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Candover Investments plc
Report and accounts 2013

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Who we are

Candover Investments plc is a private equity investment trust listed on the London Stock Exchange. Candover does not make new investments, our focus is on realising value.

Our portfolio currently comprises investments in ten privately owned European businesses, acquired by investing alongside funds managed by Arle Capital LLP ('Arle'), an independent private equity partnership. Arle was established via the sale of Candover Partners Limited ('CPL') to its investment team. Arle is the Manager of the Candover 2001, 2005 and 2008 Funds.

Our sole objective is to optimise the long-term value of the portfolio for our shareholders.

What does this mean?

Maximising the long-term value of the portfolio for our shareholders.

How will this be achieved?

Via a progressive return of cash as portfolio businesses are sold.

When will cash be returned?

When an adequate net cash position has been achieved. The mechanisms to return cash will take into account tax efficiency and costs.

Our assessment of Arle's realisation estimates means we currently believe that this return of cash could be substantially completed over the next three years.

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Key metrics (at 31st December)

Net assets

£156.3m**+18.0%**

2012 £132.8m

Net assets per share

715p**+18.0%**

2012 608p

Outstanding commitments

– no outstanding commitments

2012 £5.9m

Net debt

£47.7m**+£21.0m**

2012 £26.7m

Loan-to-value ratio

24.9%

2012 18.1%

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Our results for 2013 show an encouraging progression in NAV, with the portfolio managed by Arle Capital Partners Limited seeing a marked rise in its value. This has resulted in an increase of 18% in our net assets during the year, with the improvement in the performance of Expro International ('Expro') the most significant contributor.

At the end of 2013 we successfully refinanced our US private placement loan notes, which were due for repayment from October 2014. This was achieved by using our excess cash balances together with proceeds from a new note issue which matures in December 2015. The refinancing extends the maturity of our debt and provides us with more flexibility in terms of future repayment of the new notes as and when realisations occur. Significantly, it has also eliminated the adverse financial effect of holding large surplus cash balances at a time of very low interest rates.

Over the course of 2013, there have been a number of changes to Corporate Governance and reporting requirements which apply to this year's annual reporting cycle. I want to reassure shareholders that the Board is committed to the highest standards of governance, but there are a number of aspects of the new requirements with which the Company does not intend to comply whilst in an orderly process of winding down its investment portfolio.

By way of example, we have considered carefully the benefit to shareholders of putting out to tender the audit and have concluded not to undertake this exercise. As we take the Company through a carefully managed process to wind down the portfolio, the Board see real benefit in retaining our auditor's longstanding knowledge about the affairs of the Company to provide continuity as the process moves forward. What the Audit Committee has done instead is to ask our existing auditor, Grant Thornton, to revisit the scope and cost of the audit given the current situation. This has not only yielded some cost savings but also confirmed the auditor's focus on the key business and financial risks Candover now faces.

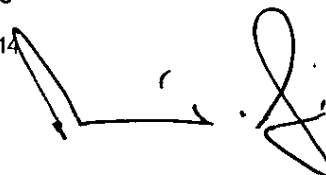
The Board is not recommending a dividend payment, but the payment of dividends in the future will be reviewed in the context of our focus on delivering a progressive return of cash to shareholders over time as realisations are achieved by the investment manager.

There have been no changes to the Board during the year.

The improvement in the portfolio, when combined with a more general increase in corporate activity, should mean we will see continued progress in realising our underlying investments over the years ahead. Our objective remains to optimise the long-term value of our investments by returning cash to shareholders as soon as is practical. We will continue to track Arle's progress over the year ahead as it manages and realises the portfolio.



Richard Stone
Chairman
27th March 2014



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Strategy

**We have a clear strategy
for the business.**

**This section reports on
our progress in 2013.**

CEO's report

Malcolm Fallen
 Chief Executive Officer

Our strategy is to achieve a progressive return of cash to shareholders over time. To support the delivery of this strategy, our focus remains twofold. First, we continue to ensure that the Company remains financially stable, and second, we actively review and monitor the performance of Arle, our investment manager, as it seeks to maximise and realise the value of the portfolio.

Net asset value

The Company's net assets per share of 715p at 31st December 2013 represented an 18% increase over the year from 31st December 2012 (608p), with the second half performance building on the 3% increase reported in June. The full year increase compares to an uplift in the FTSE All-Share Index of 20.8% over the same period.

Our operating model means that there are two clear components to NAV progression. These are the value of the portfolio assets and any changes therein, and the costs incurred in running the business, which are principally the fees we pay to Arle, and the interest costs associated with the US private placement loan notes. The impact of these costs on NAV will either be offset by increases in the valuation of the portfolio during any financial period or will exacerbate the impact of any reductions in portfolio value. NAV growth, therefore, is solely dependent on improvements in the valuation of the portfolio managed by Arle exceeding our costs.

The overall value of the portfolio, including carried interest, increased by £34.8 million (160p per share) over the year, comprising net uplifts in valuations of 154p per share and favourable foreign currency movements of 6p per share. The principal movements within the portfolio were a £41.0 million increase in the valuation of Expro reflecting its continuing strong trading performance, which was partly offset by a write down of £14.7 million on Stork BV ('Stork') due to weaker trading.

During 2013, Candover's recurring administrative expenses reduced by a further 7.5%, helping to minimise the adverse impact of costs on NAV performance. Towards the end of the year, the Company's US private placement loan notes were refinanced as described below. The one-off impact was to increase our finance costs in the year, thereby eroding net assets, by £4.5 million. This reflected the adverse effect of the make whole obligations and refinancing fees, offset by the write-back of the historic Fair Value hedge adjustment. However, this erosion was offset by the uplift in the valuation of the portfolio, which resulted in the 18% increase in net assets per share outlined above. The movements are set out in Table 1 of the Financial review.

Net debt

Net debt during the year increased to £47.7 million at 31st December 2013 (31st December 2012: £26.7 million), with inflows from realisations offset by the combination of follow-on investments and operating and financing costs, including the one-off impact of the loan note refinancing. Candover received total realisation proceeds, including carried interest, of £11.3 million from the sale of Qioptiq and made follow-on investments in Stork and Parques Reunidos ('Parques') totalling £5.0 million. Our loan-to-value ratio saw a corresponding increase to 24.9% at 31st December 2013 up from 18.1% at 31st December 2012. Additional proceeds of £1.2 million from the sale of Qioptiq, including a further carry payment, are due to be received during the first half of 2014.

Loan note refinancing

On 20th December 2013, the Company announced the refinancing of its 2007 US private placement loan notes (the 'old notes'), to lengthen the maturity of its debt.

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The old notes, which were due to mature in December 2014 and January 2015, were fully repaid using existing cash balances and the proceeds of a simultaneous issue of new notes. The new notes raised \$83.9 million, with a coupon of 7.02% (the same as the dollar-denominated old notes). Their final maturity is 31st December 2015, although they are repayable before this date at par from the proceeds of realisations.

The refinancing had two objectives: to eliminate the current inefficiency of maintaining high cash balances, and to address the risk, outlined in last year's Annual Report, that there could be a shortfall in Candover's ability to meet its future loan note repayments if Arle were unable to achieve its realisation projections. The new notes contain a 40% loan-to-value covenant (consistent with the old notes), but the calculation of the value component of the covenant is no longer subject to concentration limits in respect of larger investments. This change will offer more covenant headroom in the future.

The Board, having considered the latest realisation projections provided by Arle, have concluded that the Company will have access to sufficient resources over the next two years to meet the obligations under the terms of the new note purchase agreement. However, as the Company does not (and cannot) control the realisation process, there remains a risk that, if insufficient realisations are achieved by our investment manager over the next two years, new sources of finance might be required to provide additional liquidity.

Follow-on investment and realisation activity
During 2013, Candover invested £5.0 million alongside the Candover 2005 Fund to provide follow-on funding for Parques and Stork.

In the third quarter, one of the three remaining investments in the Candover 2001 Fund was realised. Qioptiq, a world leader in the manufacture of high precision optical components, modules and solutions for military and civil applications, was sold to Excelitas Technologies on 30th September 2013, with the transaction completing on 1st November 2013. Candover's initial proceeds, including carried interest, were £11.3 million (€13.6 million) with further proceeds of £1.2 million (€1.5 million)

receivable in the first half of 2014. In addition, Candover may receive up to €1.0 million held in escrow in the event certain criteria are met.

After the year end, DX Group, an investment made by the Candover 2005 Fund, was successfully listed on AIM in London. Candover will receive proceeds of £3.4 million compared to a valuation at 31st December 2013 of £2.5 million.

Outstanding commitments

The Company had outstanding commitments to co-investments alongside the Candover 2005 Fund of £5.9 million at the start of the year, which were reduced as a result of the follow-on investment noted above. The Company's remaining commitment to the Candover 2005 Fund lapsed on 26th August 2013.

Termination of the Candover 2001 Fund

Following two extension periods to its original eight year life, the Candover 2001 Fund (which had two investments remaining: Qioptiq and Innovia) terminated on 13th June 2013. Candover and the 2001 Fund investors agreed these investments would continue to be managed by Arle until they could be realised at an appropriate price in an orderly manner. Qioptiq was disposed of in September 2013. Since the year end, Innovia has been refinanced pending the conclusion of a review by Arle of a number of options to realise value for Fund investors.

Outlook

The recovery in the value of the portfolio seen over the past year is encouraging. A more active corporate environment, together with the successful refinancing of the US private placement loan notes, including more flexibility to repay the new notes early, offer greater potential for the Company to start returning cash to shareholders over the next two years. We will continue to keep a tight control on the costs of the business to minimise erosion of NAV, and Arle will continue with its stewardship of the portfolio to enhance the values of the portfolio companies prior to their realisation.

Strategic report

The Directors present the Strategic report of the Company for the year ended 31st December 2013, including an assessment of the risks impacting the Company

Objectives and business model

Candover 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 is 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.

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 will not make any new investments save that (i) investments may be made to satisfy commitments to the Candover Funds under existing contractual arrangements, and (ii) 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 appropriately rated 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. The Company will make dividend payments in compliance with the relevant investment trust conditions. However, these dividend payments will be reviewed in the context of the strategy of delivering a progressive return of cash to shareholders over time as realisations are achieved by the investment manager. The Board has decided that it is prudent that no money should be returned to shareholders until the Company has fully repaid the outstanding loan notes, which can be repaid, at par, at any time prior to their maturity date in December 2015. The one exception may be dividends that need to be paid in order to meet investment trust obligations.

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

Analysis of current and future development

A review of the year and outlook is provided in the Chairman's letter, CEO's report and Manager's portfolio review, pages 2 to 25.

The Board regularly reviews the development and strategic direction of the Company to ensure the primary objective of returning value to shareholders is achieved.

Our business model

Realising value for shareholders

This will be achieved via a progressive return of cash as portfolio businesses are sold by Arle



When a net cash position has been achieved, cash will then be returned to shareholders, taking into account tax efficiency and cost

Realisation proceeds are initially applied to debt repayment

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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. Other than with respect to the Candover 2008 Fund each co-investment agreement requires the Company to contribute its proportionate share of any investment made by the relevant Candover Fund. In August 2013 the last such remaining commitment, to the 2005 Fund, lapsed.

Other than with respect to the Candover 2008 Fund, 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 gave up its carried interest entitlement in respect of the Candover 2008 Fund as part of the agreed settlement to terminate the investment period of that 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.

Performance indicators

A number of performance measures are utilised by the Board in assessing progress against the Company's objectives. The Key Performance Indicators ('KPIs') used to measure the progress of the Company are:

- The movement in net asset value per ordinary share
- Net debt
- Outstanding commitments
- Loan-to-value ratio

Our performance against these KPIs is set out in the Key metrics and also covered as part of the CEO's report on pages 4 and 5.

Strategic report
continued**Risk review****Principal risks and risk management**

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 controls are applied.

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 review highlighted the risks inherent in private equity and those which are foreseeable and avoidable and therefore could, to a greater extent, be eliminated. The review also noted that whilst the overall risk profile for Candover was not inherently severe, the ability to mitigate those risks associated with either the private equity asset class or arising from the Company's particular business model was limited.

Strategic risk**Risk summary:**

Instability of and lack of appropriate skills within the investment manager

Risk mitigation

The sale of CPL to its management team in April 2011 created an independent investment manager able to retain, incentivise and motivate its staff to manage and maximise the value of the investments. This was intended to minimise the risk of instability of the investment manager in the short-to-medium term.

However, the need to increase the underlying operating performance within the portfolio may place greater stress on the manager's skills and capability. In part this has been mitigated by the recruitment of a number of senior industrialists by the manager. The Company will continue to track the performance of the investment manager pursuant to the terms of its investment management agreement.

Risk summary:

Single material asset failure as portfolio concentrates

Risk mitigation

As the investment portfolio matures and exits take place, Candover's exposure to the remaining assets in the portfolio increases. This creates a risk that if one or more of those remaining assets were to significantly reduce in value or fail, the impact on the Company's returns could be disproportionately negative.

and could trigger breaches of the arrangements with 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 materially reduced.

Risk summary

Company's operational model fails

Risk mitigation

While the portfolio performance will determine the returns to the Company, a breakdown in the operating model could undermine those future returns. The investment manager could be removed by the other investors in the Candover Funds.

for underperformance, 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 continue to monitor the investment manager's performance on a regular basis.

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Financial and investment risk

Risk summary Company's capital structure results in an inability to maximise value	Risk mitigation: The Company's obligations to its noteholders include a requirement to maintain a loan-to-value ratio of not less	than 0.4:1. The Company regularly monitors its financial position (cash/net debt) and undertakes sensitivity testing
Risk summary. Failure to meet financial commitments	Risk mitigation It is possible that the failure of the investment manager to realise sufficient value on a timely basis from the investments could have led to a failure to meet the obligations under its 2007 noteholder agreement. In December 2013, the old noteholders were fully repaid through utilising surplus cash	and proceeds from a new note issue which matures in December 2015. This created more time for assets to be sold prior to the repayment date. The Company actively monitors the level of indebtedness and covenants as well as tracking the progress which the investment manager is making towards realising the investments
Risk summary. Financial market risks impacting on NAV	Risk mitigation 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
Risk summary. Counterparty risk resulting in loss	Risk mitigation. 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

Strategic report

continued

Risk review continued**Operational risk****Risk summary.**

Failure of operational systems and procedures at the Company's third party service providers

Risk mitigation:

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 operational performance is adversely affecting the Company

Risk summary.

