	Total equity £m
Balance at 1st January 2010		**5.5**	**1.2**	**–**	**361.0**	**(160.9)**	**(17.6)**	**189.2**
Net revenue after tax		–	–	–	–	–	(12 0)	(12 0)
Unrealised gain on financial instruments	27	–	–	–	–	2 1	–	2 1
Realised loss on financial instruments	26	–	–	–	6 5	(9 4)	–	(2 9)
Movement in fair value of derivatives – continuing	4	–	–	–	–	(0 8)	–	(0 8)
Loss relating to assets subject to the strip disposal	4	–	–	–	–	(19 6)	–	(19 6)
Exchange movements on borrowing		–	–	–	–	0 8	–	0 8
Costs net of tax		–	–	–	(5 7)	–	–	(5 7)
Profit after tax		–	–	–	0 8	(26 9)	(12 0)	(38 1)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	0 8	(26 9)	(12 0)	(38 1)
Balance at 31st December 2010		**5.5**	**1.2**	**–**	**361.8**	**(187.8)**	**(29.6)**	**151.1**

	Notes	Called up share capital £m	Share premium account £m	Other reserves £m	Capital reserve-realised £m	Capital reserve-unrealised £m	Revenue reserve £m	Total equity £m
Balance at 1st January 2009		5 5	1 2	–	371 3	(182 5)	(17 4)	178 1
Net revenue after tax		–	–	–	–	–	(0 2)	(0 2)
Unrealised gain on financial instruments	27	–	–	–	–	30 5	–	30 5
Realised loss on financial instruments	26	–	–	–	2 0	(11 8)	–	(9 8)
Movement in fair value of derivatives	4	–	–	–	–	(0 8)	–	(0 8)
Exchange movements on borrowing		–	–	–	–	3 7	–	3 7
Costs net of tax		–	–	–	(12 3)	–	–	(12 3)
Profit after tax		–	–	–	(10 3)	21 6	(0 2)	11 1
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–
Total comprehensive income		–	–	–	(10 3)	21 6	(0 2)	11 1
Balance at 31st December 2009		5 5	1 2	–	361 0	(160 9)	(17 6)	189 2

Group statement of financial position

at 31st December 2010

	Notes	31st December 2010 £m	31st December 2010 £m	31st December 2009 £m	31st December 2009 £m
Non-current assets					
Property, plant and equipment	12		**0.1**		2.7
Financial investments designated at fair value through profit and loss					
Portfolio companies	13	**212.1**		291.6	
Other financial investments	13	**17.9**		28.3	
			230.0		319.9
Trade and other receivables	15		**6.5**		4.7
Deferred tax asset	20		**3.5**		3.4
			240.1		330.7
Current assets					
Trade and other receivables	15	**1.8**		8.2	
Derivative financial instruments	19	**44.1**		38.4	
Current tax asset		**0.1**		0.9	
Cash and cash equivalents	16	**78.9**		106.3	
			124.9		153.8
Financial investments held for sale (discontinued operations)	13		**80.0**		–
Assets of CPL disposal group (discontinued operations)	15.1		**2.3**		–
			207.2		153.8
Current liabilities					
Trade and other payables	17	**(15.9)**		(13.8)	
Financial liability on equity commitments		**–**		(12.2)	
Derivative financial instruments	19	**(29.9)**		(36.9)	
Provisions	25	**(4.5)**		–	
			(50.3)		(62.9)
Derivative financial instruments (discontinued operations)	4		**(17.4)**		–
Liabilities of CPL disposal group (discontinued operations)	17.1		**(1.2)**		–
			(68.9)		(62.9)
Net current assets			**138.3**		90.9
Total assets less current liabilities			**378.4**		421.6
Non-current liabilities					
Loans and borrowings	18		**(200.5)**		(194.6)
Net assets			**177.9**		227.0
Equity attributable to equity holders					
Called up share capital	21, 26		**5.5**		5.5
Share premium account	26		**1.2**		1.2
Other reserves	26		**0.1**		0.2
Capital reserve – realised	26		**360.5**		359.5
Capital reserve – unrealised	26		**(187.4)**		(160.5)
Revenue reserve	26		**(2.0)**		21.1
Total equity			**177.9**		227.0
Net asset value per share	11				
Basic			**814p**		1038p
Diluted			**814p**		1038p

Company statement of financial position

at 31st December 2010

	Notes	31st December 2010 £m	31st December 2010 £m	31st December 2009 £m	31st December 2009 £m
Non-current assets					
Financial investments designated at fair value through profit and loss					
Portfolio companies	13	**207.6**		259 9	
Other financial investments	13	**17.9**		28 3	
			225.5		288.2
Investment in subsidiary undertakings	13,14		**4.6**		4.8
Trade and other receivables	15		**2.7**		–
Deferred tax asset	20		**3.5**		–
			236.3		293 0
Current assets					
Trade and other receivables	15	**10.5**		10 6	
Current tax asset		**–**		0 2	
Derivative financial instruments	19	**44.1**		38 4	
Cash and cash equivalents	16	**75.7**		101 9	
			130.3		151 1
Financial investments held for sale (discontinued operations)	13		**54.9**		–
			185.2		151 1
Current liabilities					
Trade and other payables	17	**(10.8)**		(3 0)	
Financial liability on equity commitments	19 1	**(11.8)**		(20 4)	
Derivative financial instruments	19	**(29.9)**		(36 9)	
			(52.5)		(60 3)
Derivative financial instruments (discontinued operations)	4		**(17.4)**		–
			(69.9)		(60 3)
Net current assets			**115.3**		90.8
Total assets less current liabilities			**351.6**		383 8
Non-current liabilities					
Loans and borrowings	18		**(200.5)**		(194 6)
Net assets			**151.1**		189 2
Equity attributable to equity holders					
Called up share capital	21, 26		**5.5**		5 5
Share premium account	26		**1.2**		1 2
Other reserves	26		**–**		–
Capital reserve – realised	26		**361.8**		361 0
Capital reserve – unrealised	26		**(187.8)**		(160 9)
Revenue reserve	26		**(29.6)**		(17 6)
Total equity			**151.1**		189 2

The financial statements were approved on behalf of the Directors on 19th April 2011

Richard Stone
Chairman

Group cash flow statement

for the year ended 31st December 2010

	Notes	Year to 31st December 2010 £m	Year to 31st December 2010 £m	Year to 31st December 2009 £m	Year to 31st December 2009 £m
Cash flows from operating activities					
Cash flow from operations	28		**(15.2)**		(16 1)
Interest paid			**(6.1)**		(11 0)
Tax received			**0.8**		3 8
Net cash from operating activities			**(20.5)**		(23 3)
Cash flows from investing activities					
Purchase of property, plant and equipment		**(0.4)**		(0 1)	
Purchase of financial investments		**(34.7)**		(40 0)	
Sale of property, plant and equipment		**-**		0 1	
Sale of financial investments		**35.5**		44 4	
Net cash from investing activities			**0.4**		4 4
Cash flows from financing activities					
Equity dividends paid		**-**		-	
Purchase of own shares		**-**		-	
Advances of loans		**-**		-	
Net cash from financing activities			**-**		-
(Decrease) in cash and cash equivalents			**(20.1)**		(18 9)
Opening cash and cash equivalents			**106.3**		133 2
Effect of exchange rates and revaluation on cash and cash equivalents			**(6.3)**		(8 0)
Closing cash and cash equivalents	16		**79.9**		106 3

Company cash flow statement

for the year ended 31st December 2010

	Notes	Year to 31st December 2010 £m	Year to 31st December 2010 £m	Year to 31st December 2009 £m	Year to 31st December 2009 £m
Cash flows from operating activities					
Cash flow from operations	28		**(16.3)**		(8 9)
Interest paid			**(6.1)**		(10 7)
Tax (paid)/received			**0.2**		6 4
Net cash from operating activities			**(22.2)**		(13 2)
Cash flows from investing activities					
Purchase of financial investments		**(33.2)**		–	
Sale of financial investments		**35.5**		44 4	
Net cash from investing activities			**2.3**		44 4
Cash flows from financing activities					
Equity dividends paid		**–**		–	
Purchase of own shares		**–**		–	
Advances of loans		**–**		–	
Net cash from financing activities			**–**		–
Increase/(decrease) in cash and cash equivalents			**(19.9)**		31 2
Opening cash and cash equivalents			**101.9**		78 7
Effect of exchange rates and revaluation on cash and cash equivalents			**(6.3)**		(8 0)
Closing cash and cash equivalents	16		**75.7**		101 9

Notes to the financial statements

for the year ended 31st December 2010

Note 1 Revenue

	2010 £m	2010 £m	2009 £m	2009 £m
Investment income				
Income from financial investments	**7.4**		11 7	
Income from other fixed interest securities	**0.3**		1 1	
Other income receivable arising on cash deposits	–		0 3	
Other income receivable	**0.4**		0 2	
		8.1		13 3

Investment and other income is derived from the provision of capital to unquoted companies and interest on surplus cash