Change in regulatory or legislative environment

Risk mitigation

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**Risk summary:**

Inadequate Board composition, inadequate corporate governance and loss of executive skills and knowledge

Risk mitigation.

The Company's failure to adhere to applicable corporate governance standards, and a failure to ensure the appropriate level of skills at Board level, including continued access to the current level of executive skills and knowledge, 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, annual Board evaluation, and by the Remuneration Committee ensuring appropriate reward structures exist for the Chief Executive Officer. In addition, through the Chairman, the Company Secretary provides effective guidance on corporate governance matters

Social, community, human rights and environmental issues

The Company interprets corporate responsibility as having due regard to society's expectations of how we manage our business, as well as making sure that non-financial issues do not impact negatively on Candover's reputation to the detriment of our shareholders. It endorses good governance (further details on page 36 to 45), sustainable business practices and policies that promote fair social and environmental treatment.

The Company takes care to comply with all relevant legislation and to ensure that we are a reasonable and fair employer. We maintain positive relationships with all of our business partners, our shareholders and our investment manager.

We are of the view that the direct environmental, community, human rights and social impact of Candover is relatively low. Our principal impacts in these areas, 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 the Company's status as a co-investor alongside the Funds managed by Arle limits our influence further. However, we have an open and transparent dialogue with Arle and expect them to consider the social and environmental impacts of how each portfolio company operates.

Employees

There are currently four male Non-Executive Directors on the Board, and one male Executive Director. There are no female Directors at present.

The Board favours diversity and welcomes appointments that contribute towards a breadth of skills, experience and diversity, and, through the Nominations Committee, selects Directors on merit with relevant and complementary skills to help the Company maximise value for shareholders. Given the small size of the Company and its divestment policy, the Board does not intend to develop a specific diversity policy.

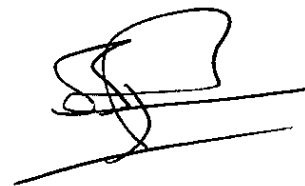
As at 31st December 2013, the Group employed two employees, one male Executive Director and one female employee, therefore the employee gender breakdown of the Group is 50/50.

Information regarding Candover's employees is given in Note 2 to the Financial statements on page 76 and in the Directors' remuneration report on pages 46 to 52.

On behalf of the Board

Malcolm Fallen
Chief Executive Officer

34 Lime Street
London EC3M 7AT
27th March 2014



Financial review

Net asset value per share

Net asset value per share after exceptional non-recurring costs was 715p, a full year increase of 18% since 31st December 2012 (608p) and an increase of 14% since 30th June 2013 (627p). See Table 1

Investments

The valuation of investments, including carried interest and accrued loan note interest, was £191.2 million at 31st December 2013 (31st December 2012: £163.5 million). Valuations increased for the year by £33.5 million before currency effects and after the disposal and acquisition of assets, representing an increase of 20% on the value of these investments over their 31st December 2012 value, and an increase of 17% since 30th June 2013. The overall increase of 21% in the value of the portfolio was £34.8 million, which included £1.3 million of favourable foreign currency movements. See Table 2

Net debt and loan-to-value covenant

Candover's net debt increased from £26.7 million at 31st December 2012 to £47.7 million at 31st December 2013. This reflects net investment inflows of £6.3 million, offset by cash interest

charges of £12.2 million, cash charges in relation to the refinancing of £9.5 million, including the impact of makewhole, and operating expenses. At this level of net debt the loan-to-value ratio of the Company's net debt was 24.9% compared to 18.1% at 31st December 2012. See Table 3

Following the expiry of the Candover 2005 Fund on 26th August 2013 there are no co-investment commitments remaining.

Profit before and after tax

Net revenue profit before tax and exceptional non-recurring losses from operations for the year was £1.0 million compared to a loss of £12.6 million in the prior year.

Exceptional non-recurring loss of £0.6 million (2012: gain of £2.0 million) comprises a write-off relating to the liquidation of subsidiaries and the effect of the unwinding of the discount applied to the property provision.

Reported net revenue profit after taxation was £2.5 million compared to a loss of £13.1 million in the prior year.

Table 1

	£m	p/share
Net asset value at 31st December 2012	132.8	608
Gain on financial instruments and other income ¹	35.0	160
Recurring administrative expenses	(4.9)	(22)
Finance costs non-recurring refinancing	(4.5)	(21)
Finance costs recurring	(6.3)	(29)
Others (including tax)	3.3	15
	22.6	103
Currency impact		
– Unrealised investments	1.3	6
– Restatement of cash and cash equivalents	(1.3)	(6)
– Translation of loan and fair value hedge adjustment balances	1.5	7
Exceptional non-recurring losses liquidation of subsidiaries	(0.6)	(3)
Net asset value at 31st December 2013 as reported	156.3	715

¹ Stated before favourable currency impact of £1.3 million and after including £1.5m of income on the realisation of Qioptiq

Table 2

	£m
Investments at 31st December 2012	163.5
Disposals at valuation	(12.1)
Additions at cost	4.9
Investments adjusted for additions and disposals	156.3
Revaluation of investments	
– Valuation movements before currency impact	33.5
– Currency impact on unrealised investments	1.3
Investments at 31st December 2013	191.2

Table 3

	31st December 2013 £m	31st December 2012 £m
Loans and borrowings	48.6	151.0
Less fair value hedge adjustment	-	(7.0)
Deferred costs	2.1	0.4
Value of bonds	50.7	144.4
Cash	(3.0)	(117.7)
Net debt	47.7	26.7

Manager's portfolio review**Ten largest investments**

Analysis by value at 31st December 2013
(representing 100% of the Arle managed portfolio)

By valuation method

- Multiple of earnings 100%

By region

- United Kingdom 45%
- Spain 21%
- Benelux 19%
- Italy 9%
- Nordic 6%

By sector

- Energy & Natural Resources 40%
- Industrials 35%
- Services 25%

By age

- Greater than 5 years 100%

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Introduction

Arle is a private equity partnership with two distinct areas of focus. First, Arle is a diversified private equity asset manager and, in addition to acting as investment manager for the Candover Funds, manages special purpose vehicles. Second, Arle is a mid-market energy investor in buyouts, carve-outs and platform creations. Arle is the General Partner of the Candover 2001 Fund and Manager of the Candover 2005 Fund, Candover 2008 Fund (together 'the Candover Funds') and the Preston Fund.

Portfolio overview

The Candover Funds portfolio performed well in 2013, with a marked improvement in the second half of the year. Collectively, the portfolio investments reported a 3% increase in revenues and a 4% increase in EBITDA in the 12 months ended 31st December 2013. This was driven by strong earnings growth at Expro, Parques and Innovia. The trading performance is reflected in the 11% increase in the combined value of the Funds compared to the valuation at 31st December 2012, which resulted in a 21% uplift in the Candover portfolio due to its overweighting in Expro.

The portfolio will become increasingly concentrated on fewer assets as we continue to execute our realisation strategy. In 2013, we completed our fourth full realisation with the sale of Qioptiq to Excelitas Technologies, leaving ten assets remaining in the portfolio. Since the year end, DX floated on AIM at a market capitalisation of £200 million. The Candover Funds sold their full share allocation at listing. As at 31st December 2013, the four largest investments, Expro, Stork, Parques and Technogym together represented 84% of the portfolio.

Expro International

Expro, the international oilfield services company, continues to perform strongly in FY2014 with YTD earnings significantly ahead of the prior year. Expro continues to win a number of valuable new contracts with the order book standing at a record high at the end of December. In March, the company opened a new facility in Aberdeen creating 150 new jobs. The facility was inaugurated by the Secretary of State for Business, Innovation and Skills, Vince Cable.

In July, Expro issued a further tranche of \$100 million 8.50% senior secured notes, repayable in 2016. The proceeds will be used to support Expro through its next period of development.

Parques Reunidos

Parques, a global operator of attraction and water parks, experienced a challenging trading environment during 2013. However, whilst trading was affected by a significant VAT increase in Spain as well as poor weather during the US high season, Parques witnessed strong trading in Europe during the summer. The renewed focus on organic growth is yielding results, with both number of visitors and spend per head increasing in Europe during the summer. In addition, the group benefitted from cost saving initiatives rolled out across the business (to offset the VAT impact), as well as from signs of economic recovery in Spain and Italy.

Stork BV

Stork comprises two discrete and separately financed entities: Stork Technical Services ('STS') which provides knowledge-based managed services to energy companies, and Fokker Technologies ('Fokker') which manufactures components and systems for the global aerospace industry. In January 2013, independent governance structures and boards were put in place, thereby completing the separation of the two businesses that began in 2012 and which is intended to lay the foundation for future exit scenarios.

STS

2013 trading was disappointing due to a combination of exceptional market and operational issues. The company is well progressed with the implementation of a number of improvements identified as part of a strategic review of the business, which it undertook earlier in the year. A new management team is now in place, led by CEO Arnold Steenbakker, the former CEO of Fugro who has over 30 years of industrial experience. In December, STS successfully amended its €110 million revolving credit facility with its banking syndicate.

Fokker

Trading at Fokker, the global aerospace specialist and manufacturer, was behind prior year principally due to weaker trading in the services business, partially offset by better performance by the product business. Fokker continued to benefit from a strong order book in 2013 and won a series of strategic contracts during the year.

Technogym

Technogym, a leading global producer of fitness and wellness equipment, celebrated its 30th anniversary in 2013. The company witnessed increased competition during the year with low cost manufacturers and other competitors benefitting from the strength of the Euro against the US Dollar. However, the underlying growth fundamentals for fitness and wellness remain strong, and emerging economies such as Latin America and China present significant opportunities for Technogym. The company continues to expand its presence and operations in these regions.

Innovia

In early 2013, Innovia, the specialist film and polymer banknote business, successfully completed the acquisition of the 50% share in Security International (rebranded Innovia Security), from its 50/50 joint venture partner the Reserve Bank of Australia. Innovia's two divisions, Films and Security, continue to perform well. During 2013, the Films division announced that £20 million would be invested to increase the capacity of its polypropylene plant at its Cumbrian headquarters, including a state of the art gas turbine. In December, the Bank of England announced that £5 and £10 notes would be issued on polymer substrate with the transition starting in 2016 and that it is expecting to partner with Innovia Security on this contract. Innovia was also recognised for its staff training programme winning '2013 Apprentice Team of the Year' in the Brathay Apprentice Challenge, run nationally in the UK.

Hilding Anders

Hilding Anders, the leading manufacturer of beds and mattresses in Europe, Russia and Asia, continued to strengthen its Emerging Markets business by expanding operations in Russia and China. In addition, the company consolidated its position in the Swedish market with the acquisition of Carpe Diem, a manufacturer of premium bedding. Hilding Anders was refinanced in September 2013, and now has a strong capital structure from which to grow across its international footprint.

DX Group

DX Group, the leading independent logistics and parcel distribution company, completed the integration of Nightfreight during the year, launching DX Freight in August 2013. The company consolidated its service offering during the year and sold Business Direct to ByBox. The disposal allows DX to focus more clearly on its core B2B and B2C services. Post the year end, the company floated on AIM with the Candover Funds selling their full share allocation.

Realisations

Arie continues to actively prepare each of its businesses for exit. In October, Qioptiq was sold to Excelitas Technologies for an undisclosed amount. By the year end, the sale had generated proceeds of €109.4 million for the Candover 2001 Fund (Candover's share £11.3 million including carried interest). In addition, in February 2014, DX floated on AIM, facilitating a full exit for the Candover 2005 Fund. The sale generated proceeds of £34 million (Candover's share £3.4 million).

The principal realisations during 2013 are set out in Table 1.

Table 1

	Candover £m	Total proceeds £m	Type
Portfolio			
Qioptiq	7.2	109.4	Private equity sale
Other			
Candover 2001 Fund carried interest	4.1	–	Crystallisation of carried interest
Total realisations – 2013	11.3	109.4	

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Follow-on investments

During the year, Candover invested a total of £5.0 million in follow-on investments alongside the Candover 2005 Fund. Parques received an investment of £1.8 million to provide funding for capital growth expenditure, while £3.2 million was invested in Stork.

Portfolio composition

The portfolio is largely based in Western Europe. Whilst the UK represented 45% of the ten investments by value, the portfolio companies themselves are well diversified in the regions in which they trade. The portfolio was exposed mostly to the energy sector (40%).

Portfolio valuation review

The Candover Funds reported an 11% valuation increase year-on-year reflecting a steadily improving economic backdrop, while the increase in the value of Candover's co-investments in the portfolio of £33.2 million (152p per share) represented a 21% uplift on its value at the start of the year, after adjusting for additions and disposals.

The difference between Candover's valuation and the valuation of the Funds is mainly due to Candover holding a larger proportionate interest in Expro compared to the Funds.

Expro was written up to reflect its continued strong trading performance, and was responsible for the majority of the portfolio's overall valuation uplift. However, the uplift was partially offset by Stork which was written down to reflect weaker trading at STS as a result of deteriorating chemicals and power markets in the Benelux region.

Table 2 shows the valuation movement by reference to each portfolio company.

Table 2

Portfolio company	Residual cost ¹ £m	Valuation at 31st December 2012 £m	Additions and disposals £m	Valuation movement excluding FX ² £m	Valuation movement attributable to FX ² £m	Valuation at 31st December 2013 £m	Valuation movement pence per share ³
Expro International	92.1	31.6	–	41.7	(0.7)	72.6	188
Parques Reunidos	30.0	34.8	1.8	0.1	0.7	37.4	4
Stork	42.5	46.0	3.2	(15.6)	0.9	34.5	(67)
Technogym	29.2	16.0	–	(0.1)	0.3	16.2	1
Innovia	2.7	6.6	–	2.4	0.1	9.1	11
Hilding Anders	24.3	3.8	–	1.8	0.1	5.7	9
GET	1.2	3.6	–	1.5	(0.3)	4.8	5
DX Group	21.4	2.7	–	(0.2)	–	2.5	(1)
ONO	2.2	1.7	–	0.5	–	2.2	2
Alma	15.3	–	–	–	–	–	–
All investments³	260.9	146.8	5.0	32.1	1.1	185.0	152
Candover 2001 Fund carried interest	–	8.0	(3.9)	1.5	–	5.6	7
Other investments⁴	24.8	8.7	(8.2)	(0.1)	0.2	0.6	1
Total	285.7	163.5	(7.1)	33.5	1.3	191.2	160

¹ Residual cost is original cost less realisations to date.

² Compared to the valuation at 31st December 2012 or acquisition date, if later.

³ Excluding Candover 2001 Fund carried interest.

⁴ Represents assets sold in 2013 and other co-investments.

Manager's portfolio review
continued**1 Expro International**

Industry sector	Energy
Geography	UK
Date of investment	July 2008
Residual cost of investment £m	92.1
Directors' valuation £m	72.6
Change over prior valuation £m	41.0
Effective equity interest (fully diluted)	4.7%
% of Candover's net assets	46.4%
	Multiple of earnings
Basis of valuation	
Dividends received £m	-
Year end	March 2013
Sales	US\$1,203m
Earnings ¹	US\$290m

Expro is a leading oilfield service provider specialising in well flow management. The company provides services and products that measure, improve, control and process flow from high-value oil and gas wells, from exploration and appraisal through to mature field production optimisation and enhancement.

Expro's vision is to be the market leader in well flow management, using the industry's best people, to deliver the highest standards of safety, quality and personalised customer service. Expro's 40 years of experience and innovation empowers the company to offer tailor-made solutions for customers across the energy sector, including multinational oil majors, as well as state-owned national oil companies. With 5,000 employees across 50 countries, Expro offers a global service solution.

The company continues to deliver a strong financial performance throughout FY 2014, with YTD earnings well ahead of prior year, and budget driven by strong activity in the subsea sector. Expro continues to secure a number of valuable new contracts with the order book standing at a record high at the end of December.

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In July 2013, Expro issued a further tranche of \$100 million 8.50% senior secured notes, repayable in 2016. The proceeds will be used to support Expro through its next period of development. Going forward, Arle expects to see a continuing improvement in Expro's performance as a result of growing demand for its services from the international oil and gas sector and increased capital expenditure on new equipment within the sector. The trading outlook for Expro remains positive and bid activity continues to be strong.

The valuation has been increased by £41.0 million, an increase of 188p per share after adverse currency movements of £0.7 million.

Company website
www.exprogroup.com

2 Parques Reunidos

Industry sector	Services
Geography	Spain
Date of investment	March 2007
Residual cost of investment £m	30.0
Directors' valuation £m	37.4
Change over prior valuation £m	0.8
Effective equity interest (fully diluted)	3.9%
% of Candover's net assets	23.9%
	Multiple of earnings
Basis of valuation	
Dividends received £m	-
Year end	September 2013
Sales	€540m
Earnings ¹	€167m

Parques is one of the world's leading operators of attraction parks. The company enjoys strong positions in all its key markets and the majority of its parks are the leading family attractions in their respective surrounding areas. Parques operates

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69 sites across 12 countries, attracting around 26 million visitors each year. These include theme or amusement parks, nature and animal parks, water parks, family entertainment centres and cable cars.

2013 was a transitional year for Parques. Whilst trading was negatively influenced by the significant VAT increase (from 8% to 21%) in Spain and cold and wet weather on the East Coast of America during the peak summer months, trading in Europe improved during the summer months. This reflected significant progress in driving organic growth through the successful roll-out of marketing & yield management initiatives, cost reduction, good weather during the summer in Northern Europe and signs of economic recovery in Spain and Italy.

In parallel, management continues to drive through operational improvements throughout the park portfolio, particularly in those acquired in the past 18 to 24 months.

The economic outlook for 2014 appears slightly more positive than last year. The US economy should allow for continued healthy growth. Spain and Italy are showing early, albeit fragile, signs of recovery and the economies in the rest of Europe should allow for stable growth. In addition, new management contracts and selective acquisitions will provide additional earnings momentum.

The investment was written up by £0.8 million (4p per share) after including a favourable foreign exchange movement of £0.7 million.

Company website
www.parquesreunidos.com

3 Stork

Industry sector	Industrials
Geography	The Netherlands
Date of investment	January 2008
Residual cost of investment £m	42.5
Directors' valuation £m	34.5
Change over prior valuation £m	(14.7)
Effective equity interest (fully diluted)	4.6%
% of Candover's net assets	22.1%
	Multiple of earnings
Basis of valuation	-
Dividends received £m	-
Year end	December 2011
Sales	€1,636m
Earnings ¹	€111m

Stork, the Dutch engineering conglomerate, separated its two subsidiaries, Fokker and STS, during 2012. Stork, in aggregate, was valued at £34.5 million at the end of 2013, down 67p per share. The valuation was affected by developments at STS and Fokker, and by the overall cost of debt.

Stork Technical Services

STS is a global provider of knowledge-based asset integrity services for the oil and gas, power and chemical sectors and employs 14,500 people across the UK & Africa, Continental Europe, the Middle East, Asia Pacific and the Americas. STS provides innovative solutions in the areas of asset integrity, consultancy, maintenance concepts, repair, renovation, new construction, relocations and other related complex projects.

2013 trading at STS was disappointing due to a combination of operational issues and the continuation of poor market conditions in the European chemicals and power markets. In July 2013, Arnold Steenbakker was appointed CEO. Arnold has over 30 years' industrial experience having held senior management roles at Fugro.

Manager's portfolio review
continued

and Fluor. A strategic review of the business commenced in July and the management have started to roll out various new business improvement initiatives.

In December 2013, STS announced that it had amended its €110 million revolving loan facility with its banking syndicate. The amendment will provide STS with increased covenant headroom and give it a solid platform from which to develop the business.

The strategic focus for STS over the next 12 months will be to improve operational effectiveness through the roll-out of the improvement programme while continuing to increase its exposure to fast growing energy markets.

Fokker Technologies

Fokker is active in the civil, defence and service sectors of Aerospace spread over 75 different aircraft types. Fokker designs and builds business units (aerostructures, wiring, landing gear) and produces over 7,000 advanced components for the global aerospace industry. The company also supplies integrated parts availability services and MRO services to aircraft owners and operators worldwide. R&D and production and service facilities are located in Europe as well as the Americas and Asia.

Trading in 2013 was slightly behind prior year. The design and build businesses traded ahead of prior year in spite of ongoing investments in five important new aircraft programmes. The overall results were negatively impacted by a weaker trading of the Fokker fleet in the services business. Fokker's order book remains strong as customers continue to seek innovative solutions applying advanced technologies.

In 2014, Fokker will be focusing on capitalising on the order book and growing the aerostructures and electrical systems business units and will focus on reducing the cost base of the Fokker Services business unit.

Company website

www.stork.com
www.storktechnicalservices.com
www.fokker.com

4 Technogym

Industry sector	Industrials
Geography	Italy
Date of investment	August 2008
Residual cost of investment £m	29.2
Directors' valuation £m	16.2
Change over prior valuation £m	0.2
Effective equity interest (fully diluted)	3.2%
% of Candover's net assets	10.4%
	Multiple of earnings
Basis of valuation	
Dividends received £m	-
Year end	December 2012
Sales	€412m
Earnings ¹	€52m

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 group serves major fitness club chains, as well as professional customers in the hospitality, corporate, education, medical and military markets.

In 2013, despite slow economic growth and currency headwinds in Europe, Technogym maintained its sales and market share. The gym equipment market witnessed increased competition with both low cost manufacturers and other competitors benefitting from the strength of the Euro versus the US Dollar. During the year Technogym continued to invest in the development of new innovative products, and increased its market coverage by enlarging its sales network. Overall, the combination of foreign exchange, competition and business investment impacted performance in 2013.

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In 2014, Technogym will focus on growth through continued investment in sales and increased exposure to high growth emerging markets as well as improving internal efficiencies

The investment was written up by £0.2 million (1p per share) after including favourable exchange rate movements of £0.3 million

Company website
www.technogym.com

5 Innovia

Industry sector	Industrials
Geography	UK
Date of investment	September 2004
Residual cost of investment £m	2.7
Directors' valuation £m	9.1
Change over prior valuation £m	2.5
Effective equity interest (fully diluted)	5.7%
% of Candover's net assets	5.8%
	Multiple of earnings
Basis of valuation	
Dividends received £m	-
Year end	December 2012
Sales	€412m
Earnings ¹	€52m

Innovia manufactures speciality films for the tobacco, labelling and packaging industries and is also the market leader in the manufacture of polymer bank note substrate. The business enjoys strong positions in niche markets and focuses on higher value-added applications.

Innovia traded well during the year due to a strong performance by the Films division. The business continues to successfully navigate the input price volatility seen in previous years and to invest in new technology to help insulate the business from future swings.

The key event during 2013 was the acquisition of the Reserve Bank of Australia's 50% joint venture stake in Securrency (renamed Innovia Security), which is now fully integrated into the group. Following a public consultation in late 2013, the Bank of England announced that £5 and £10 notes would be issued on polymer substrate with the transition starting in 2016. The Bank of England announced that it is expecting to partner with Innovia Security on this contract.

The valuation has been increased by £2.5 million, an increase of 11p per share after favourable currency movements of £0.1 million.

Company website
www.innoviafilms.com
www.innoviasecurity.com

6 Hilding Anders

Industry sector	Industrials
Geography	Sweden
Date of investment	December 2006
Residual cost of investment £m	24.3
Directors' valuation £m	5.7
Change over prior valuation £m	1.9
Effective equity interest (fully diluted)	4.3%
% of Candover's net assets	3.6%
	Multiple of earnings
Basis of valuation	
Dividends received £m	-
Year end	December 2012
Sales	SEK 7,410m
Earnings ¹	SEK 1,602m

Hilding Anders is Europe's largest bed and mattress manufacturer and is headquartered in Sweden. It has leading market positions in more than 40 countries in Europe and Asia, has over 25 manufacturing facilities and circa 7,600 employees. Hilding Anders has an innovative and diverse portfolio of products sold as private label.

Manager's portfolio review
continued

or branded products. It has grown both organically and through acquisition and, in more recent years, has significantly reinforced its presence in emerging markets.

Hilding Anders traded broadly in line with expectations in 2013, with strong performances in Russia as well as certain regions of Europe and Asia.

As planned, Anders Pettersson stepped down as Chief Executive in December 2013 following the successful implementation of a new growth strategy and the completion of an organisational restructuring, and will become Executive Chairman. His replacement, Alex Myers, has significant experience of working in consumer-oriented businesses such as Unilever, Orkla, and Carlsberg. Prior to joining Hilding Anders, he was President & CEO of ArjoHuntleigh and Executive President of Extended Care at the Getinge Group.

In September, Hilding Anders successfully refinanced over €800 million of its debt facilities, extending near-term debt maturities by three years to December 2017 and reducing net debt to 4.8x via a considerable pre-payment of senior debt facilities. As part of the refinancing process KKR Asset Management invested €350 million into the capital structure of the business. The new debt structure provides Hilding Anders with a strong financial foundation to support its future growth.

The outlook for 2014 is similar to last year with growth expected to be generated by the emerging markets.

The investment was written up by £1.9 million (9p per share) after including favourable foreign exchange movements of £0.1 million.

Company website
www.hildinganders.com

7 GET

Industry sector	Services
Geography	Norway
Date of investment	December 2007
Residual cost of investment £m	1.2
Directors' valuation £m	4.8
Change over prior valuation £m	1.2
Effective equity interest (fully diluted)	0.5%
% of Candover's net assets	3.1%
	Multiple of earnings
Basis of valuation	–
Dividends received £m	–
Year end	December 2012
Sales	NOK 2,132m
Earnings ¹	NOK 948m

GET, a cable network operator, operates in Oslo and the major cities of southern Norway, passing around 55% of households in Norway's metropolitan regions. It is the only cable operator within its franchise area and offers 'triple play' services – TV, high speed broadband and telephony – to the residential market. GET was sold in December 2007, with Candover and the Candover 2005 Fund reinvesting some of the exit proceeds for a small minority stake.

The valuation of Candover's reinvestment has increased by £1.2 million (5p per share) after including adverse exchange rate movements of £0.3 million.

Company website
www.get.no

8 DX Group

DX has performed in line with expectations in 2013 with revenues growing by 6% and with profits up 5% year-on-year. The strong momentum has continued into the new financial year with a number of operational improvements also being implemented. The sale of Business Direct to ByBox has enabled the company to focus more clearly on its core B2B and B2C operations.

The outlook remains positive for the business with further deleveraging forecast through operating cash flow generation. Since the year end, DX floated on AIM generating proceeds of £34 million (Candover's share £3.4 million) representing a 34% uplift on the valuation and facilitated a full exit from the investment for the Candover Funds.

The investment has been written down by £0.2 million (1p per share).

Company website
www.thedx.co.uk

Industry sector	Services
Geography	UK
Date of investment	September 2006
Residual cost of investment £m	21.4
Directors' valuation £m	2.5
Change over prior valuation £m	(0.2)
Effective equity interest (fully diluted)	4.0%
% of Candover's net assets	1.6%
	Multiple of earnings
Basis of valuation	
Dividends received £m	-
Year end	June 2013
Sales	£306m
Earnings ¹	£34m

DX is the largest independent mail, courier and logistics operator in the UK and Ireland. Servicing businesses, the public sector and consumers, the company delivers and collects more than one million letters and parcels per day, reaching 99.7% of the UK's residents.

DX specialises in the delivery of time sensitive, high value and business critical items, and delivers passports and visas for the UK Government and foreign embassies. Key customers include the legal sector, financial institutions, national and local government agencies, the health and pharmaceutical sector, high street retailers and e-retailers.