All income noted above is attributable to continuing activities The investment and other income relating to the discontinued operations relating to the assets subject to the strip disposal is shown in note 4

Note 2 Administrative expenses

		2010 £m	2009 £m
Management expenses	Revenue	**2.5**	1 3
	Capital	**2.5**	5 2
Other administrative expenses		**7.1**	10 0
Total administrative expenses		**12.1**	16 5
Staff costs (including Directors' remuneration)		**1.3**	1 0
Auditors' remuneration		**0.1**	0 1
Non-recurring exceptional costs (see below)		**5.1**	7 9
Staff costs			
Salaries		**0.7**	0 8
Bonus		**0.4**	0 1
Social security costs		**0.1**	0 1
Pension, insurance and other costs		**0.1**	–
		1.3	1 0

Total administration expenses stated above includes £5 1 million (2009 £7 9 million) of non-recurring exceptional costs (see note 5)

During the year the Company reviewed its split between revenue and capital of management expenses resulting in a revised split based on the nature of estimated long-term returns

As at 31st December 2010, the number of employees of the Group was 35 (2009 42), of whom 12 were investment executives (2009 19) The remaining employees provide the Group's support services Directors' remuneration is shown on page 46, the total paid during the year was £1 1 million (2009 £0 6 million) Total employer's national insurance contributions of the Directors was £0 1 million for the year

The continuing operations, the costs of which are shown above as well as the costs of non-executive directors have three employees, none of whom are investment executives

The Company had one full-time equivalent employee during the course of the year, including Directors (2009 one)

During the year ended 31st December 2010, the Group had two share-based payment arrangements (2009 two), which are described below

Company share option plan ("CSOP")
The CSOP provided for grants of share options at an exercise price equal to the mid-market quoted market price for the Company's Shares on the day before the date of grant Options can be exercised three years after the grant If the options remain unexercised after a period of ten years from the date of the grant, the options expire

Share matching plan ("SMP")
The SMP enabled executives to invest in the ordinary share capital of the Company The investment may be matched dependent upon the net asset value per share performance relative to the performance of the FTSE All-Share index over a three year period, up to a maximum of 3 1 matching shares (on a net to gross basis)

Due to the performance of the Company's share price and net assets since granting both of the above, no options are expected to be exercised or the matching conditions to be met

	CSOP	SMP
Number outstanding at 1st January 2010	46,079	462,701
Granted	–	–
Lapsed	(15,853)	(108,025)
Exercised	–	–
Outstanding at 31st December 2010	30,226	354,676
Exercisable at 31st December 2010	–	–
Number outstanding at 1st January 2009	59,147	594,290
Granted	–	–
Lapsed	(13,068)	(131,589)
Exercised	–	–
Outstanding at 31st December 2009	46,079	462,701
Exercisable at 31st December 2009	–	–

No CSOP or SMP awards were granted during the year

The weighted average exercise price for options outstanding at 31st December 2010 is £20 74 and the weighted average contractual life is seven and a half years

Equity-settled share-based payments was a £nil charge for the year (2009 a credit of £0 1 million)

Auditors' remuneration
During the year, Grant Thornton UK LLP earned the following fees in relation to continuing and discontinued operations

	2010 £m	2009 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**0.1**	0 1
Fees payable to the Company's auditors and its associates for other services		
The audit of the Company's subsidiaries, pursuant to legislation	**0.1**	0 1
Taxation services	**0.1**	0 1
Other services	**0.1**	–
Auditors' remuneration	**0.4**	0 3

Note 3 Loss from CPL disposal group ("discontinued operations")

	2010 £m	2009 £m
Management fees from third parties	**14.6**	18 7
Management fees charged to continuing Group	**5.0**	6 3
Total fee income	**19.6**	25 0
Payroll and administrative expenses	**(20.1)**	(22 7)
Redundancy costs	**(2.3)**	(7 5)
Net operating deficit	**(2.8)**	(5 2)
Write-off on deferred tax asset	**(3.4)**	(2 3)
Net income before exceptional non-recurring administrative expenses	**(6.2)**	(7 5)
Exceptional non-recurring charges		
Discretionary contribution to EBT	**(3.3)**	–
Payment of future deferred incentives	**(0.9)**	–
Advisor costs	**(3.6)**	–
Bond consent fee	**(0.9)**	–
Write-off on fixed assets	**(2.1)**	–
Accelerated write-off on deferred incentive arrangements	**(4.7)**	–
Placing agents	–	(1 7)
Loss from CPL disposal group ("discontinued operations")	**(21.7)**	(9 2)

Of the charges incurred above £11 1 million will result in cash payments post year end

Note 4 Loss relating to assets subject to strip disposal ("discontinued operations")

	Revenue £m	Capital £m	Total £m
Gains/losses on financial instruments at fair value through profit and loss			
Unrealised gains and losses	–	(4 1)	**(4.1)**
Investment and other income	1 9	–	**1.9**
Movement in fair value of derivatives	(1 9)	(15 5)	**(17.4)**
Loss relating to assets subject to strip disposal ("discontinued operations")	–	(19 6)	**(19.6)**

The movement in fair value of derivatives reflects the difference between the valuation at the year end of the asset subject to strip disposal and the contractually agreed sale price of these assets

Note 5 Exceptional non-recurring costs for the continuing Group

Exceptional non-recurring costs for the continuing Group for the current year are made up as follows

	Total £m
Other costs	**0.6**
Property provision (see note 12)	**4.5**
	5.1

Other costs relate to costs of finalising strategic review and costs associated with responding to the unsolicited approach received in April 2010, which were not regular running costs of the underlying business

	Western Europe £m	Other £m	Total £m
Staff costs	7 5	2 3	**9.8**
Adviser costs	4 1	–	**4.1**
Placing agents	1 7	–	**1.7**
Discontinued overseas operations	–	1 5	**1.5**
	13 3	3 8	**17.1**

Note 6 Finance costs

		2010 £m	2009 £m
Interest on loans and borrowing		**3.3**	1 8
Finance costs	Revenue	**3.3**	1 8

		2010 £m	2009 £m
Interest on loans and borrowing		**3.2**	7 1
Finance costs	Capital	**3.2**	7 1

Note 7 Movements in the fair value of derivatives

The movement in the fair value of derivatives represents the ineffective element of the swaps held to mitigate the Group's foreign currency exposure on its loans and borrowings amounting to a charge of £0 8 million (2009 a credit of £0 8 million)

The fair value movement on the loans in the year was a £2 4 million gain (2009 a loss of £15 5 million), whilst the fair value movement on the hedging derivatives for the year was a £12 6 million gain (2009 a loss of £16 9 million)

In addition to the above, there is movement in the fair value of derivatives relating to the strip disposal (see note 4)

Further information on currency and interest rate swaps is provided in note 19 Further information on Candover's loans and borrowings related to these swaps is provided in note 18

Note 8 Taxation

The relationship between the expected tax charge based on the effective tax rate of 28% (2009 28%) and the tax charge actually recognised in the statement of comprehensive income can be reconciled as below As the Company is an investment trust, no tax is payable on capital gains made during the period, consequently the profit before tax used in the reconciliation below relates solely to the revenue column of the statement of comprehensive income

	2010 £m	2009 £m
Profit/(loss) before taxation	**(4.8)**	0 2
Tax rate	**28%**	28%
Expected tax charge	**(1.3)**	0 1
Adjustments for tax-rate differences		
– Other non-deductible expense	**0.3**	0 1
– Overseas taxation	**0.1**	0 3
– Unutilised losses carried forward	**4.3**	0 5
– Adjustments in respect of previous years	**–**	(1 0)
Tax charge for the year on continuing operations	**3.4**	–
Tax on loss on discontinued operations (see note 3)	**(3.4)**	(2 3)
Tax charge for the year	**–**	(2 3)

Please refer to note 20 for information on the deferred tax assets and liabilities The analysis of the charge is as follows

	2010 £m	2009 £m
Current tax		
UK corporation tax on profits for the year	–	–
Adjustments in respect of previous years	–	(1 0)
Overseas taxation	**0.1**	0 3
Total current tax	**0.1**	(0 7)
Deferred tax		
Origination and reversal of temporary differences	**3.4**	2 0
Adjustment in respect of previous years	–	1 0
Recognition of tax losses	**(3.5)**	–
Total deferred tax	**(0.1)**	3 0
Tax on ordinary activities	–	2 3
UK corporation tax (credit) at 28% (2009 28%) apportioned to capital	–	–
	–	2 3

The Board of Her Majesty's Revenue and Customs has approved the Company as an investment trust, under section 842 of the Income and Corporation Taxes Act 1988, for the year ended 31st December 2009 In the opinion of the Directors, the Company's affairs since that date have been conducted so as to enable it to continue to be treated as an investment trust

Note 9 Profit for the financial year
As permitted by section 408 of the Companies Act 2006, the Company has not included its own profit and loss account in these financial statements The Group loss after tax for the year includes £39 2 million loss (2009 gain of £11 1 million) which is dealt with in the financial statements of the Company

Note 10 Dividends
No dividends were paid in 2010 (2009 £nil) No final dividend is proposed for 2010

Note 11 Earnings per share

The calculation of earnings and net asset values per share is based on the following

	2010 £m	2009 £m
Revenue return (continuing operations)	**(1.4)**	0 2
Revenue return (discontinued operations)	**(21.7)**	(9 0)
Capital return (continuing operations)	**(6.3)**	11 3
Capital return (discontinued operations)	**(19.6)**	–
(Loss)/profit after tax	**(49.0)**	2 3
Net assets	**177.9**	227 0

	2010 million	2009 million
Weighted average number of shares – basic	**21.9**	21 9
Weighted average number of shares – diluted	**21.8**	21 8

At the year end there were 21,856,615 ordinary shares in issue Treasury shares and outstanding options were taken into account when calculating the earnings per share

Note 12 Property, plant and equipment

	Leasehold improvements £m	Plant and equipment £m	Motor vehicles £m	Total £m
Group				
Cost				
At 1st January 2010	2 8	3 5	0 1	**6.4**
Additions	–	0 4	–	**0.4**
Disposals	–	–	–	**–**
At 31st December 2010	2 8	3 9	0 1	**6.8**
Depreciation				
At 1st January 2010	(0 9)	(2 8)	–	**(3.7)**
Provided in the year	(0 4)	(0 5)	–	**(0.9)**
Accelerated depreciation[1]	(1 5)	(0 6)	–	**(2.1)**
Disposals	–	–	–	**–**
At 31st December 2010	(2 8)	(3 9)	–	**(6.7)**
Net book value at 31st December 2010	–	–	0 1	**0.1**

1 The accelerated depreciation in the year relates to the write off of these assets and is incorporated in the exceptional non-recurring costs of the CPL disposal (see note 3)

Comparatives for 2009 were

	Leasehold improvements £m	Plant and equipment £m	Motor vehicles £m	Total £m
Group				
Cost				
At 1st January 2009	2 9	3 7	0 2	**6.8**
Additions	–	–	–	–
Disposals	(0 1)	(0 2)	(0 1)	**(0.4)**
At 31st December 2009	2 8	3 5	0 1	**6.4**
Depreciation				
At 1st January 2009	(0 6)	(2 0)	(0 1)	**(2.7)**
Provided in the year	(0 4)	(0 8)	–	**(1.2)**
Disposals	0 1	–	0 1	**0.2**
At 31st December 2009	(0.9)	(2 8)	–	**(3.7)**
Net book value at 31st December 2009	1 9	0 7	0 1	**2.7**

Note 13 Financial investments designated at fair value through profit and loss and investment in subsidiary undertakings

	Continuing operations				
	Other financial investments £m	Portfolio companies £m	Sub-total £m	Investments held for sale[1] £m	Total £m
Group					
Valuation at 1st January 2010	28 3	214 2	242 5	77 4	**319.9**
Additions	–	24.6	24 6	10 1	**34.7**
Less release of financial liability on equity commitments	–	(8 6)	(8 6)	(3 6)	**(12.2)**
Disposals	(15 5)	(16 5)	(32 0)	(1 1)	**(33.1)**
Unrealised appreciation/(write-down)	5 1	(1 6)	3 5	(2 8)	**0.7**
Valuation at 31st December 2010	17 9	212.1	230 0	80 0	**310.0**
Reconciliation					
Cost of investments	0 4	324 7	325 1	108 1	**433.2**
Net unrealised appreciation/(write-down) of investments	17 5	(112 6)	(95 1)	(28 1)	**(123.2)**
Valuation at 31st December 2010	17 9	212.1	230 0	80 0	**310.0**

1 £2 6 million of the 31st December 2010 valuation of £80 0 million relates to ICG 2000 and ICG 2003 Funds The balance of £77 4 million relates to the strip disposal

Comparatives for 2009 were

	Other financial investments £m	Portfolio companies £m	Total £m
Group			
Valuation at 1st January 2009	19.6	294 3	**313.9**
Additions	–	40.0	**40.0**
Disposals	(16 8)	(32.1)	**(48.9)**
Unrealised write-down	25 5	(10 6)	**14.9**
Valuation at 31st December 2009	28 3	291 6	**319.9**
Reconciliation			
Cost of investments	0 4	421 7	**422.1**
Net unrealised appreciation/(write-down) of investments	27.9	(130 1)	**(102.2)**
Valuation at 31st December 2009	28.3	291 6	**319.9**

	Continuing operations					
	Shares in subsidiary undertakings £m	Other financial investments £m	Portfolio companies £m	Sub-total £m	Investments held for sale[1] £m	Total £m
Company						
Valuation at 1st January 2010	4 8	28 3	210 2	243 3	49 7	**293.0**
Additions	–	–	23 6	23 6	9 6	**33.2**
Less release of financial liability on equity commitments	–	–	(8 6)	(8 6)	(3 6)	**(12.2)**
Disposals	–	(15 5)	(16.5)	(32 0)	(1 1)	**(33.1)**
Unrealised appreciation/(write-down)	(0 2)	5 1	(1.1)	3 8	0 3	**4.1**
Valuation at 31st December 2010	4 6	17 9	207.6	230 1	54 9	**285.0**
Reconciliation						
Cost of investments	4 8	0 4	315 4	320 6	75 9	**396.5**
Net unrealised appreciation/(write-down) of investments	(0 2)	17 5	(107 8)	(90 5)	(21 0)	**(111.5)**
Valuation at 31st December 2010	4 6	17 9	207 6	230 1	54 9	**285.0**

1 £2 6 million of the 31st December 2010 valuation of £54 9 million relates to ICG 2000 and ICG 2003 Funds The balance of £52 3 million relates to the strip disposal

Comparatives for 2009 were

	Shares in subsidiary undertakings[1] £m	Other financial investments £m	Portfolio companies £m	Total £m
Company				
Valuation at 1st January 2009	4 8	19 6	294 3	**318.7**
Additions	–	–	–	**–**
Disposals	–	(16 8)	(32 1)	**(48.9)**
Unrealised write-down	–	25 5	(2 3)	**23.2**
Valuation at 31st December 2009	4 8	28 3	259 9	**293.0**
Reconciliation				
Cost of investments	4 8	0 4	381 7	**386.9**
Net unrealised appreciation/(write-down) of investments	–	27 9	(121 8)	**(93.9)**
Valuation at 31st December 2009	4 8	28 3	259 9	**293.0**

1 Investments in subsidiaries are reflected in the Company's accounts at cost, less any impairment in value

Investments at fair value include

	Investments held for sale £m	Continuing operations £m	2010 £m	2009 £m
Group and Company				
UK				
Unquoted at Directors' valuation	38 2	126 0	**164.2**	151 8
Europe				
Unquoted at Directors' valuation	41 8	103 8	**145.6**	167 9
US				
Unquoted at Directors' valuation	–	0 2	**0.2**	0 2
	80 0	230 0	**310.0**	319 9

Interests in the Candover 1997, 2001, 2005 and 2008 Funds (other financial investments)
Candover Partners Limited is the General Partner of the limited partnerships comprising the Candover 1997 and 2001 Funds and is the manager of the Candover 2005 and 2008 Funds In view of the excessive length, the name and address of each partnership will be enclosed with the Company's next annual return as permitted under section 410 of the Companies Act 2006

The Company is a Special Limited Partner in the Candover 2001 and 2005 Funds and is a unit holder in the unauthorised unit trust that is a Special Limited Partner in the Candover 1997 Fund In each case, the Special Limited Partner is entitled to participate in profits after a minimum rate of return has been achieved by the Limited Partners This profit entitlement is referred to as the carried interest.

As at 31st December 2010 Candover's investments as a Special Limited Partner in the 2001 and 2005 Funds were valued at £17 5 million and £0 2 million (2009 £27 9 million and £0 3 million respectively) Candover's investment in the unauthorised unit trust, which is a Special Limited Partner in the Candover 1997 Fund, was valued at £nil (2009 £nil)

Due to the effects of the global economic crisis last year, the Board reviewed the Group's financial strategy and announced that it was not in a position to make any further investment in the Candover 2008 Fund. During 2010, in agreement with the other investors in the Candover 2008 Fund, the Company extinguished any ongoing commitment to the Candover 2008 Fund to ensure that it has the capital required to fund its commitment for follow-on investments in the Candover 2005 Fund (callable until August 2011)

The Company is no longer a Special Limited Partner in the Candover 2008 Fund following termination of the investment period on 12th January 2010. During the year, the Company was returned its initial capital contribution and is therefore no longer entitled to participate in the profits from the Candover 2008 Fund