Manager's portfolio review

continued

9 ONO

Industry sector	Services
Geography	Spain
Date of investment	November 2005
Residual cost of investment £m	2.2
Directors' valuation £m	2.2
Change over prior valuation £m	0.5
Effective equity interest (fully diluted)	0.1%
% of Candover's net assets	1.4%
	Multiple of earnings
Basis of valuation	
Dividends received £m	–
Year end	December 2012
Sales	€1,573m
Earnings ¹	€752m

ONO is the leading Spanish cable operator in which Candover and the Candover 2001 Fund have a small minority interest.

The investment has been written up by £0.5 million (2p per share).

Company website

www.ono.es

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10 Alma Consulting Group

Industry sector	Services
Geography	France
Date of investment	December 2007
Residual cost of investment £m	15.3
Directors' valuation £m	–
Change over prior valuation £m	–
Effective equity interest (fully diluted)	4.9%
% of Candover's net assets	–
	Multiple of earnings
Basis of valuation	
Dividends received £m	–
Year end	December 2012
Sales	€224m
Earnings ¹	€58m

Alma Consulting Group ('Alma') is one of the European leaders in cost reduction and optimisation, offering a wide range of consulting services.

In 2013, Alma reported a fall in both revenues and EBITDA due to weak trading arising from significant legislative changes in France which have particularly impacted its core Social division.

The investment valuation is unchanged having been fully written down in the prior year.

Company website

www.almacg.com

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Other investments

The remainder of the portfolio comprises

Candover 2001 Fund carried interest

Candover's share of the Candover 2001 Fund carried interest was valued at £5.6 million

Update on Fund terms

Following two extensions to the original eight year life of the Candover 2001 Fund, the Fund terminated on 12th June 2013. Following the sale of Qioptiq, two investments remain: Innovia and ONO. It has been agreed with the Company and the 2001 Fund investors that these investments will continue to be actively managed by Arle until they can be realised at an optimum time and value.

The follow on investment period for the Candover 2005 Fund terminated on 26th August 2013 following a two year extension. No further amounts can be called down for investment in the Fund. The ten year term of the Fund comes to an end on 26th August 2015.

The investment period for the Candover 2008

Fund terminated on 12th January 2010. Follow on investments can be made until 12th January 2015 with €42 million available for follow on investment in Expro. Candover has no remaining commitment in respect of the 2008 Fund.

Outlook for 2014

Arle continues to work with our management teams to optimise the operational and financial performance of each portfolio company and to ready the businesses for exit. As and when Arle and management consider market and trading conditions to be favourable, we will seek to execute realisations.

Arle Capital Partners Limited

27th March 2014

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.

**Ten largest investments at
31st December 2013**

Investment	Date of investment	Residual cost of investment £m
1 Expro International Oilfield services	Jul 08	92.1
2. Parques Reunidos Operator of attraction parks	Mar 07	30.0
3. Stork Engineering conglomerate	Jan 08	42.5
4. Technogym Premium fitness equipment and wellness products	Aug 08	29.2
5. Innovia Transparent and coated films and polymer banknotes	Sep 04	2.7
6. Hilding Anders Bed and mattress manufacturer	Dec 06	24.3
7 GET Norwegian cable network operator	Dec 07	1.2
8. DX Group Mail services	Sept 06	21.4
9. ONO Spanish cable operator	Nov 05	2.2
10. Alma Consulting Group Cost consultancy	Dec 07	15.3

Directors valuation £m	Movement from 31st Dec 2012	Effective equity interest (fully diluted)	% of Candover's net assets	Basis of valuation
72.6	41.0	4.7%	46.4%	Multiple of earnings
37.4	0.8	3.9%	23.9%	Multiple of earnings
34.5	(14.7)	4.6%	22.1%	Multiple of earnings
16.2	0.2	3.2%	10.4%	Multiple of earnings
9.1	2.5	5.7%	5.8%	Multiple of earnings
5.7	1.9	4.3%	3.6%	Multiple of earnings
4.8	1.2	0.5%	3.1%	Multiple of earnings
2.5	(0.2)	4.0%	1.6%	Multiple of earnings
2.2	0.5	0.1%	1.4%	Multiple of earnings
–	–	4.9%	–	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. 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.

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 and any risks that might impact on completion.

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 by the portfolio 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 portfolio company.

The valuations are included in the financial statements of both Candover and the Candover Funds, which are audited by separate independent auditors.

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Governance

**Clarity, transparency and
clear responsibilities.**

The Board of Directors

1

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, risk assessment and regulatory issues. The performance of the Board is subject to an annual evaluation.

Each of the Directors listed below served on the Board throughout the year.

1 Richard Stone FCA Chairman

Appointment date
May 2005 and was appointed Chairman in April 2011.

Committee membership
Member of the Audit, Risk and Valuation Committee, the Nominations 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. He served as a Director of Halma PLC (latterly as Senior Independent Director) from 2001 until 2011, and as a Director of TR Property Investment Trust PLC from 2000 until 2012.

External appointments
Chairman of Drambuie Limited. Chairman of Henderson Global Trust plc.

2

2 Malcolm Fallen Chief Executive Officer

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
Non-Executive Chairman of Innovia Group (Holding 1) Limited. Non-Executive Director of Boxwood Limited.

3 Lord Jay of Ewelme GCMG Senior Independent Director

Appointment date
January 2008 and was appointed Senior Independent Director on 20th May 2010.

Committee membership
Chairman of the Nominations Committee. Member of the Audit, Risk and Valuation Committee and the Remuneration Committee.

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- 1 Richard Stone FCA
 2 Malcolm Fallen
 3 Lord Jay of Ewelme GCMG
 4 Jan Oosterveld
 5 Scott Longhurst FCA

4

5

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. He has also served as Non-Executive Director of Crédit Agricole SA, as Chairman of the international medical charity Merlin and as Chairman of the House of Lords Appointments Commission.

External appointments

Non-Executive Director of Associated British Foods plc, EDF SA and Valeo SA. Member of the British Library Advisory Council. Trustee of the Thomson Reuters Founders Share Company.

4 Jan Oosterveld

Non-Executive Director

Appointment date
 October 2008

Committee membership

Chairman of the Remuneration Committee
 Member of the Audit, Risk and Valuation Committee and the Nominations Committee

Background and relevant experience

He spent 32 years with Royal Philips Electronics where he was a member of the Group Management Committee responsible for corporate strategy. He was also the Chief Executive Officer of Philips Asia Pacific and Chairman of the Board of LG Philips LCD. He also served as Non-executive Director of Vesuvius plc (formerly Cookson Group plc).

External appointments

Non-Executive Director of Alent plc (following demerger from Cookson Group plc), and Barco NV.

5 Scott Longhurst FCA

Non-Executive Director

Appointment date
 May 2011

Committee membership

Chairman of the Audit, Risk and Valuation Committee. Member of the Nominations Committee and the Remuneration Committee.

Background and relevant experience

He has held a variety of senior finance positions in the energy sector across the Middle East, Europe and the US for Shell and TXU Corp, and is currently Group Finance Director of Anglian Water Group ('AWG').

External appointments

Group Finance Director of AWG. Managing Director of AWG's non-regulated businesses.

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 2013

Tax and investment company status

The Company is an investment company within the meaning of section 833 of the Companies Act 2006, and operates as an investment trust in accordance with section 1158 of the Corporation Tax Act 2010. HMRC approval of the Company's status as an investment trust has been received in respect of the year ended 31st December 2012. 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. Applications for it to be treated as an investment trust for the year ended 31st December 2013 and subsequent years will be made in due course.

Investment management and administration

An arm's length transaction services agreement that governs the investment advisory activities that Arle carries out on behalf of the Company was entered into with effect from 19th April 2011, appointing Arle to act as advisor in respect of the co-investments which the Company has made alongside the Candover Funds. This agreement can only be terminated in respect of any particular investment if Arle ceases to be the manager of the Candover Fund which holds that investment. The fees payable by the Company are 1.5% of the aggregate of the book value of the investments (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.

Ipes (UK) Limited ('the Administrator') was appointed on 1st November 2011 to provide fund administration services to the Company, which include but are not limited to accounting, administration and company secretarial services.

Results and dividends

The Financial statements of the Company and its subsidiaries for the year to 31st December 2013 appear on pages 60 to 98.

The Group's net revenue profit from operations before taxation for the year was £0.5 million (2012: £10.6 million loss). Capital return for the year was a profit of £21.0 million (2012: £10.7 million loss).

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 4 to 25.

The Directors do not recommend the payment of a final dividend for 2013 (2012: final dividend of £nil).

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, if 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 UK Corporate Governance Code dated September 2012 (the 'Code'), Lord Jay of Ewelme will retire and, being eligible, will offer himself for re-election at the Annual General Meeting. The terms of appointment of Lord Jay of Ewelme, and his remuneration, are described in the Directors' remuneration report on pages 46 to 52 and his biography appears on page 30.

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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 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 27th March 2014, 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 17 to the Accounts, on page 85, sets out the details of the Company's capital structure

(iii) Major interests in Shares

As at 18th March 2014, 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 17 to the Accounts on page 85

(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 that 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

Report of the Directors

continued

(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 Conduct 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 Conduct Authority (whereby all employees of the Company require the approval of the Company to deal in Shares).

(x) Creditor payment policy

Post the sale of CPL, trade creditor days are not an appropriate measure for the Company as it has no trade creditors.

(xi) Agreements which are affected by a change of control of the Company

As at 27th March 2014, the Company was party to the following agreement which takes effect after, or terminates, or could be terminated on a change of control of the Company following a takeover bid or otherwise.

Note Purchase Agreement dated 17th December 2013 between the Company and certain financial institutions in respect of US\$83.9 million 7.02% Senior Secured Notes due 31st December 2015 (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 or a longer period specified by the Company.

As set out in the Directors' remuneration report on pages 46 to 52, 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.

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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 12th May 2014.

Corporate governance

A summary of the Company's approach to corporate governance, approved by the Directors, can be found on pages 36 to 45. The Company's Corporate governance report should be treated as part of the Report of the Directors.

Greenhouse gas emissions

The Group has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources as defined under the Companies Act 2006 (Strategic Report & Directors' Report) Regulations 2013, including those within our underlying portfolio. Candover does not directly manage its portfolio companies, and the Company's status as a co-investor alongside the Funds managed by Arle, means the Financial, Operational and Equity Share Control that require reporting of greenhouse gas emissions is limited.

Political and charitable donations

During the year, the Company made no political or charitable donations (2012: £nil).

Going concern

Under the 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, Strategic report and the Manager's portfolio review on pages 4 to 25 respectively. The financial position of Candover, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 12 and 13. In addition, the Risk review (included within the Strategic report on pages 8 to 10) and Note 23 to the Financial statements on pages 87 to 98 respectively, includes Candover's financial risk management objectives, its capital management policies and procedures, details of its financial instruments and its exposures to market risk, currency risk, interest rate risk, credit risk, liquidity risk and other pricing risk.

The Board, having considered the latest realisation projections provided by Arle, have concluded that the Company will have access to sufficient resources over the next two years to meet the obligations under the terms of the new Note Purchase Agreement. However, as the Company does not (and cannot) control the realisation process, there remains a risk, that if insufficient realisations are achieved by our investment manager over the next two years, new sources of finance might be required to provide additional liquidity.

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.

On behalf of the Board

Malcolm Fallen
Chief Executive Officer

34 Lime Street
London EC3M 7AT
27th March 2014



Corporate governance

The UK Corporate Governance Code dated September 2012 (the '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 Conduct Authority requires all companies listed in the UK with a Premium Listing of equity shares (regardless of whether they are incorporated in the UK or elsewhere) to disclose in relation to the 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 complied with the provisions set out in the Code or, where relevant, explained why it has not. This report explains how the Company has applied the principles contained in the Code during 2013. Further information on the Code can be obtained at www.frc.org.uk.

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. Summarised below are the key issues affecting our governance responsibilities and how we address them.

As outlined in the Chairman's letter, there are certain provisions that the Board has deemed inefficient or inappropriate to follow, explained below.

- **Gender diversity policy on the Board.**
The Board favours diversity and welcomes appointments that contribute towards a breadth of skills, experience and diversity, and, through the Nominations Committee, selects Directors on merit with relevant and complementary skills to help the Company maximise value for shareholders. Given the small size of the Company and its divestment policy, the Board does not intend to develop a specific diversity policy.

- **Third party Board performance evaluation.** The Board undertakes a comprehensive Board, Chairman and Director Evaluation policy on a regular basis. Given the current size of the Board, Committees, coupled with the key aim of maximising shareholder value, the Board does not believe the use of an external third party evaluator would be efficient and effective.
- **Audit tender.** The Board considered the need to put the audit out to tender but concluded retention of the longstanding knowledge that the incumbent auditors have of Candover, to be a benefit during the wind-down of the portfolio. Instead, the auditors were requested to revise the scope of the audit to reflect the current business and financial risks.

A. Leadership

A 1 The Board

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

A 2 Division of responsibilities

How does the Company ensure that no one individual has unfettered powers of decision?

A 3 The Chairman

How does the Chairman ensure the Board's effectiveness in all aspects of its role?

A 4 Non-Executive Directors

How do the Non-Executive Directors constructively challenge and help develop proposals on strategy?

B Effectiveness

B 1 Composition of the Board

How do we ensure that the Board and its Committees have the appropriate skills, experience, independence and knowledge of the Company to discharge their duties and responsibilities effectively?

B 2 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?

B 3 Commitment

How do we ensure that Directors are able to allocate sufficient time to the Company to discharge their responsibilities effectively?

B 4 Development

How do we induct Directors and regularly update and refresh their skills and knowledge?

B 5 Information and support

How do we ensure the Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties?

B 6 Evaluation

How do we formally evaluate the performance of the Board, Committees and individual Directors?

B 7 Re-election

How does the Company ensure Directors are submitted for re-election at regular intervals and that this is subject to continued satisfactory performance?