Note 14 Subsidiary undertakings

	Nature of business	Country of incorporation	Issued share capital
Candover Services Limited[1]	Administration and management company	England and Wales	£4,400,000 ordinary
Candover (Trustees) Limited[1]	Nominee company	England and Wales	£100 ordinary
Candover Nominees Limited[1]	Nominee company	England and Wales	£100 ordinary
Candover Partners Limited[2]	General Partner of the Candover 1997 and 2001 Funds and Manager of the Candover 2005 and 2008 Funds	England and Wales	£50,000 ordinary
Candover France S.A.S.[3]	Identifying investment opportunities in France	France	€37,000 ordinary
Candover Spain SL[3]	Identifying investment opportunities in Spain	Spain	€3,010 ordinary
Deutsche Candover (Managing Limited Partner) GmbH[1]	Managing Limited Partner of Candover 2001 GmbH & Co KG	Germany	€25,000 ordinary
Deutsche Candover (General Partner) GmbH[1]	General Partner of the Candover 2001 GmbH & Co KG	Germany	€5,000 ordinary
Candover 2005 Fund (Guernsey) Limited[3]	General Partner of the Candover 2005 Fund	Guernsey	£10,000 ordinary
Candover 2008 GP Limited[3]	General Partner of the Candover 2008 Fund	Guernsey	€13,485
Bearsted Holding Sarl[1]	Holds shares in a portfolio company	Luxembourg	€12,500
Bosting Holding Sarl[3]	Holds shares in a portfolio company	Luxembourg	€12,500
Candover Asia Limited[1]	Identifying investment opportunities in Asia/ Discontinued operations	Hong Kong	HK$ 1

1 Wholly owned directly by the holding company
2 92.5% owned directly by Candover Services Limited and 7.5% owned directly by Candover Investments plc (2009 90% and 10% respectively)
3 Wholly owned by one or more subsidiary undertakings

Note 15 Trade and other receivables

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Amounts falling due within one year				
Trade receivables	**0.3**	2 1	–	–
Social security and other taxes	**0.5**	0 2	**0.1**	0 1
Other receivables	**0.3**	4 9	**0.1**	0 1
Amounts owed from Group undertakings	–	–	**10.2**	10 4
Prepayments and accrued income	**0.7**	1 0	**0.1**	–
	1.8	8 2	**10.5**	10 6
Amounts falling due after more than one year				
Trade receivables	**6.5**	4 7	**2.7**	–
	8.3	12 9	**13.2**	10 6

Note 15.1 Assets of CPL disposal group (discontinued operations)

	2010 £m
Trade receivables	0 3
Social security and other taxes	0 1
Other receivables	0 3
Prepayments	0 1
Cash and cash equivalents	1 5
	2.3

Note 16 Cash and cash equivalents

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Listed fixed interest securities and money market funds	**53.6**	99 5	**53.6**	99 5
Cash at bank and in hand	**25.3**	6 8	**22.1**	2 4
	78.9	106 3	**75.7**	101 9

Included in cash at bank at 31st December 2010 was restricted cash of £0 1 million (2009 £0 6 million) in the Candover 2001 Fund Employee Benefit Trust and £0 5 million for the Candover 2005 Fund Offshore Employee Benefit Trust (2009 £0 6 million) Additional commentary on the holdings of cash and cash equivalents is provided in note 29

Note 17 Trade and other payables

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Trade payables	**1.8**	1 3	**1.0**	0 2
Social security and other taxes	**1.5**	0 8	**–**	–
Other payables	**0.4**	0 5	**12.1**	–
Accruals and deferred income	**12.2**	11 2	**9.4**	2 8
	15.9	13 8	**22.5**	3 0

Note 17.1 Liabilities of CPL disposal group (discontinued operations)

	2010 £m
Trade payables	0 3
Other payables	0 1
Accruals	0 8
	1.2

As at the year end, CPL held a £1 1 million intercompany payable balance owed to Candover Services Limited Incorporating this, CPL's net assets is equal to £50,000 which is in line with completion arrangements

Note 18 Loans and borrowings

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Loans and borrowings due between one and five years	**200.5**	194 6	**200.5**	194 6

Loans and borrowings are mainly payable in October 2014, within five years (2009 after five years)

	Rate	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Issued under the US private placement					
Series A (US$200 0 million due 12th October 2014)	7 02%	**129.3**	125 6	**129.3**	125 6
Series A – Fair value hedge adjustment		**16.5**	13 3	**16.5**	13 3
Series B (€30 0 million due 12th October 2014)	EURIBOR + 1 40%	**25.7**	27 0	**25.7**	27 0
Series C (£30 0 million due 11th January 2015)	7 45%	**30.0**	30 0	**30.0**	30 0
Deferred costs		**(1.0)**	(1 3)	**(1.0)**	(1 3)
		200.5	194 6	**200.5**	194 6

The series A, B and C loan notes are repayable in one instalment on the respective maturity dates, with interest payable on a six-monthly basis The Company will grant a floating charge over its remaining assets, after those subject to the strip disposal, as security under the loan notes

Note 19 Derivative financial instruments

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Current assets				
Currency and interest rate swaps designated as fair value hedges	**44.1**	38 4	**44.1**	38.4
	44.1	38 4	**44.1**	38 4
Current liabilities				
Other currency and interest rate swaps	**29.9**	36 9	**29.9**	36 9
Strip disposal (discontinued operations)	**17.4**	–	**17.4**	–
	47.3	36 9	**47.3**	36 9

Currency swaps
The Group uses currency and interest rate swaps to minimise the effect of fluctuations in the value of the loans and borrowings from movement in foreign exchange and to swap fixed rate interest payments to floating rate payments

The fair value of these contracts is recorded in the statement of financial position and is determined by discounting future cash flows at the prevailing market rates at the statement of financial position date Contracts designated as fair value hedges are offset against movements in the underlying loans and borrowings in the statement of comprehensive income

At the statement of financial position date, the notional amount of outstanding derivative financial instrument contracts is as follows

	2010 £m	2009 £m
Currency and interest rate swaps designated as fair value hedges	**86.2**	86 2
Other currency and interest rate swaps	**116.2**	116 2

The Group does not trade in derivatives In general, derivatives are held to hedge specific exposures and have maturities designated to match the exposures they are hedging

The derivatives are held at fair value which represents the replacement costs of the instruments at the statement of financial position date Movements in the fair value of derivatives are included in the statement of comprehensive income

Note 19.1 Financial liability on equity commitments
The fair value of the Group's liability relating to future equity commitments and guarantees at the year end was £nil (2009 £12 2 million)

The fair value of the Company's liability relating to future equity commitments and guarantees at the year end was £11 8 million (2009 £20 4 million)

The Group's and Company's total cash value of future equity commitments and guarantees at the year end was £16 6 million (2009 £46 4 million)

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Note 20 Deferred tax assets and liabilities
No temporary differences resulting from investments in subsidiary undertakings qualified for recognition as deferred tax assets or liabilities Under the current fiscal environment, disposals of these entities are exempt from capital gains taxes

Deferred taxes arising from temporary differences can be summarised as follows

	2010 Deferred tax asset £m	2010 Deferred tax liabilities £m	2009 Deferred tax asset £m	2009 Deferred tax liabilities £m
Group				
Non-current assets/(liabilities)				
Property, plant and equipment	–	–	–	–
Tax losses	**3.5**	–	3 4	–
Total	**3.5**	–	3 4	–
Deferred tax at 1st January	**3.4**	–	6 5	–
Deferred tax credit/(charge) in profit and loss account·				
Prior year	–	–	(1 0)	–
Current year	**0.1**	–	(2 1)	–
Deferred tax at 31st December	**3.5**	–	3 4	–

Other temporary differences arise primarily in respect of contributions into the EBT and in relation to tax losses carried forward which have been assessed for recoverability against future earnings The prior year deferred tax asset related to contributions made into the employee benefit trust whereas those for the current year relate to the recognition of an asset in respect of tax losses carried forward

The Company has a deferred tax asset of £3 5 million as at 31st December 2010 (2009 £nil) It had no deferred tax liabilities

The Group has an unrecognised deferred tax asset of £23 0 million, of which £17 9 million relates to losses carried forward Of these, £14 9 million relate to the Company

Note 21 Share capital

	2010 Number	2010 £m	2009 Number	2009 £m
Authorised				
Ordinary shares of 25p each	**29,000,000**	**7.3**	29,000,000	7 3
Allotted, called up and fully paid				
Ordinary shares of 25p each at 1st January and 31st December (including shares held in treasury)	**21,856,615**	**5.5**	21,856,615	5 5
Ordinary shares of 25p each at 1st January and 31st December (excluding shares held in treasury)	**21,778,580**	**5.5**	21,778,580	5 5

No ordinary shares were bought by the Company to be held in treasury (2009 nil)

Notifiable interests in the Company's shares

Set out below are the names of those persons who, insofar as the Company is aware as at 19th April 2011, are interested directly or indirectly in 3% or more of the issued share capital of the Company

	As at 19th April 2011 Number of ordinary shares of 25p each	% of voting rights
Lloyds TSB Banking Group plc and subsidiaries (including Scottish Widows Investment Partnership)	2,074,771	9 5
BP Investment Management	1,345,743	6 2
Schroder Investment Management	1,239,712	5.7
Legal & General Investment Management	1,085,956	5.0
Electra Partners Europe	950,000	4.4
Red Rocks Capital Management	844,162	3.9
Co-operative Insurance Society	834,123	3 8
M&G Investments	751,878	3.5

Note 22 Capital commitments

Outstanding co-investment commitments are detailed in note 29

Note 23 Pension commitments

The Group contributed towards a number of funded defined contribution pension schemes designed to provide retirement benefits for its employees The assets of the schemes are held separately from the Group in independently administered funds The pension cost charge represents contributions by the Group to the schemes in respect of the accounting period and amounted to £0 8 million (2009 £1 6 million) for both continuing and discontinued operations At 31st December 2010, there was an amount of £0 1 million payable to the schemes (2009 £0 1 million)

Note 24 Operating lease commitments

The Group's total commitments under generally non-cancellable operating leases, all relating to office rentals, are set out below

	2010 £m	2009 £m
Within one year	**1.5**	1 7
Between one and five years	**4.2**	5 6
More than five years	**–**	–
	5.7	7 3

Note 25 Provisions

	2010 £m	2009 £m
At 1st January 2010	**–**	–
Provision for onerous lease	**4.5**	–
At 31st December 2010	**4.5**	–

The Company is the ultimate guarantor of a leasehold property that has a lease expiring in December 2014 As a consequence of the change in the Company's investment strategy and decision to sell CPL, the property is to be vacated Provision has been made for the estimated fair value of unavoidable lease payments together with an estimate of the associated cost of rates, service charges and reinstatement under the terms of the lease It is expected that these payments will arise over the next one to four years

The provision is based on estimates both of the future costs that will arise but also the potential income that the Company may derive from a sub-letting or similar arrangement based on the latest information available to the Directors on market rates and from discussions with potentially interested parties

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Note 26 Movement on reserves

	Share capital £m	Share premium account £m	Other reserves: Share-based payment reserve £m	Treasury shares £m	Translation reserve £m	Capital redemption reserve £m	Realised capital reserve £m	Unrealised capital reserve £m	Revenue reserve £m	Total £m
Group										
At 1st January 2010	5 5	1 2	0 1	(0 6)	0 2	0 5	359 5	(160 5)	21 1	**227.0**
Unrealised loss on financial instruments	–	–	–	–	–	–	–	2 1	–	**2.1**
Realised gain/(loss) on financial instruments	–	–	–	–	–	–	6 7	(9 4)	–	**(2.7)**
Movement in fair value of derivative – continuing	–	–	–	–	–	–	–	(0 8)	–	**(0.8)**
Loss relating to assets subject to the strip disposal – discontinued operations	–	–	–	–	–	–	–	(19 6)	–	**(19.6)**
Exchange movements on borrowing	–	–	–	–	–	–	–	0 8	–	**0.8**
Exchange differences on translation of foreign operations	–	–	–	–	(0 1)	–	–	–	–	**(0.1)**
Net revenue	–	–	–	–	–	–	–	–	(23 1)	**(23.1)**
Costs net of tax	–	–	–	–	–	–	(5 7)	–	–	**(5.7)**
At 31st December 2010	5 5	1 2	0 1	(0 6)	0 1	0 5	360 5	(187 4)	(2 0)	**177.9**
Group										
At 1st January 2009	5 5	1 2	0 1	(0 6)	(0 2)	0 5	369 8	(182 1)	30 1	**224.3**
Unrealised loss on financial instruments	–	–	–	–	–	–	–	30 5	–	**30.5**
Realised gain/(loss) on financial instruments	–	–	–	–	–	–	2 0	(11 8)	–	**(9.8)**
Movement in fair value of derivative										
Exchange movements on borrowing	–	–	–	–	–	–	–	(0 8)	–	**(0.8)**
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	3 7	–	**3.7**
Net revenue	–	–	–	–	0 4	–	–	–	–	**0.4**
Share-based payments	–	–	–	–	–	–	–	–	(9 0)	**(9.0)**
Share buy-backs	–	–	–	–	–	–	–	–	–	**–**
Dividends paid	–	–	–	–	–	–	–	–	–	**–**
Costs net of tax	–	–	–	–	–	–	(12 3)	–	–	**(12.3)**
At 31st December 2009	5 5	1 2	0 1	(0 6)	0 2	0 5	359 5	(160 5)	21 1	**227.0**

	Share capital £m	Share premium account £m	Share-based payment reserve £m	Other reserves Treasury shares £m	Realised redemption reserve £m	Unrealised capital reserve £m	Capital reserve £m	Revenue reserve £m	Total £m
Company									
At 1st January 2010	5 5	1 2	0 1	(0 6)	0 5	361 0	(160 9)	(17 6)	**189.2**
Unrealised gain on financial instruments	–	–	–	–	–	–	2 1	–	**2.1**
Realised gain/(loss) on financial instruments	–	–	–	–	–	6 5	(9 4)	–	**(2.9)**
Movement in fair value of derivative – continuing operations	–	–	–	–	–	–	(0 8)	–	**(0.8)**
Loss relating to assets subject to the strip disposal – discontinued operations	–	–	–	–	–	–	(19 6)	–	**(19.6)**
Exchange movements on borrowings	–	–	–	–	–	–	0 8	–	**0.8**
Net revenue	–	–	–	–	–	–	–	(12 0)	**(12.0)**
Costs net of tax	–	–	–	–	–	(5 7)	–	–	**(5.7)**
At 31st December 2010	5 5	1 2	0 1	(0 6)	0 5	361 8	(187 8)	(29 6)	**151.1**
Company									
At 1st January 2009	5 5	1 2	0 1	(0 6)	0 5	371 3	(182 5)	(17 4)	**178.1**
Unrealised loss on financial instruments	–	–	–	–	–	–	30 5	–	**30.5**
Realised gain/(loss) on financial instruments	–	–	–	–	–	2 0	(11 8)	–	**(9.8)**
Movement in fair value of derivative	–	–	–	–	–	–	(0 8)	–	**(0.8)**
Exchange movements on borrowings	–	–	–	–	–	–	3 7	–	**3.7**
Net revenue	–	–	–	–	–	–	–	(0 2)	**(0.2)**
Share-based payments	–	–	–	–	–	–	–	–	**–**
Share buy-backs									
Dividends paid	–	–	–	–	–	–	–	–	**–**
Costs net of tax	–	–	–	–	–	(12 3)	–	–	**(12.3)**
At 31st December 2009	5 5	1 2	0 1	(0 6)	0 5	361 0	(160.9)	(17 6)	**189.2**

Note 27 Unrealised gains/(losses) on financial instruments at fair value through profit and loss

	2010 £m	2009 £m
Gain/(loss) on revaluation of investments and cash equivalents	**(4.8)**	17 1
Fair value gain/(loss) on derivatives and borrowings	**6.9**	11 3
Fair value gain/(loss) on financial liabilities on equity commitments	**–**	2 1
	2.1	30 5

Note 28 Reconciliation of operating income to net cash flow from operating activities

	2010 £m	2009 £m
Group		
Total income	**8.1**	31.9
Administrative expenses	**(27.5)**	(42.0)
Operating (deficit)/income	**(19.4)**	(10.1)
Increase/(decrease) in trade and other receivables	**(6.7)**	(1.9)
(Decrease)/increase in trade and other payables	**7.9**	(4.5)
Depreciation	**0.9**	1.2
Exceptional depreciation	**2.1**	–
Option cost	**–**	(0.8)
Net cash (outflow)/inflow from operating activities	**(15.2)**	(16.1)

The following table summarises the impact on the Group's net cash outflow from operating activities of the CPL disposal group

	2010 £m	2009 £m
CPL disposal group		
Net cash from operating activities	**3.4**	(10.3)
Net cash from investing activities	**(0.4)**	(0.1)
Net cash from financing activities	**–**	–
	3.0	(10.4)

	2010 £m	2009 £m
Company		
Total income	**9.2**	12.7
Administrative expenses	**(23.4)**	(16.4)
Operating (deficit)/income	**(14.2)**	(3.7)
Increase/(decrease) in trade and other receivables	**(11.5)**	7.0
(Decrease)/increase in trade and other payables	**9.4**	(11.4)
Option cost	**–**	(0.8)
Net cash (outflow)/inflow from operating activities	**(16.3)**	(8.9)

Note 29 Financial risk management

The Company and Group's activities expose the Group to a variety of financial risks arising from its investment in equities and other instruments for the long-term so as to achieve its investment objectives In pursuing its investment objectives, the Group is exposed to a variety of risks that could result in either a reduction in the Group's net assets or a reduction of the profits available for dividends

These risks include market risk (comprising valuation currency risk and interest rate risk), liquidity risk and credit risk The Board of the Company oversees the Group's risk management and the Directors' approach to the management of these risks is set out below

The objectives, policies and processes for managing the risks and the methods used to measure the risks that are set out below have not changed from the previous accounting period other than the approach to currency risk, as described below