C. Accountability**C 1 Financial and business reporting**

How do we ensure that the Board of Directors presents a balanced and understandable assessment of the Company's position and prospects?

C 2 Risk management and internal control

What does the Board of Directors do to determine the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and to maintain sound risk management and internal control systems?

C 3 Audit, Risk and Valuation Committee and auditors

How does the Board of Directors formally apply the corporate reporting and risk management and internal control principles?

D. Remuneration**D 1 Level and components of remuneration**

How do we ensure that Executive Directors' remuneration links rewards to corporate and individual performance?

D 2 Procedure

What is our procedure for developing policy on executive remuneration?

E. Relations with shareholders**E 1 Dialogue with shareholders**

How does the Board of Directors ensure that a satisfactory dialogue with shareholders takes place?

E 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. Leadership**A 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 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

Corporate governance
continued

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 seven times during 2013 (2012: five times). Attendance at Board and Committee meetings is set out in Table 1.

The principal matters considered by the Board during 2013 (in addition to matters formally reserved to the Board) included:

- the strategic options facing the Company,
- regular reports from the Chief Executive Officer,
- regular reports from the investment manager on the performance of the portfolio,
- 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.

The Company holds appropriate Directors' and Officers' Liability insurance cover in respect of any legal action taken against the Board.

A 2 Division of responsibilities 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. Given the non-executive nature of the role, he has no involvement in the day-to-day activities of the Company.

The Chief Executive Officer's priority is the management of the Company. He 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. He 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.

A 3 The Chairman How does the Chairman ensure the Board's effectiveness in all aspects of its role?

Richard Stone, appointed Chairman on 19th April 2011, 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. He is also responsible for ensuring a culture of openness and debate at Board level.

Table 1

	Board	Audit, Risk and Valuation Committee	Remuneration Committee	Nominations Committee
Number of meetings in the year	7	6	4	2
Richard Stone	7	5	4	2
Malcolm Fallen	7	N/A	N/A	N/A
Lord Jay	6	5	4	2
Jan Oosterveld	7	6	4	2
Scott Longhurst	7	6	4	2

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A 4 Non-Executive Directors How do the Non-Executive Directors constructively challenge and help develop proposals on strategy?

Pursuant to the Code, the Board has appointed one of the Non-Executive Directors, Lord Jay, to act as Senior Independent Director ('SID'), a role he has undertaken since 20th May 2010

The main roles which the SID fulfils are

- being available to shareholders should they have concerns that they have been unable to resolve through normal channels or when such channels would be inappropriate,
- providing a sounding board for the Chairman and serving as an intermediary for the other Non-Executive Directors,
- leading the Board's discussion on the Chairman's performance and the appointment of a new Chairman, when appropriate

The Chairman and Non-Executive Directors meet as required without the executives present to consider their approach/response to strategic proposals. Should they have concerns about the running of the Company or a proposed action, which cannot be resolved with the executives, these are recorded in the meeting minutes. In addition, on resignation, if Non-Executive Directors should have any such concerns, they are offered the opportunity to provide a written statement to the Chairman for circulation to the Board

B Effectiveness

B 1 Composition of the Board How do we ensure that the Board and its Committees have the appropriate skills, experience, independence and knowledge of the Company to discharge their duties and responsibilities effectively?

Directors are appointed to the Board only after a detailed process (see B 2) during which the skills and experience adjudged necessary for the position are considered against potential appointees

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 Code in the year to 31st December 2013

The Board currently comprises a Non-Executive Chairman, a part-time Chief Executive Officer and three Non-Executive Directors

B 2 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 procedure for the appointment of new Directors to the Board is carried out by the Nominations Committee, whose purpose is to review the Board's composition and follow a thorough process prior to proposing new, or renewal of current, appointments to the Board for consideration. During the year under review, the Nominations Committee was chaired by Lord Jay. The other members are Jan Oosterveld, Richard Stone and Scott Longhurst

All the current members of the Committee are independent Non-Executive Directors. The Board is satisfied that the members of the Committee and the Committee Chairman have recent and relevant experience

The Committee met on two occasions in 2013 (2012 three meetings) and the members' attendance record is set out in the report on page 38. The Company Secretary acts as the secretary to the Committee and meetings are also attended by the Chief Executive Officer

Corporate governance
continued

Structure, size, composition, experience and diversity and range of skills available on the Board is kept under review by the Committee. The Committee favours diversity and welcomes appointments that contribute towards a breadth of skills, experience and diversity, however, its primary objective is to select Directors on merit with relevant and complementary skills to help the Company achieve its main target of maximising value for shareholders. Given the small size of the Company and its divestment policy, the Committee is therefore unwilling to commit to numerical diversity targets against which progress can be reported. The terms of reference of the Committee are available on the Company's website.

B 3 Commitment How do we ensure that Directors are able to allocate sufficient time to the Company to discharge their responsibilities effectively?

When considering the Chairman's appointment, the Nominations Committee prepares a job specification, including an assessment of the time commitment expected, and this is contained within his appointment letter. Significant commitments are disclosed to the Board before appointment, and any changes reported as they arise. These are then identified within his biography in the Annual Report, and their impact explained.

The letters of appointment of the Non-Executive Directors are available for inspection both prior to, and at, the Annual General Meeting. These set out the expected time commitment of the role and the Non-Executive Directors undertake to commit sufficient time to it. The letters also provide for agreement to be sought before accepting new appointments. As with the Chairman, significant commitments are disclosed to the Board before appointment, any changes reported as they arise, identified within their biographies in the Annual Report, and their impact explained.

Malcolm Fallen, the only Executive Director, is employed by the Company on a part-time basis. As indicated within his biography on page 30 he has external Non-Executive Directorships with two private limited companies.

B 4 Development How do we induct Directors and regularly update and refresh their skills and knowledge?

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 from the investment manager.

B 5 Information and support How do we ensure the Board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties?**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.

Directors are authorised and encouraged to obtain independent professional advice at the Company's expense where they deem it necessary to discharge their responsibilities as Directors.

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.

B 6 Evaluation: How do we formally evaluate the performance of the Board, Committees and individual Directors?

During 2013, the Board evaluated the performance of the Board, its Committees and the individual Directors in compliance with the 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 reviewed the performance of the Chairman. An externally facilitated evaluation of the Board is not required by the Code. In addition, the Board considers that there is no need to appoint an independent third party to manage the evaluation exercise and that the current process is appropriate.

B 7 Re-election: How does the Company ensure Directors are submitted for re-election at regular intervals and that this is subject to continued satisfactory performance?

The Board currently comprises the Chairman, three Non-Executive Directors and one Executive Director. Biographical details of all the Directors are set out on pages 30 and 31.

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 thereafter. Any Director who has served on the Board for more than nine years is required 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 pages 46 to 52.

C. Accountability

C 1 Financial and business reporting: How do we ensure that the Board of Directors presents a fair, balanced and understandable assessment 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 pages 57 and 58. The auditors review the Company's compliance with the provisions of the Code, the Listing Rules and other rules of the Financial Conduct Authority. They are also required to report on their audit of the Financial statements. Their report is on pages 60 to 62.

The Board seeks to provide investors with a balanced and clear view of the Company's position and its future prospects and business model. Further information is given in the Chairman's letter, the CEO's report and the Manager's portfolio review on pages 2 to 25.

Corporate governance
continued

C 2 Risk management and internal control What does the Board of Directors do to determine the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and to maintain sound risk management and internal control systems?

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 regular meetings and 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, 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 as follows.

(i) Control environment

The Company is ultimately dependent upon the quality and integrity of the staff and management of both its investment managers (Arie) and fund administration services provider (Ipes (UK) Limited). In each case qualified and able individuals have been selected at all levels. The staff of both the investment manager and Ipes (UK) Limited 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 carry out a review of the Company's financial controls. The auditors of the managed funds, KPMG LLP, and the auditors of the Company, Grant Thornton UK LLP, also carry out an external review of the financial controls of those funds and the Company (respectively), separate from management's review, to the extent necessary to give their audit opinions.

In its role as a third party fund administration services provider, the Ipes Group (of which Ipes (UK) Limited is a part) produces an annual AAF 01/06 Assurance Report on the internal control procedures in place within the Group. This is reviewed by the Company's auditors.

(ii) Identification and evaluation of business risks

The key business risk at Candover remains the performance of the Company's investments. This is managed by the investment manager, who 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, a review of controls which is carried out on behalf of the Audit, Risk and Valuation Committee annually 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, given 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 Conduct 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 2013

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

C 3 Audit, Risk and Valuation Committee and auditors
How does the Board of Directors formally apply the corporate reporting and risk management 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. Further details of the Committee's responsibilities are given in the Report of the Audit Committee on pages 53 to 56

The Audit, Risk and Valuation Committee is chaired by Scott Longhurst and comprises Richard Stone, Lord Jay and Jan Oosterveld. All the members of the Committee are independent Non-Executive Directors. The Board is satisfied that members of the Committee and the Committee Chairman, Scott Longhurst, have recent and relevant financial experience

The Committee met on six occasions in 2013 (2012: six meetings) and the members' attendance record is set out in the report on page 38. The Company Secretary acts as the secretary to the Committee and meetings are also attended by 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 judgement 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 risk register of the Company, and examined the Company's compliance with its regulatory requirements, third party liabilities and off balance sheet liabilities, receiving reports on compliance with the terms of its loan notes

Corporate governance
continued

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

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

Auditor's 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 auditor should be continued

The Audit, Risk and Valuation Committee recognises the importance of ensuring the independence and objectivity of the Company's auditor. 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 auditor and other accounting firms, and monitored by the Audit, Risk and Valuation Committee

- services required to be undertaken by the auditor, which include regulatory returns, formalities relating to borrowings, shareholders and other auditors,
- services which it is most efficient for the auditor 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 auditor provided 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 has agreed to pay £0.1 million to Grant Thornton UK LLP for audit services during the year to 31st December 2013, relating to the statutory audit of the Company's Financial statements and the audit of the Company's subsidiaries and associates pursuant to legislation (2012: £0.1 million). The fees are explained in further detail in Note 2 to the accounts on page 76

D Remuneration**D 1 Level and components of remuneration**
How do we ensure that Executive Directors' remuneration links rewards to corporate and individual performance?

Our remuneration policy focuses 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 46 to 52 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

D 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 Richard Stone, Lord Jay and Scott Longhurst. 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 2013 (2012: three meetings) and the members' attendance record is set out in the report on page 38. The Company Secretary acts as the secretary to the Committee and meetings are also 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

E. Relations with shareholders

E 1 Dialogue with 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 sharing information 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 32 to 35.

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

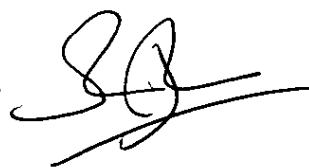
E 2 Constructive use of the Annual General Meeting How does the Board of Directors use its Annual General Meeting to communicate with investors and encourage their participation? The Company uses the Annual General Meeting as an opportunity to communicate with its shareholders. The Company complies with the Code as it relates to voting, the separation of resolutions and the attendance of Committee Chairmen. The Chairmen of the Audit, Risk and Valuation, Nominations and Remuneration 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 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.

It is the intention of the Board that the Annual Report and accounts and Notice of the Annual General Meeting be issued to shareholders so as to provide at least 20 working days' notice of the Annual General Meeting. Shareholders wishing to lodge questions in advance of the Annual General Meeting, or to contact the Board at any other time, are invited to do so by writing to the Company Secretary at the registered address given on page 101.

On behalf of the Board

Malcolm Fallen
Chief Executive Officer

34 Lime Street
London EC3M 7AT
27th March 2014



Directors' remuneration report

Statement by the Chairman

The Directors' remuneration report sets out

- (i) the activities of the Remuneration Committee for the year ended 31st December 2013,
- (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 recent reforms to Directors' Remuneration Reporting, as outlined in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, as well as the Companies Act 2006, 2008 and the UK Corporate Governance Code dated September 2012 (the 'Code')

In accordance with the statutory requirements, the Company will be putting the remuneration policy to a triennial binding shareholder vote at the Annual General Meeting, to be held on 12th May 2014. If the ordinary resolution is passed by the members, the policy will take effect from the date of the Annual General Meeting. The Annual Report outlining the implementation progress of the remuneration policy will also be put to shareholders for annual approval by ordinary resolution. The vote will be advisory, however, if the resolution fails to pass during a year where the Remuneration Policy was not put to a members' resolution, the Company will automatically need to put the policy to a vote of its members the following year.

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

Composition and operation of the Remuneration Committee

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

During the year under review, the members of the Remuneration Committee were Jan Oosterveld (Chairman), Lord Jay, Scott Longhurst and Richard Stone, all of whom are Non-Executive Directors and independent of the investment manager

The full Remuneration Committee, which meets as often as necessary to discharge its duties, met on four occasions in 2013 (2012: three times). Attendance at Committee meetings is set out in the Corporate governance section on page 38. 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 is fully compliant with the Code.

Remuneration policy, activities during the year and professional advice

This is the first year the Directors have submitted a policy in accordance with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. If approved at the Annual General Meeting, all provisions of the policy are expected to remain in effect until the Annual General Meeting in 2017 when the Company is next expected to submit its policy on the remuneration of its Directors to members. If, however, the Company wishes to make any amendment to the Remuneration Policy during the three-year period, the new policy will need to be put to a vote of the members at a general meeting.

The Remuneration Committee worked to ensure that the Company's remuneration policy reflected and supported the Company's strategic goals throughout the year. As the Company retains the services of only one Executive to manage the progressive return of value to shareholders, the Remuneration Committee has considered carefully the structure and incentives necessary to retain and motivate the Executive.

The Company did not receive professional advice in support of its remuneration policy during 2013.

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Overview of remuneration policy

Purpose & link to strategy

Fees payable to Non-Executive Directors should be sufficient to attract and retain individuals of high calibre with suitable skills, knowledge and experience. Those chairing the Board, key Committees and acting as Senior Independent Directors should be paid higher fees than other Directors in recognition of their more demanding roles. Fees should reflect the time spent by Directors on the Company's affairs and the responsibilities borne by the Directors. Fees offered to Non-Executive Directors can be seen on page 49.