Note 29.1 Valuation/market price risk
The Group's exposure to valuation risk mainly comprises of movements in the value of its investments. A breakdown of the Group's portfolio is given on page 10 and a detailed analysis of the ten largest investments is given on pages 13 to 17 All underlying investments are valued at fair value by the Directors in accordance with the Group's valuation policy. It should be noted that at 31st December 2010, all (2009 100%) of the Group's underlying investments were valued on the multiple of earnings basis other than Equity Trust which was based on sales proceeds. Hence, future changes in comparable earnings multiples of publicly quoted companies, which we use to value our unquoted holdings, will impact the valuations of the portfolio companies, as would changes in the trading results of portfolio companies

The table below, which captures the effect of the relative gearing of the underlying investments, summarises the effect that any fluctuation in market multiples would have on the valuation of the Group's portfolio

Continuing operations[1]	Increase £m	Decrease £m
Fixed asset investments at fair value through profit and loss at 31st December 2010	230 0	230 0
10% changes in comparable multiples	44 7	(45.5)
Adjusted fair value of investments	274 7	184 5
Percentage of current fair value of investments	19%	20%

1 Excludes investments held for sale, namely the strip investments and ICG Funds

Valuation sensitivity
The Group's sensitivity to valuation risk will be affected by changes in the Group's levels of borrowing and liquidity Any reduction in the value of the portfolio will be amplified by our level of indebtedness the ratio of net debt to net assets was 51% at 31st December 2010 (2009 33%), reducing to 15% on a pro-forma basis as a result of the sale of CPL and assets subject to the strip disposal It will also be affected by the local currency denomination of such investments, which is considered separately under currency risk

Management of the risk
The exposure to market risk is monitored based on the overall level of market risk on the whole of the investment portfolio on an ongoing basis The Board monitors valuation risk by reviewing and approving the valuation of the portfolio

Concentration risk
As disclosed the Group is no longer making new investments other than contractually obligated follow-on investments alongside the Candover 2005 Fund This will mean that as and when realisations occur the portfolio becomes more concentrated Over-exposure to a particular sector or geography could increase the impact of adverse changes in macro economic or market conditions on the Group The portfolio is subject to periodic reviews by the Board in order to monitor exposure to any one sector or geography and to monitor the exposure to larger investments One of the conditions set out under section 842 of the Income and Corporation Taxes Act 1988 is that, on acquisition, no single investment can exceed 15% of the Group's investment portfolio to maintain the Group's tax status as an investment trust

As at 31st December 2010, the ten largest investments represented 87 0% of the overall investment portfolio (2009 87 7%), of which the underlying exposure to Expro International accounted for 27 9% of the investment portfolio (2009 29 9%), or 48 6% of net assets (2009 42 2%)

Note 29.2 Liquidity risk

This is the risk that the Group will encounter difficulty in meeting obligations associated with uncalled commitments and financial liabilities

The Group's outstanding co-investment commitments and financial liabilities at 31st December 2010 were as follows

Uncalled commitments

	Outstanding commitments Reported 2010 €m	2009 €m	Pro-forma[1] 2009 €m
Candover 2008 Fund	**Nil**	904 3[1]	Nil
Candover 2005 Fund	**45.4**	89 7	89 7
	45.4	994 0	89 7

1 As disclosed in the 2009 financial statements on 12th January 2010, the Company was released from its funding obligations under the co-investment agreement in respect of the Candover 2008 Fund Therefore, the only outstanding commitment during 2009 was to the Candover 2005 Fund

The strip sale reduces the Company's liability to fund its remaining commitments by €13 2 million (£11 3 million)

	Pre-strip	Post-strip
Outstanding commitments as at 31st December 2010	€45 4m	€32 2m
Net assets as at 31st December 2010[1]	€207 6m	€207 6m
Ratio of outstanding commitments to net assets	22%	16%
Ratio of cash to outstanding commitments	2x	5x

1 Net assets converted at a year end exchange rate of €1 16716

It should be noted that in addition to the movements in comparable multiples other significant factors, including covenant concerns and recent relevant market transactions are taken into account in arriving at the individual investment valuations

Financial liabilities

The remaining contractual maturities of the financial liabilities at 31st December 2010, based on the earliest date on which payment can be required, were as follows

	2010 3 months or less £m	2010 Not more than 1 year £m	2010 More than 1 year £m	2010 Total £m	2009 3 months or less £m	2009 Not more than 1 year £m	2009 More than 1 year £m	2009 Total £m
Group and Company								
Borrowings under the US private placement loan notes[1]	**-**	**-**	**185.0**	**185.0**	-	-	182 6	182 6
Future equity Commitments[2]	**16.7**	**-**	**-**	**16.7**	7 1	30 8	9 7	47 6
Interest payable on US private placement loan	**1.1**	**4.3**	**15.3**	**20.7**	1 1	4 5	21 7	27 3
	17.8	**4.3**	**200.3**	**222.4**	8 2	35 3	214 0	257 5

1 The terms of issue of the US private placement loan notes and multi-currency revolving facility require the Group to comply with a loan-to-value covenant
2 Candover 2005 Fund equity bridge obligations

The fair value of borrowings under US private placement loan notes is not materially different to carrying value

Future equity commitments at the end of the year relate to the equity bridges on Parques alongside the Candover 2005 Fund as part of the overall outstanding commitment alongside that fund

The Company also has a restriction for liquidity purposes from the loan-to-value covenant of its US private placement loan notes, where the ratio of net debt to adjusted investments should not exceed 40% At year end, the ratio was 32 6% (2009 26 4%), with a pro forma ratio of 13 7% adjusting for the sale of the CPL disposal group and assets subject to strip disposal, associated costs, Equity Trust and ICG sale proceeds (excluding the additional contractual proceeds expected in June 2011)

Note 29.3 Currency risk

Certain of the Group's assets, liabilities, income and expenses are denominated in currencies other than Sterling (the Group's functional currency and in which it reports its results), primarily with respect to the Euro and the US Dollar Foreign exchange risk arises when future investment transactions and recognised assets and liabilities are denominated in currency that is not the entity's functional currency As a result, movements in exchange rates may affect the Sterling value of those items

Management of the risk

The Group's exposure to foreign currencies is monitored and reported to the Board on a regular basis The risk to the Group is the foreign currency impact on the Group's net asset value and income following a movement in the rates of exchange to which the Group's assets, liabilities, income and expenses are exposed

Foreign currency borrowings and derivative financial instruments are used to limit the Group's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments and the related impact on the Company's loan-to-value covenant These borrowings and contracts are limited to currencies and amounts commensurate with the asset exposure to those currencies

The proceeds from the strip sale of £60 0 million net of related costs, combined with proceeds from other disposals completed since the year end, will reduce net debt on a pro forma basis to £26 7 million at 31st December 2010 from £91 0 million as reported at year end with the pro forma loan to value covenant improving to 13 7% from 32 6%

As we move towards a net cash position, our current hedging structure may no longer be required The existing arrangements were put in place when the original US private placement notes were raised in 2007 and were structured to match the currency of our indebtedness against the currency of our investments Based on our current estimates it may be appropriate to unwind the existing hedges which would benefit the Company's net assets

Foreign currency exposure
The fair values of the Group and Company's monetary items (including financial investments and derivative financial instruments) that have foreign currency exposure at 31st December are shown below

Group	US$ £m	Euro £m	Other £m
2010			
Cash and cash equivalents	0 9	73 3	–
Payables (interest payable)	(0 3)	(1 2)	–
Borrowings under the US private placement loan notes	(145 8)	(25 7)	–
Derivative financial instruments	130 3	(146 1)	–
Foreign currency exposure on net monetary items	(14 9)	(99 7)	–
Investments at fair value through profit or loss[1]	74 8	151 7	1 9
Total net foreign currency exposure	59 9	52 0	1 9

1 Excludes investments held for sale, namely the strip investments and ICG Funds

2009			
Cash and cash equivalents	0 3	91 4	–
Payables (interest payable)	(0 2)	(1 7)	–
Borrowings under the US private placement loan notes	(138 9)	(27 0)	–
Derivative financial instruments	124 6	(153 1)	–
Financial liabilities on equity commitments	–	(12 2)	–
Foreign currency exposure on net monetary items	(14 2)	(102 6)	–
Investments at fair value through profit or loss	90 6	225 9	2 8
Total net foreign currency exposure	76 4	123 3	2 8

Company	US$ £m	Euro £m	Other £m
2010			
Cash and cash equivalents	0 9	71 1	–
Payables (interest payable)	(0 3)	(1 2)	–
Borrowings under the US private placement loan notes	145 8	25 7	–
Derivative financial instruments	130 3	(146 1)	–
Foreign currency exposure on net monetary items	276 7	(50 5)	–
Investments at fair value through profit or loss[1]	70 3	151 7	1 9
Total net foreign currency exposure	347 0	101 2	1 9

1 Excludes investments held for sale, namely the strip investments and ICG Funds

2009			
Cash and cash equivalents	0 3	89 4	–
Payables (interest payable)	(0 3)	(3 6)	–
Borrowings under the US private placement loan notes	(138 9)	(27 0)	–
Derivative financial instruments	144 9	(164 4)	–
Financial liabilities on equity commitments	–	(12 2)	–
Foreign currency exposure on net monetary items	6 0	(117 8)	–
Investments at fair value through profit or loss	58 8	225 9	2 8
Total net foreign currency exposure	64 8	108 1	2 8

Foreign currency sensitivity
The following table illustrates the sensitivity of the equity in regard to the Group's monetary financial assets and financial liabilities and the exchange rates for Sterling/US Dollar and Sterling/Euro

It assumes the following changes in exchange rates

Sterling/US Dollar	+/-20% (2009 10%)
Sterling/Euro	+/-20% (2009 10%)

The increase in percentage used this year is to reflect the current market conditions compared to the year ending 31st December 2009

These percentages have been determined based on a reasonable estimate of the potential volatility The sensitivity analysis is based on the Group's monetary foreign currency financial instruments held at each statement of financial position date

If Sterling had weakened/strengthened (amounts negative of those shown) against the currencies shown, this would have had the following effect

	2010 (+/-10%)		2009 (+/-10%)	
	US$ £m	Euro £m	US$ £m	Euro £m
Gain attributable to equity shareholders (+10%)	6 7	5 8	6 9	11 2
Loss attributable to equity shareholders (-10%)	(5 4)	(4 7)	(8 5)	(13 7)

Note 29.4 Interest rate risk
Interest rate movements may affect
- the fair value of the investments in fixed interest rate securities (including unquoted loans),
- the level of income receivable on cash and cash equivalents,
- the fair value of the Company's loan notes issued under the US private placement (linked to fair value movement and derivatives),
- the interest payable on the Company's variable rate borrowings, and
- the fair value of the Company's derivative financial instruments

Management of the risk
The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and funding decisions

The majority of the financial investments that are interest-bearing bear fixed interest, as a result, the Group is not subject to significant amounts of cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates

Any excess cash and cash equivalents are invested at short-term market interest rates, further reducing such risks The loan notes raised through the US private placement were partly raised at fixed interest rates, these have substantially been swapped to floating rates set on a periodic basis at the prevailing market rate plus margin Proceeds from the sale of the strip will be used to reduce net debt and this will also reduce the Company's net annual interest costs The proceeds will be made available to the 2007 noteholders to prepay part of the outstanding notes at par If this offer of prepayment is not accepted by some of the noteholders, the remaining proceeds will be invested in cash and cash equivalent assets to meet future repayment obligations

Interest rate exposure

The exposure for the Group and Company, at 31st December, of financial assets and financial liabilities to interest rate risk is shown by reference to

- floating interest rates (i e giving cash flow interest rate risk) when the interest rate is due to be re-set, and
- fixed interest rates (i e giving fair value interest rate risk) when the financial instrument is due for repayment

Group	2010 Within 1 year £m	2010 More than 1 year £m	2010 Total £m	2009 Within 1 year £m	2009 More than 1 year £m	2009 Total £m
Exposure to floating interest rates						
Cash and cash equivalents	**71.2**	**–**	**71.2**	38 8	–	38 8
Borrowings under the US private placement loan notes	**–**	**(25.7)**	**(25.7)**	–	(27 0)	(27 0)
Financial liabilities on equity commitments	**–**	**–**	**–**	(12 2)	–	(12 2)
Derivative financial instruments	**–**	**(25.5)**	**(25.5)**	–	(30 2)	(30 2)
	71.2	**(51.2)**	**20.0**	26 6	(57 2)	(30 6)
Exposure to fixed interest rates						
Cash and cash equivalents	**8.7**	**–**	**8.7**	67 5	–	67 5
Investments at fair value through profit or loss[1]	**–**	**202.7**	**202.7**	–	277 0	277 0
Borrowings under the US private placement loan notes	**–**	**(170.9)**	**(170.9)**	–	(167 6)	(167 6)
Derivative financial instruments	**–**	**155.8**	**155.8**	–	147 8	147 8
	8.7	**187.6**	**196.3**	67 5	257 2	324 7
Total exposure to interest rates	**79.9**	**131.7**	**211.6**	94 1	191 0	285 1

1 Excludes investments held for sale, namely the strip investments and ICG Funds

Company	2010 Within 1 year £m	2010 More than 1 year £m	2010 Total £m	2009 Within 1 year £m	2009 More than 1 year £m	2009 Total £m
Exposure to floating interest rates						
Cash and cash equivalents	**67.0**	**–**	**67.0**	38 8	–	38 8
Borrowings under the US private placement loan notes	**–**	**(25.7)**	**(25.7)**	–	(27 0)	(27 0)
Financial liabilities on equity commitments	**–**	**–**	**–**	(12 2)	–	(12 2)
Derivative financial instruments	**–**	**(25.5)**	**(25.5)**	–	(30 2)	(30 2)
	67.0	**(51.2)**	**15.8**	26 6	(57 2)	(30 6)
Exposure to fixed interest rates						
Cash and cash equivalents	**8.7**	**–**	**8.7**	67 5	–	67 5
Investments at fair value through profit or loss[1]	**–**	**198.2**	**198.2**	–	235 5	235 5
Borrowings under the US private placement loan notes	**–**	**(170.9)**	**(170.9)**	–	(167 6)	(167 6)
Derivative financial instruments	**–**	**155.8**	**155.8**	–	147 8	147 8
	8.7	**183.1**	**191.8**	67.5	215 7	283 2
Total exposure to interest rates	**75.7**	**127.1**	**202.9**	94 1	149 5	243 6

1 Excludes investments held for sale, namely the strip investments and ICG Funds

Interest receivable and finance costs are at the following rates

- Interest received on cash and cash equivalents is managed to achieve a margin over LIBOR or its foreign currency equivalent (2009 no change),
- Interest paid on borrowings under the multi-currency loan facility is at a margin over LIBOR or its foreign currency equivalent for the type of loan of 0 85% (2009 0 85%),
- Interest paid on borrowings on the US private placement loan notes is partly fixed and partly floating rate (US$200 0 million at 7 02%, €30 0 million EURIBOR plus 1 40% and £30 0 million at 7 45%) The fixed rate exposures have mainly been swapped into floating rate exposures through the use of the derivative financial instruments, with a subsequent weighted average margin over EURIBOR of 1 40% to 1 44%

Interest rate sensitivity

As the Group's loan note investments are held at fair value through profit or loss and valued in conjunction with the equity investment in the portfolio company these are not subject to changes in value arising from interest rate movements

As cash and cash equivalents are invested at short-term market rates, for fixed short-term periods and held to maturity, they are not significantly impacted in respect of fair value by movements in interest rates As certain of the borrowings under the US private placement loan notes are held at amortised cost, the movement in interest rates does not impact upon their carrying value

A 50 bps movement in interest rates would impact upon the combined valuation of the derivatives and related hedged US private placement loan notes by +50bps, a decrease in profit of £2 0 million (2009 £1 0 million), and -50bps, an increase in profit of £2 0 million (2009 £1 0 million)

Note 29.5 Credit risk

The Group's exposure to credit risk principally arises from its investment in short-dated listed fixed income securities, money market instruments and its cash deposits

Management of the risk

This risk is managed as follows

- where an investment is made in an unquoted loan to a private equity investment, it is made as part of the overall equity and debt investment package and the recoverability of the debt is assessed as part of the overall investment process,
- transactions involving derivatives are entered into only with investment banks, the credit rating of which is taken into account so as to minimise the risk to the Group of default,
- exposure to individual financial institutions is minimised by the Group spreading its cash across a number of liquidity funds and banks,
- cash equivalents consist of short-dated listed fixed income securities and money market instruments, with a credit rating of AA- or above, and
- cash at bank is held only with major UK banks with high quality external credit ratings or government support

Notes to the financial statements
for the year ended 31st December 2010
continued

Credit risk exposure
In summary, compared to the amounts included in the statement of financial position, the maximum exposure to credit risk at 31st December was as follows

	2010		2009	
Group	Statement of financial position £m	Maximum exposure £m	Statement of financial position £m	Maximum exposure £m
Derivative financial instruments	**14.2**	**14.2**	1.5	1.5
Cash and cash equivalents	**79.9**	**79.9**	106.3	106.3
	94.1	**94.1**	107.8	107.8
Company	Statement of financial position £m	Maximum exposure £m	Statement of financial position £m	Maximum exposure £m
Derivative financial instruments	**14.2**	**14.2**	1.5	1.5
Cash and cash equivalents	**75.7**	**75.7**	101.9	101.9
	89.9	**89.9**	103.4	103.4

Note 29.6 Fair value hierarchy disclosures
The table below sets out fair value measurements using the IFRS 7 fair value hierarchy

Financial assets at fair value through profit or loss

	2010			
Group	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Continuing equity investments	–	–	230.0	**230.0**
Equity investments held for sale	–	–	80.0	**80.0**
Derivative financial instruments	–	44.1	–	**44.1**
Cash equivalents*	53.6	–	–	**53.6**
Total	**53.6**	**44.1**	**310.0**	**407.7**