The salary offered to Executive Directors should also be sufficient to attract and retain individuals of high calibre with suitable skills, knowledge and experience. The salary is intended to reflect the time spent by Executive Directors on the Company's affairs and responsibilities borne by the Executive Directors. The remuneration offered to the Chief Executive Officer can be seen below.

Performance measures

Additionally, a bonus is provided to Executive Directors to act as an incentive in achieving the performance objectives which are agreed annually and regularly reviewed by the Remuneration Committee. Performance measures are individually defined and linked directly to the

goals of the Company that underpin its strategy of progressively returning cash to shareholders as the portfolio is realised by the investment manager. All objectives must be achieved in order to receive a 100% bonus.

Maximum and minimum levels

Remuneration consists of a fixed fee each year for Non-Executive Directors, set in accordance with the stated policies and Articles of Association, and any increase must be in line with stated policies. The Company's Articles of Association set a limit to provision of fees for services provided by Non-Executive Directors, not exceeding the aggregate annual sum of £500,000, or larger if determined by ordinary resolution, except where amounts are payable under other provisions of the Articles.

Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the

Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Directors may determine. Currently the Company has only one Executive Director whose remuneration package is outlined below.

All reasonable travelling, hotel and other expenses properly incurred by the Directors in attending and returning from meetings or other business in relation to the Company are also reimbursed to the Directors.

Directors' remuneration report
continued**Approach to recruitment remuneration**

- 1 Remuneration of Directors should be fair and sufficient to enable Directors to properly oversee the affairs of the Company, reflecting both the Company's specific circumstances and the time and attention devoted by each Director to their responsibilities. Executive Directors should be paid such extra remuneration as determined by the Committee if it is deemed that the actions of the Director are outside the scope of ordinary duties, reviewed on an annual basis by the Committee
- 2 Total Director Remuneration is determined by the provisions of the Company's Articles of Association and by shareholder resolution
- 3 All new Directors will receive remuneration on the same basis as other Directors, dependant upon duties, responsibilities and role. As and when appropriate, the Company is committed to a timely disclosure on the remuneration of new Executive Directors or Chairman within the announcement of said appointment to market

Summary of Chief Executive Officer's remuneration package

The remuneration package for Malcolm Fallen comprises both fixed and variable elements, including salary, an annual performance-related bonus and pension contributions. There are no long-term incentives given the Company's plan to undertake an orderly process of winding down its investment portfolio and progressively distributing the proceeds to shareholders.

Base salary

Malcolm Fallen's base salary takes into account the size of his role and his individual contribution. During the year under review, it was agreed that his base salary be fixed at its current level until the Company's AGM in 2015.

Discretionary performance-related bonus

The annual performance-related bonus is capped at 100% of salary earned in the financial year and is awarded based upon achieving annually agreed performance objectives that are intended to further the primary aim of the Company. From 2014, the terms of the bonus have been amended such that for any bonus paid subsequent to 1st January 2014 at least 50% will be used by the Chief Executive to purchase shares in the Company in the open market following its receipt. Any such share purchase will be made subject to the rules governing Directors' dealings in the Company's Shares.

Malcolm Fallen's performance objectives for 2013 were specifically targeted on continuing to deliver the strategic plan presented and approved by shareholders in late 2011. In particular these focussed on refinancing the 2007 loan notes, reducing recurring administration costs and completing the restructuring and liquidation of the Company's overseas subsidiaries. In respect of the financial year ended 31st December 2013, a bonus of 100% of his base salary was awarded based on performance against these objectives.

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 Board of Directors for approval. Base fees are set out below. Fees for the Non-Executive Chairman and Board members were reduced following the completion of the disposal of the strip and CPL in 2011.

Non-Executive Directors' fees

	2013 £	2012 £
Non-Executive Chairman	70,000	70,000
Audit, Risk and Valuation Committee Chairman	35,000	35,000
Remuneration Committee Chairman	35,000	35,000
Senior Independent Director	32,500	32,500
Board member	30,000	30,000

Non-Executive Directors are not paid bonuses or performance fees, granted share options or invited to participate in long-term incentive plans

Directors' emoluments (audited)

Total emoluments received by individual Directors during the year ended 31st December 2013 were as follows.

Single Total Figure Table for 2013 and 2012

	2013 Salaries/ Directors' Fees £000s	Performance related benefits for conditions achieved in 2013 period £000s	Pension- related benefits ² 2013 £000s	Taxable Benefits 2013 £000s	Total emoluments ¹ £000s	2012 Salaries/ Directors' Fees £000s	Performance related benefits for conditions achieved in 2012 period £000s	Pension related benefits ² 2012 £000s	Taxable Benefits 2012 £000s	Total emoluments ¹ £000s
Executive Director										
Malcolm Fallen ¹	246 0	246 0	49 2	10 5	551 7	246 0	246 0	49 2	9 0	550 2
Non-Executive Directors²										
Richard Stone	70 0	–	–	–	70 0	70 0	–	–	–	70 0
Lord Jay	32 5	–	–	–	32 5	32 5	–	–	–	32 5
Jan Oosterveld	35 0	–	–	–	35 0	35 0	–	–	–	35 0
Scott Longhurst	35 0	–	–	–	35 0	35 0	–	–	–	35 0
Total	418 5	246 0	49 2	10 5	724 2	418 5	246 0	49 2	9 0	722 7

1 Emoluments received for acting both as Chief Executive Officer and as a Director

2 No pension contributions have been made on behalf of any Non-Executive Directors in 2013

3 The Executive Director receives cash in lieu of pension payments

Total remuneration of the Chief Executive Officer

In accordance with the new regulations, the total remuneration of the Chief Executive Officer for each of the five financial years up to 31st December is set out in the following table

	2009 £000	2010 £000	2011 £000	2012 £000	2013 £000
Total remuneration	250 6 ¹	881 6	663 6	550 2	551 7
Percentage of performance related benefits as a percentage of maximum	78%	100%	100%	100%	100%

1 Represents remuneration from recruitment in September 2009

Directors' interests in Shares (audited)

The Committee has not adopted a policy that requires Directors to own Shares in the Company, although all Directors are currently shareholders. No share option or other share scheme interests, with or without performance conditions, are awarded to the Directors except that outlined above for the Chief Executive Officer. Save as disclosed, no Director has any notifiable interest in the securities of the Company or of any subsidiary of the Company.

Directors' remuneration report
continued

The Directors' interests in Shares are shown below

Name	Ordinary shares of 25p each at 1st January 2013 or date of appointment	Ordinary shares purchased/ (disposed)	Ordinary shares of 25p each at 31st December 2013
Malcolm Fallen	5,000	–	5,000
Richard Stone	10,000	–	10,000
Lord Jay	1,600	–	1,600
Jan Oosterveld	2,500	–	2,500
Scott Longhurst	1,500	–	1,500
Total	20,600	–	20,600

All the holdings of the Directors are beneficial. No changes to these holdings have been notified up to the date of this report.

Executive Director – external appointments

The Chief Executive Officer is employed by the Company on a part-time basis only and therefore the Board is content for him to accept other non-executive roles, and to retain any remuneration arising from such roles, provided these do not impinge on his duties for the Company. As stated in his biography on page 30, Malcolm Fallen currently acts as Non-Executive Chairman of Innovia Films (Holding 1) Limited and as a Non-Executive Director of Boxwood Limited. He is remunerated by both and retained remuneration during the financial year as follows:

Innovia Films (Holding 1) Limited	£125,000
Boxwood Limited	£25,000

Pension costs (audited)

Malcolm Fallen is entitled to receive a contribution of 20% of his base salary by way of pension contributions. He received £49,200 as payment in lieu of these contributions in 2013 (2012: £49,200).

Relative importance of spend on pay

As the Company is in the process of a managed wind down of its investments, prior to returning the proceeds to shareholders, the Directors do not consider the comparison of the overall expenditure on Directors' fees with the profit retained or, at this stage, shareholder distributions to be meaningful given the Company has yet to start the process of distributing cash to shareholders.

Comparison of Chief Executive Officer's Pay

The percentage increase from the preceding financial year for the total remuneration of the Chief Executive Officer is outlined below. As the Group has only one other employee to provide comparison to the Chief Executive Officer, the Committee has decided not to provide a comparison of the percentage change in the Chief Executive Officer's emoluments.

	Total emoluments 2012 £000s	Total emoluments 2013 £000s	% change
Executive Director			
Malcolm Fallen	550.2	551.7	0

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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 2013

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 his duties and the time commitment expected from him. 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	Terminable on 12 months' notice by 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
Scott Longhurst	18th May 2011	Terminable at the will of the parties	Appointment reviewed annually in December

Group employee pay and performance conditions

As the Group has only one other employee to provide comparison to the Chief Executive Officer, the Committee has decided not to disclose pay and performance conditions, perceiving the disparity between employee roles to be an inappropriate comparison and unnecessary in shaping Director remuneration policy.

Directors' remuneration report
continued**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 2008 of £100 and with dividends reinvested for the five years to 31st December 2013. This is compared against the return performance achieved by the FTSE All-Share Index.

**Statement of Consideration of Shareholder Voting**

At the Annual General Meeting held on 15th May 2013, shareholders approved the Directors' remuneration report in respect of the year ended 31st December 2012, with the following votes cast:

Votes for: 92.16% Votes Against: 7.60% Votes Withheld: 0.20% Votes Discretion: 0.03%

While the resolution to approve the Directors' remuneration report for the year ended 31st December 2012 was passed, the Directors noted the number against the motion. Subsequent to the Annual General Meeting, the Remuneration Committee Chairman and the Chairman consulted with major shareholders on the structure of the Chief Executive Officer's remuneration package for 2013 and in particular the annual bonus plan. Following these discussions the change noted above has been implemented from 1st January 2014. The Remuneration Committee is therefore comfortable the policy addresses shareholder concerns whilst providing a competitive remuneration package to recompense the Chief Executive Officer for his skills and expertise.

As it is the first year the Company is required to put the Remuneration policy to shareholder vote, the percentage of votes cast cannot be provided.

On behalf of the Board

Jan Oosterveld

Chairman of the Remuneration Committee
27th March 2014

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Report of the Audit Committee

Report of the Audit Committee

As Chairman of the Audit, Risk and Valuation Committee, I am pleased to present the Committee's first formal report to shareholders on how the Committee has conducted its responsibilities, including evaluation of the effectiveness of the external audit process and other issues that have been addressed for the year ended 31st December 2013

Role & responsibilities

The primary role and responsibilities of the Audit Committee are outlined in the Committee's Terms of Reference, available on the Company's website, including

- Monitoring the integrity of the Financial statements of the Company and any formal announcement relating to the Company's financial performance, and reviewing significant financial reporting judgements contained within said statements and announcements,
- Review the Company's internal financial controls, and the Company's internal control and risk management systems,
- Monitoring the need for an internal audit function annually,
- Monitoring and reviewing the independence, objectivity and effectiveness of the external auditor, taking into consideration relevant regulatory and professional requirements,
- Make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and approving their remuneration and terms of engagement, which in turn can be placed to the shareholders for their approval at the Annual General Meeting,
- Development and implementation of the Company's policy on the provision of non-audit services by the external auditor, as appropriate,
- Reviewing the arrangements in place to enable Directors and staff of service providers to, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company,
- Providing advice to the Board on whether the annual financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy, and

- Reporting to the Board on how the Committee discharged all relevant responsibilities, undertaken by myself at each Board meeting

The Committee met six times during the year under review, individual attendance of Directors is outlined on page 38. The main matters discussed at those meetings were

- Review and approval of the annual audit plan of the external auditor,
- Discussion, review and approval of the fee for the external audit,
- Detailed review of the Annual and Half Year Report and Accounts, with particular focus on the valuation of the Company's investments, and recommendation for approval by the Board,
- Discussion of reports from the external auditor following their audit,
- Assessment of the effectiveness of the external audit process as described below,
- Review of the Company's key risks and internal controls, including the going concern risk relating to the Noteholder repayments, and
- Consideration of the 2012 UK Corporate Governance Code, Guidance on Audit Committees and other regulatory guidelines, and the subsequent impact upon the Company

The Committee has also reviewed and considered the whistleblowing policy in place for the Company, the Administrator and other service providers, and is satisfied the relevant staff can raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Company in confidence

Following the review carried out by the Committee as to whether there is a need for the Company to have its own internal audit function, the Board has concluded that the internal control and risk management systems in place within Candover and the internal control reports provided give sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. The Committee receives input from the external auditor as part of their annual audit work on the overall control and risk environment. The Administrator's independent annual control assessment is also made available to the Committee

Report of the Audit Committee
continued

Composition

All the Non-Executive Directors are members of the Committee, which is chaired by myself. Director biographies can be sourced on pages 30 and 31, and the Board considers that at least one member of the Committee has recent and relevant financial experience for the Committee to discharge its function effectively. The Chairman of the Company is a member of the Committee to enable him to be kept fully informed of any issues that may arise.

External audit process effectiveness review

The Committee communicated regularly with the investment manager and Administrator to obtain a good understanding of the progress and efficiency of the audit process. The Audit Committee also received feedback in relation to the efficacy of the investment manager and other service providers in performing their relevant roles from the audit partner and team. The external auditor is invited to attend the Committee meetings at which the semi-annual and annual accounts are considered, also enabling the auditor to meet and discuss any matters with the Committee without the presence of the Investment Manager or Executive management.

The Committee reviewed the external auditor's performance, considering a wide variety of factors including the quality of service, the auditor's specialist expertise, the level of audit fee, identification and resolution of any areas of accounting judgement, quality and timeliness of papers analysing these judgements.

Auditor tenure and objectivity

Grant Thornton UK LLP has acted as Auditor for the Company in excess of ten years. As indicated in the Chairman's letter on page 2, the Committee has carefully considered the need to put the audit out to tender and concluded retaining the auditor's longstanding knowledge of Candover's affairs during the process of winding down the portfolio is seen as a particular benefit.

To ensure the Auditor's objectivity, the Committee reviews the Auditor's performance on a regular basis to ensure the Company receives an optimal service, including a comprehensive review of the scope, efficiencies and cost of the audit. Subject to annual appointment by shareholder approval at the Annual General Meeting, the appointment of the Auditor is typically reviewed formally by the Committee on a five-year basis. The Auditor is required to rotate the audit partner regularly on a five year rotation, with the current partner in place since 2011.

The Auditor regularly updates the Committee on the rotation of audit partners, staff, level of fees in proportion to overall fee income of the Company, details of any relationships between the Auditor, the Company, service providers and portfolio entities, which provide comfort on the overall confirmation from the Auditor of their independence and objectivity. There are no contractual obligations that restrict the Company's choice of auditor.

Provision of non-audit services by the Auditor has also been considered by the Committee, which is satisfied the services are cost-effective and not an impediment to the Auditor's independence and objectivity. Any non-audit work, such as the provision of taxation advice, must be reviewed by the Committee and approved by the Committee Chairman prior to any work being undertaken.

As a result of its review, the Committee is satisfied that Grant Thornton UK LLP is independent of the Company, the Investment Manager and other service providers and recommends the continuing appointment of the Auditor to the Board.

Significant issues in relation to the Annual Report and Financial statements

The Audit Committee identified a number of significant issues and areas of key audit risks in respect of the Annual Report and Financial statements. The Committee reviewed the external audit plan at an early stage and concluded that the appropriate areas of audit risk relevant to the Company had been identified and that suitable audit procedures had been put in place to obtain reasonable assurance that the Financial statements as a whole would be free of material misstatements. The table below sets out the key areas of risk identified and how the Committee addressed the issues.

Significant issues	Actions to address issue
Management controls – potential management override by the Investment Manager and the Administrator to perpetrate fraud as result of the ability to manipulate accounting records that otherwise appear to be operating effectively	The Committee review the annual AAF 01/06 Assurance Report produced by the Administrator on the internal procedures within the Ipes Group, conducted on an annual basis
Valuation of investments – Portfolio valuations may be materially overstated and any gains or losses materially overstated or understated as appropriate	Review and comparison against independent valuation sources, factoring in elements such as covenant breaches, and market trends. Discussions with the portfolio auditors are undertaken by the Auditor and reported to the Committee. Valuations are compared to the Company's own internal valuation guidelines to ensure consistency. The Board review detailed portfolio valuations on a regular basis throughout the year, and receive confirmation from the Investment Manager that the valuation basis is appropriate and in line with relevant accounting standards.
Going concern – At the beginning of the audit process, there was concern the Company would not be able to meet repayment of its loan notes in October 2014 through to January 2015	The Committee and Board explored a variety of options to resolve the liquidity issue. Following various negotiations, the repayment of the loan notes was resolved, as outlined on pages 4 and 5, thereby significantly reducing this risk.

Report of the Audit Committee

continued

Conclusions in respect of the Annual Report and Financial statements

The production and the audit of the Company's Annual Report and Financial statements is a comprehensive process requiring input from a number of different contributors. In order to reach a conclusion on whether the Company's Financial statements is fair, balanced and understandable, as required under the UK Corporate Governance Code dated September 2012, the Board has requested that the Committee advise on whether it considers that the Annual Report and Financial statements fulfils these requirements. In outlining their advice, the Committee has considered the following

- The comprehensive documentation that exists outlining the controls in place for the production of the Annual Report, including the verification processes in place to confirm the factual content,
- The detailed reviews undertaken at various stages of the production process by the Investment Manager, Administrator, Auditor and the Committee that are intended to ensure consistency and overall balance,
- The controls enforced by the Investment Manager, Administrator and other third-party service providers to ensure complete and accurate financial records and security of the Company's assets, and
- The existence of satisfactory control reports that have been reviewed and reported upon by external auditors to verify the effectiveness of the internal controls of the Investment Manager and Administrator, such as Audit and Assurance Faculty ('AAF') Report

As a result of the work performed, the Committee has concluded that the Annual Report for the year ended 31st December 2013, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model, strategy, and has reported these findings to the Board

The Board's conclusions in this respect are set out in the Statement of Directors' responsibilities on page 57

On behalf of the Audit Committee

Scott Longhurst
Audit Committee Chairman

34 Lime Street
London EC3M 7AT
27th March 2014



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Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, Directors' report, the Remuneration 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 judgements 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 and the Remuneration report 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.

The Directors confirm that

- insofar as each of the Directors is aware there is no relevant audit information of which the Company's auditors 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 auditors are 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 IFRSs as adopted by the EU, 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, CEO's report and Strategic report include 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.

The 2012 UK Corporate Governance Code also requires Directors to ensure that the Annual Report is fair, balanced and understandable. In order to reach a conclusion on this matter, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report fulfils these requirements. The process by which the Committee has reached these conclusions is set out in the Report of the Audit Committee on pages 53 to 56. Furthermore, the Board believes that the disclosures set out on pages 4 to 25 of the Annual Report provide the necessary information for shareholders to assess the Company's performance, business model and strategy.

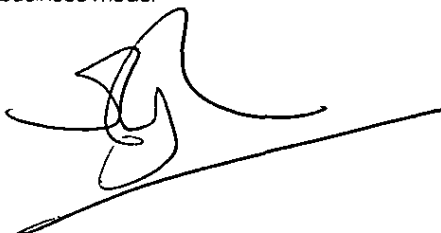
Statement of Directors' responsibilities

Having taken into account all the matters considered by the Board and brought to the attention of the Board during the year ended 31st December 2013, as outlined in the Corporate Governance Statements and the Report of the Audit Committee, the Board has concluded that the Annual Report for the year ended 31st December 2013, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy

On behalf of the Board

Malcolm Fallen
Chief Executive Officer

34 Lime Street
London EC3M 7AT
27th March 2014



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Financial statements

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

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 2013 which comprise of the Accounting Policies, the Group statement of comprehensive income, the Group and the Company statement of changes in equity, the Group and Company statements of financial position and the Group and Company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

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' Statement of responsibilities set out on pages 57 and 58, 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 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 Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Auditor commentary

An overview of the scope of our audit

Our audit approach was based on a thorough understanding of the Group's business and is risk-based. The day-to-day management of the Group's investment portfolio, the custody of its investments and the maintenance of the Group's accounting records is outsourced to third-party service providers. Accordingly, our audit work is focussed on obtaining an understanding of, and evaluating, internal controls at the Group and selecting some third-party service providers, and inspecting records and documents held by those selected. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls over individual systems and the management of specific risks. Our audit scope included a full audit of the financial statements of the Company, Candover Investments plc, and the financial information of its subsidiary undertaking, Candover Services Limited.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. For the purpose of determining whether the Financial statements are free from material misstatement we define materiality as the magnitude of a misstatement or an omission from the Financial statements or related disclosures that would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the Financial statements as a whole.

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We established materiality for the financial statements as a whole to be £2,709,000 which is 1.3% of the Group's total assets. For the statement of comprehensive income, we determined that misstatements of lesser amounts than materiality for the Financial statements as a whole would make it probable that the judgement of a reasonable person, relying on the information would have been changed or influenced by the misstatement or omission. Accordingly, we established materiality for the statement of comprehensive income to be £677,000.

For the financial information of the individual subsidiary undertaking, we set our materiality based on a proportion of Group materiality appropriate to the relative scale of the business.

Our assessment of risk

Without modifying our opinion, we highlight the following matters that are, in our judgement, likely to be most important to users' understanding of our audit. Our audit procedures relating to these matters were designed in the context of our audit of the Financial statements as a whole, and not to express an opinion on individual transactions, balances or disclosures.

Management over-ride of controls

Under ISAs (UK and Ireland), for all of our audits we are required to consider the risk of management override of financial controls. Due to the unpredictable nature of this risk we are required to assess it as a significant risk requiring special audit consideration.

Our work included, but was not restricted to, specific procedures relating to this risk that are required by ISA 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'. This included tests of journal entries, the evaluation of judgements and assumptions in management's estimates and tests of significant transactions outside the normal course of business. In particular, our work on the valuation of unquoted investments addressed key aspects of ISA 240.

Valuation of investments

Investments are the largest asset in the Financial statements, and they are designated as being at fair value through profit or loss in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'. Measurement of the value of an unquoted investment includes significant assumptions and judgements. We therefore identified the valuation of unquoted investments as a risk that has the greatest effect on the overall audit strategy.

Our work included but was not restricted to obtaining an understanding of how the valuations were performed, including an

- assessment of the effectiveness of internal controls in respect of the investment valuation process, and
- discussions with the Investment Manager to assess the position of the Company. We challenged the Investment Manager on key judgements affecting the investee company valuations in the context of observed industry best practice and provisions of the International Private Equity and Venture Capital Valuation Guidelines and International Financial Reporting Standards. In particular, we focussed on the appropriateness of the valuation basis selected by the investment manager as well as underlying assumptions, such as discount factors and the choices of benchmark and earnings multiples. We also verified key underlying assumptions and data to sources external to the Group.

The Group's accounting policy on the valuation of unquoted investments is set out on page 65, and its disclosures about unquoted investments held at the year-end are included in Note 9.

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 Company's affairs as at 31 December 2013 and of the Group's and the Company's profit for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and
- 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.

Other reporting responsibilities

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, and
- the information given in the Strategic report and Directors' report for the financial year for which the Financial statements are prepared is consistent with the Financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is

- materially inconsistent with the information in the audited Financial statements, or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit, or
- otherwise misleading

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable, and whether the Annual Report appropriately discloses those matters that were communicated to the Audit Committee which we consider should have been disclosed

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 Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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, or
- we have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review

- the Directors' statement, set out on page 35, in relation to going concern, and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review

Paul Flatley

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
 Statutory Auditor, Chartered Accountants
 London

27th March 2014

Grant Thornton UK LLP

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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 2012.

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

Going concern

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 25 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.

Candover has confirmed that it is in full compliance with the terms of the US Private Placement loan notes issued in December 2013. The Board has considered the forecast headroom expected to be available on its private placement covenants over the period to their maturity in 2015, and concluded that no covenant breaches are anticipated.

No capital payments against the US Private Placement loan notes are due until December 2015. The Board have considered the latest realisation projections provided by the investment manager, which include the assumption, amongst others, that certain realisations will be made prior to the US Private Placement loan notes falling due.

The Board have concluded that, based on those assumptions and reflecting appropriate sensitivities, over the period up to December 2015 sufficient cash resources will be available to meet the repayments. There is an underlying risk that, if insufficient realisations are achieved by the investment manager prior to December 2015, there would be a shortfall in the cash required to meet the loan note repayments. The Board will continue to monitor the outlook carefully and, should there be a material change in the assumptions, will look to raise new sources of additional liquidity.

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 in to 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 Statement of Recommended Practice ('SORP')

Where presentational guidance set out in the 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.

Accounting policies
continued**Management expenses and finance costs**

During the year the Company reviewed its split between revenue and capital of management expenses resulting in an unchanged allocation based on the nature of estimated long-term returns. Management expenses and finance costs have been allocated 50% to capital and 50% to revenue (2011: 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.

Co-investment activity is presented on the Group statement of comprehensive income in accordance with the SORP. Income arising from co-investment is reported under 'revenue', and capital gains and losses within 'capital'.

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 14 to 25.

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 profit or loss 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 charges since the previous statement of financial position is recognised in profit or loss, 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.

The current expectations for satisfaction of market conditions on share-based payment schemes mean that no material value can be attributed to these awards.

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.

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 28.

For investments actively traded in organised financial markets, fair value is generally determined by reference to Stock Exchange quoted market prices at the close of business at the balance sheet date and are classified within level 1.

Investments not actively traded in organised financial markets, but valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within level 2.

Level 3 investments have significant unobservable inputs and include private equity and corporate debt securities.

Financial investments are recognised in the statement of financial position at fair value. Gains or losses on the realisation of financial investments are dealt with in profit or loss on 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.

The value of underlying PIK income on financial investments that include a non-call option embedded within preference shares, is recognised as 'revenue' in profit or loss on the statement of comprehensive income. Changes in the value of the non-call option and the principal itself are treated as capital.

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.

Accounting policies

continued

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 within profit or loss in 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 were used by the Group to manage the risk associated with foreign currency fluctuations and changes in interest rates on its borrowings. This was achieved by the use of currency swaps and interest rate swaps. All derivative financial instruments were held at fair value up until September 2011. Where appropriate, derivative financial instruments were 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 were recognised initially at fair value on the contract date and subsequently re-measured to the fair value at each reporting date. The fair value of currency swaps and interest rate swaps was determined with reference to future cash flows and future interest and exchange rates. All changes in the fair value of financial instruments were accounted for in the profit or loss within 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.

Following a review of the hedging arrangements and the unwind of the swaps at the end of September 2011, the fair value of the unwound swap contract subject to hedge accounting, plus accrued interest, is being amortised over the remaining contractual life of the underlying financial liability. The amortisation is at a rate which reflects the spreading of the returns from the sale of the hedging instrument and interest evenly over this period, including the impact of a release of accrued interest at the point of the cancellation of the swap. The amortisation profile is tested when an early repayment of loan notes triggers early recognition of fair value held for amortisation over the remaining contractual life. Swaps not subject to hedge accounting were realised at fair value, with gains taken to the statement of comprehensive income up to 30th September 2011.

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 profit or loss. 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 profit or loss when these operations are disposed.

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 and net of any income received from sub-letting) are charged to profit or loss on a straightline 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 of the time value of money 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 subletting income that could be earned. Surplus property includes premises which will become redundant as a result of steps to which the Group is committed.

Exceptional items

Additional provisions and costs relating to the onerous property contracts are recognised as exceptional costs and are charged to the statement of comprehensive income in the year.

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.