	2010			
Company	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Continuing equity investments	–	–	230.3	**230.3**
Equity investments held for sale	–	–	54.9	**54.9**
Derivative financial instruments	–	44.1	–	**44.1**
Cash equivalents*	53.6	–	–	**53.6**
Total	**53.6**	**44.1**	**285.2**	**382.9**

* These are short-dated listed fixed income securities and money market instruments which meets the definition of cash and cash equivalents

Financial liabilities at fair value through profit or loss

Group	2010 Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial instruments	–	29 9	–	**29.9**
Borrowings under the US private placement loan notes	–	–	145 8	**145.8**
Total	**–**	**29.9**	**145.8**	**175.7**

Company	2010 Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial instruments	–	29 9	–	**29.9**
Borrowings under the US private placement loan notes	–	–	145 8	**145.8**
Total	**–**	**29.9**	**145.8**	**175.7**

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant fair value measurement of the relevant asset as follows

Level 1 – valued using quoted prices in active markets for identical assets
Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1
Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data

The valuation policy is explained on page 20

Level 3 financial assets and liabilities at fair value through profit or loss

	2010					
	Assets held for sale		Continuing operations			
Group	Equity investments £m	Financial liabilities on equity commitments £m	Equity investments £m	Financial liabilities on equity commitments £m	Borrowings under the US private placement loan notes £m	Total £m
Valuation at 1st January 2010	77 4	(3 6)	242 5	(8 6)	(194 6)	**113.1**
Additions	6 5	3 6	16 0	8 6	–	**34.7**
Disposal proceeds	(1 4)	–	(34 1)	–	–	**(35.5)**
Realised gains	0 3	–	2 1	–	–	**2.4**
Unrealised gains or losses	(2 8)	–	3 5	–	(5 9)	**(5.2)**
Valuation at 31st December 2010	**80.0**	**–**	**230.0**	**–**	**(200.5)**	**109.5**

	2010					
	Assets held for sale		Continuing operations			
Company	Equity investments £m	Financial liabilities on equity commitments £m	Equity investments £m	Financial liabilities on equity commitments £m	Borrowings under the US private placement loan notes £m	Total £m
Valuation at 1st January 2010	49 7	(8 6)	243 3	(11 8)	(194 6)	**78.0**
Additions	6 0	3 6	15 0	8 6	–	**33.2**
Disposal proceeds	(1 4)	–	(34 1)	–	–	**(35.5)**
Realised gains	0 3	–	2 1	–	–	**2.4**
Unrealised gains or losses	0 3	(2 2)	4 0	(1 4)	(5 9)	**(5.2)**
Valuation at 31st December 2010	**54.9**	**(7.2)**	**230.3**	**(4.6)**	**(200.5)**	**72.9**

Note 29.7 Capital management and policies and procedures
The Group's capital management objectives are
- to ensure that it will be able to continue as a going concern, and
- to maximise the income and capital return to its equity shareholders

The Group's capital at 31st December comprises

	2010 £m	2009 £m
Debt		
Borrowings under the US private placement loan notes	**200.5**	194 6
	200.5	194 6
Equity		
Equity share capital	**5.5**	5 5
Retained earnings and other reserves	**172.4**	221 5
	177.9	227 0
Total capital	**378.4**	421 6
Debt as a % of total capital	**53%**	46%

The Board monitors and reviews the broad structure of the Group's capital on an ongoing basis

This review includes
- the planned level of gearing, which takes account of senior management's views on the market,
- the need to buy back equity shares, either for cancellation or to hold in treasury, which takes account of the difference between the net asset value per share and the share price (i e the level of share price discount or premium),
- the need for new issues of equity shares, including issues from treasury; and
- the extent to which revenue, in excess of that which is required to be distributed, should be retained

The Group's objectives, policies and processes for managing capital are unchanged from the preceding accounting period

The Company is subject to several externally imposed capital requirements
- the terms of issue of the US private placing of loan notes and multi-currency revolving facility require the Group's level of borrowings net of cash and cash equivalents not to exceed 40% of investments at fair value through profit or loss (subject to certain restrictions),
- as a public company, the Company has to have a minimum share capital of £50,000,
- in order to be able to pay dividends out of profits available for distribution by way of dividends, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by company law, and
- to retain its status as an investment trust, the Company is required to comply with the regulations of section 842 of the Income and Corporation Taxes Act 1988

These requirements are unchanged since last year and the Group and the Company have complied with them

Note 30 Related party transactions
The Company's interest in the Candover 1997, 2001, 2005 and 2008 Funds is disclosed in note 13 on page 73

The Company's subsidiary undertakings are listed in note 14 on page 74, which includes a description of the nature of their business

During the course of the year, the Group assigned its interest in diverted management fees of £4 7 million in respect of the Candover 2008 Fund to certain of the executives within the Group

During the course of the year, the Company undertook transactions with Candover Partners Limited which provided investment and administration services to the Company for which the Company was charged £5 3 million (2009 £4 6 million)

Note 31 Contingent liabilities
During the course of 2008, the Company had guaranteed a €4 8 million facility made available to Northern Trust Fiduciary Services (Guernsey) Limited as trustee of the Candover 2005 Offshore Employee Benefit Trust and the Candover 2005 Onshore Employee Benefit Trust For 2010, this guarantee remains at €4 8 million Other than in the normal course of business, there were no other contingent liabilities at 31st December 2010 (2009 nil)

Note 32 Subsequent events
Post the year end, the sale of Equity Trust to Doughty Hanson completed in January 2011 generating initial cash proceeds of £14 1 million for Candover, including £4 0 million of carried interest A deferred payment of £5 1 million, guaranteed by Funds managed by the purchaser, is payable upon the earlier of a refinancing or recapitalisation of the business and the end of June 2011 The carried interest from this deferred payment will return an additional £2 0 million The Candover 2001 Fund received initial proceeds of £79 1 million and will receive a further £40 2 million from the deferred payment, giving an investment multiple, before carried interest, of 1 5x the original investment

In addition, the Company completed the sale of its interests in the ICG 2000 and ICG 2003 funds with initial proceeds of £1 3 million received and a further £1 3 million due by 30th June 2011.

On 31st March 2011 early redemption of the guaranteed, interest accruing deferred payment relating to Ontex occurred, with Candover receiving £10 6 million, including further carried interest of £3 million in respect of the Candover 2001 Fund

On 19th April 2011, all conditions precedent relating to the disposal of CPL to Arle and the disposal of the strip were satisfied Accordingly, the transactions set out in the circular sent to shareholders on 6th December 2010, and approved by them in General Meeting on 22nd December 2010, were completed As a consequence of the exercise of rights by tag investors, proceeds received by the Company were reduced by £0 4 million to £59 6 million

Since the year end a follow-on investment of £0 6 million has been made in EurotaxGlass's to finance a small acquisition In addition a further investment of £16.6 million has been made in Parques Reunidos as part of the re-financing of existing equity bridge arrangements put in place at the time of the original acquisition of the business The strip disposal completion mechanism provided for the Company to sell, at cost, to the purchaser 29 1% of any follow-on investments made between 6th December 2010 and the date of completion As further investments were made in this period totalling £17 2 million, £5 0 million was therefore paid by the strip purchaser to the Company on 19th April 2011 increasing total proceeds received to £64 6 million As a consequence of both the strip transaction and these follow-on investments, the Company's outstanding commitments to the Candover 2005 Fund have reduced to £15.3 million

Shareholder services

Shareholder information

Financial calendar

Event	Date
Preliminary announcement of results for the year ended 31st December 2010	1st March 2011
Candover Investments plc Annual General Meeting	18th May 2011
Interim announcement of results for the half year ended 30th June 2011	End August 2011[1]

1 Provisional

Share price
The Company's shares are listed on the London Stock Exchange under share code "CDI" The share price is quoted daily in the Financial Times, The Daily Telegraph, The Times, The Independent, and the Evening Standard and is also available on our website at www candoverinvestments com/ and www candoverinvestments com/investor-info/price-graph

Information about Candover
For the latest information about Candover Investments plc, visit our website

Home page
www candoverinvestments com

Latest plc news
www candoverinvestments com/media/latest-plc-news

Dividend history
www candoverinvestments com/financial-performance/dividend-his

Capita share portal
Candover's registrars, Capita Registrars, offer a share portal service which enables registered shareholders to manage their Candover shareholdings quickly and easily online Once registered for this service, it is possible for a shareholder to view their Candover shareholding, recent share trades and dividend payments, to obtain current valuations, to update their address or amend a dividend mandate (e g to enable dividends to be paid directly into the shareholder's bank account) and to vote online at shareholder meetings For further information visit www capitashareportal com

Total voting rights
As at 19th April 2011 the Company's issued share capital consists of 21,778,580 ordinary shares with a nominal value of 25 pence each A further 78,035 ordinary shares are held in treasury The above figure of 21,778,580 ordinary shares is subject to change However until otherwise announced that figure may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change in their interest in, the share capital of the Company under the Disclosure and Transparency Rules published by the Financial Services Authority

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1 Calls cost 10 pence per minute plus network extras lines are open 8 30am – 5 30pm Monday-Friday

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