Accounting policies
continued

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 expectation that the Group and the Company have adequate resources to continue as a going concern (see Accounting policies page 63,
- 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 28 and the Group's exposure to valuation and market price risk is considered in Note 23 1,
- the recognition or otherwise of accrued income on loan notes and similar instruments granted to portfolio companies, which are assessed in conjunction with the overall valuation of unlisted financial investments as noted above,
- the treatment of movements in value on the non-call option of Expro International and Stork preference shares are being treated as capital gains on the income statement and, with pay-in-kind interest taken as a revenue item,
- the appropriateness of the allocation of management expenses between revenue and capital, which is based on the split of the long term anticipated return from anticipated investment realisations between revenue and capital, which has no impact on profit before tax but does affect the allocation of expenses between capital and revenue on the income statement,
- finance costs, which 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 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. A 10% change in the split of long-term returns between revenue and capital would change the carrying value of deferred tax assets by £0.3 million

Standards amended and improved, effective for periods commencing on or after 1st January 2013

- IFRS 7 Financial Instruments Disclosures (effective 1st January 2013)
- IFRS 10 Consolidated Financial Statements (effective 1st January 2013)
- IFRS 11 Joint Arrangements (effective 1st January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1st January 2013)
- IFRS 13 Fair Value Measurement (effective 1st January 2013)

Standards in issue but not effective for periods commencing 1st January 2013

- Mandatory Effective Date and Transition Disclosures – Amendments to IFRS 9 and IFRS 7 (effective 1st January 2014)
- IFRS 8 Aggregation of Segments and Reconciliation of Segment Assets (effective 1st July 2014)
- IFRS 10 Amendments for Investments Entities (effective 1st January 2014)
- IFRS 12 Amendments for Investments Entities (effective 1st January 2014)
- IFRS 13 Scope of Portfolio Exception (amended) (effective 1st July 2014)
- IAS 24 Management Entities (amended) (effective 1st July 2014)
- Consolidated Financial Statements – Amendments for investment entities to IFRS 10 and IAS 27 (effective 1st January 2015)
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 (effective 1st January 2014)
- IFRS 7/9 Mandatory Effective Date and Transition Disclosure (amended) (effective 1st January 2018)

Unless stated otherwise changes are not considered to have a material impact

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Group statement of comprehensive income
for the year ended 31st December 2013

		Year to 31st December 2013			Year to 31st December 2012		
	Notes	Revenue £m	Capital £m	Total £m	Revenue £m	Capital £m	Total £m
Gains/(losses) on financial instruments at fair value through profit and loss							
Realised (losses)/gains		-	(1.6)	(1.6)	-	1.8	1.8
Unrealised gains/(losses)	21	-	27.7	27.7	-	(13.0)	(13.0)
Total		-	26.1	26.1	-	(11.2)	(11.2)
Revenue/(expense)							
Investment and other income	1	10.2	-	10.2	(5.8)	-	(5.8)
Total		10.2	-	10.2	(5.8)	-	(5.8)
Recurring administrative expenses	2	(3.7)	(1.2)	(4.9)	(4.0)	(1.3)	(5.3)
Exceptional non-recurring (costs)/gains	5	(0.6)	-	(0.6)	2.0	-	2.0
Profit/(loss) before finance costs and taxation		5.9	24.9	30.8	(7.8)	(12.5)	(20.3)
Finance costs	4	(5.4)	(5.4)	(10.8)	(2.8)	(2.8)	(5.6)
Exchange movements on borrowings		-	1.5	1.5	-	4.6	4.6
Profit/(loss) before taxation		0.5	21.0	21.5	(10.6)	(10.7)	(21.3)
Analysed between							
Profit/(loss) before exceptional non-recurring (costs)/gains		1.1	21.0	22.1	(12.6)	(10.7)	(23.3)
Exceptional non-recurring (costs)/gains		(0.6)	-	(0.6)	2.0	-	2.0
Taxation	5	2.0	-	2.0	(2.5)	-	(2.5)
Profit/(loss) after taxation		2.5	21.0	23.5	(13.1)	(10.7)	(23.8)
Other comprehensive income							
Exchange differences on translation of foreign operations		-	-	-	-	-	-
Total comprehensive income		2.5	21.0	23.5	(13.1)	(10.7)	(23.8)
Earnings per ordinary share							
Total earnings per share – basic and diluted	8	11p	96p	107p	(60p)	(49p)	(109p)

1 The total column represents the Group statement of comprehensive income under IFRS

i All of the gain 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

Group statement of changes in equity
for the year ended 31st December 2013

	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 2013		5.5	1.2	(0.1)	320.4	(182.5)	(11.7)	132.8
Net revenue after tax		–	–	–	–	–	2.5	2.5
Unrealised gain on financial instruments	21	–	–	–	–	27.7	–	27.7
Realised gain/(loss) on financial instruments		–	–	–	4.3	(5.9)	–	(1.6)
Exchange movements on borrowing		–	–	–	–	1.5	–	1.5
Costs net of tax		–	–	–	(6.6)	–	–	(6.6)
Profit after tax		–	–	–	(2.3)	23.3	2.5	23.5
Total comprehensive income		–	–	–	(2.3)	23.3	2.5	23.5
Balance at 31st December 2013		5.5	1.2	(0.1)	318.1	(159.2)	(9.2)	156.3

	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 2012		5.5	1.2	(0.1)	311.6	(163.0)	1.4	156.6
Net revenue after tax		–	–	–	–	–	(13.1)	(13.1)
Unrealised loss on financial instruments	21	–	–	–	–	(13.0)	–	(13.0)
Realised gain/(loss) on financial instruments		–	–	–	12.9	(11.1)	–	1.8
Exchange movements on borrowing		–	–	–	–	4.6	–	4.6
Costs net of tax		–	–	–	(4.1)	–	–	(4.1)
Profit after tax		–	–	–	8.8	(19.5)	(13.1)	(23.8)
Total comprehensive income		–	–	–	8.8	(19.5)	(13.1)	(23.8)
Balance at 31st December 2012		5.5	1.2	(0.1)	320.4	(182.5)	(11.7)	132.8

Company statement of changes in equity
for the year ended 31st December 2013

	Notes	Called up share capital £m	Share premium account £m	Capital reserves – realised £m	Capital reserves – unrealised £m	Revenue reserve £m	Total equity £m
Balance at 1st January 2013		5.5	1.2	321.8	(182.8)	(41.9)	103.8
Net revenue after tax		–	–	–	–	2.1	2.1
Unrealised loss on financial instruments	21	–	–	–	27.7	–	27.7
Realised gain/(loss) on financial instruments		–	–	4.5	(6.1)	–	(1.6)
Exchange movements on borrowing		–	–	–	1.5	–	1.5
Costs net of tax		–	–	(6.6)	–	–	(6.6)
Profit after tax		–	–	(2.1)	23.1	2.1	23.1
Total comprehensive income		–	–	(2.1)	23.1	2.1	23.1
Balance at 31st December 2013		5.5	1.2	319.7	(159.7)	(39.8)	126.9

	Notes	Called up share capital £m	Share premium account £m	Capital reserves – realised £m	Capital reserves – unrealised £m	Revenue reserve £m	Total equity £m
Balance at 1st January 2012		5.5	1.2	313.0	(163.4)	(24.8)	131.5
Net revenue after tax		–	–	–	–	(17.1)	(17.1)
Unrealised loss on financial instruments	21	–	–	–	(12.9)	–	(12.9)
Realised (loss)/gain on financial instruments		–	–	12.9	(11.1)	–	1.8
Exchange movements on borrowing		–	–	–	4.6	–	4.6
Costs net of tax		–	–	(4.1)	–	–	(4.1)
Profit after tax		–	–	8.8	(19.4)	(17.1)	(27.7)
Total comprehensive income		–	–	8.8	(19.4)	(17.1)	(27.7)
Balance at 31st December 2012		5.5	1.2	321.8	(182.8)	(41.9)	103.8

Group statement of financial position
at 31st December 2013

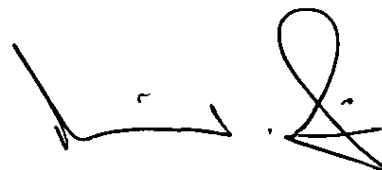
	Notes	31st December 2013		31st December 2012	
		£m	£m	£m	£m
Non-current assets					
Financial investments designated at fair value through profit and loss					
Portfolio companies	9	185.2		155.1	
Other financial investments	9	6.0		8.4	
			191.2		163.5
Trade and other receivables	11		9.0	8.5	
Deferred tax asset	16		3.0	1.0	
			203.2		173.0
Current assets					
Trade and other receivables	11	1.4		0.7	
Current tax asset		0.1		–	
Cash and cash equivalents	12	3.0		117.7	
			4.5		118.4
Current liabilities					
Other payables	13	(1.2)		(5.0)	
Provisions	20	(1.6)		(2.6)	
			(2.8)		(7.6)
Net current assets			1.7		110.8
Total assets less current liabilities			204.9		283.8
Non-current liabilities					
Loans and borrowings	14		(48.6)		(151.0)
Net assets			156.3		132.8
Equity attributable to equity holders					
Called up share capital	17		5.5		5.5
Share premium account			1.2		1.2
Other reserves			(0.1)		(0.1)
Capital reserve – realised			318.1		320.4
Capital reserve – unrealised			(159.2)		(182.5)
Revenue reserve			(9.2)		(11.7)
Total equity			156.3		132.8
Net asset value per share					
Basic			715p		608p
Diluted			715p		608p

Company statement of financial position
at 31st December 2013

	Notes	31st December 2013 £m	31st December 2012 £m
Non-current assets			
Financial investments designated at fair value through profit and loss			
Portfolio companies	9	185.2	149.6
Other financial investments	9	6.0	8.4
		191.2	158.0
Investment in subsidiary undertakings	9,10	4.6	4.6
Trade and other receivables	11	4.7	4.4
Deferred tax asset	16	3.0	1.0
		203.5	168.0
Current assets			
Other receivables	11	1.4	-
Current tax asset		0.1	0.1
Cash and cash equivalents	12	2.5	116.9
		4.0	117.0
Current liabilities			
Other payables	13	(32.0)	(13.1)
Financial liability on equity commitments	15.1	-	(17.1)
		(32.0)	(30.2)
Net current assets		(28.0)	86.8
Total assets less current liabilities		175.5	254.8
Non-current liabilities			
Loans and borrowings	14	(48.6)	(151.0)
Net assets		126.9	103.8
Equity attributable to equity holders			
Called up share capital	17	5.5	5.5
Share premium account		1.2	1.2
Capital reserve – realised		319.7	321.8
Capital reserve – unrealised		(159.7)	(182.8)
Revenue reserve		(39.8)	(41.9)
Total equity		126.9	103.8

The Financial statements were approved on behalf of the Directors on 27th March 2014

Richard Stone
Chairman



Group cash flow statement
for the year ended 31st December 2013

	Notes	Year to 31st December 2013 £m	Year to 31st December 2012 £m
Cash flows from operating activities			
Cash flow from operations	22	(4.5)	3.8
Interest paid		(12.2)	(10.0)
Tax received		-	-
Net cash outflow from operating activities		(16.7)	(6.2)
Cash flows from investing activities			
Purchase of financial investments		(5.0)	(8.3)
Sale of financial investments		9.8	23.1
Net cash inflow from investing activities		4.8	14.8
Cash flows from financing activities			
Loan notes issued		49.2	-
Loan notes repaid		(150.7)	(7.5)
Net cash outflow from financing activities		(101.5)	(7.5)
(Decrease)/increase in cash and cash equivalents		(113.4)	1.1
Opening cash and cash equivalents		117.7	118.1
Effect of exchange rates and revaluation on cash and cash equivalents		(1.3)	(1.5)
Closing cash and cash equivalents	12	3.0	117.7

Company cash flow statement
for the year ended 31st December 2013

	Notes	Year to 31st December 2013		Year to 31st December 2012	
		£m	£m	£m	£m
Cash flows from operating activities					
Cash flow from operations	22		(4 2)		3 6
Interest paid			(12 2)		(10 0)
Tax received			-		-
Net cash from operating activities			(16 4)		(6 4)
Cash flows from investing activities					
Purchase of financial investments		(5.0)		(8 3)	
Sale of financial investments		9 8		23 1	
Net cash from investing activities			4 8		14 8
Cash flows from financing activities					
Loan notes issue		49.2		-	
Loan notes repayment		(150 7)		(7 5)	
Net cash outflow from financing activities			(101.5)		(7 5)
(Decrease)/increase in cash and cash equivalents			(113.1)		0 9
Opening cash and cash equivalents			116 9		117 5
Effect of exchange rates and revaluation on cash and cash equivalents			(1 3)		(1 5)
Closing cash and cash equivalents	12		2 5		116 9

Notes to the Financial statements
for the year ended 31st December 2013**Note 1 Revenue**

	2013		2012	
	£m	£m	£m	£m
Investment income				
Income from financial investments	9.3		(7.2)	
Income from other fixed interest securities	0.9		1.4	
Other income receivable			-	
		10.2		(5.8)

Income from financial investments is derived from the provision of capital to unquoted companies and represents accrued income arising on those investments. Where valuations reduce year on year, income may be reversed giving rise to a charge to the income statement. Income from other fixed interest securities represents interest on surplus cash.

Note 2 Administrative expenses

		2013 £m	2012 £m
Management expenses	Revenue	1.2	1.3
	Capital	1.2	1.3
Other administrative expenses		3.1	0.7
Total administrative expenses		5.5	3.3
Staff costs (including Directors' remuneration)		0.9	0.9
Auditor's remuneration		0.1	0.2
Non-recurring exceptional costs/(gain) (see below)		0.6	(2.0)
Staff costs			
Salaries		0.5	0.5
Bonus		0.2	0.2
Social security costs		0.1	0.1
Pension, insurance and other costs		0.1	0.1
		0.9	0.9

Total administration expenses stated above includes £0.6 million of non-recurring exceptional cost (2012: gain of £2.0 million) (see Note 4).

As at 31st December 2013, the number of employees of the Group was two (2012: two). The employees provide the Group's support services. The Directors' remuneration report is shown on pages 46 to 52, the total remuneration of the Directors during the year was £0.7 million (2012: £0.7 million). Total employer's national insurance contributions of the Directors was £0.1 million for the year.

Administrative costs which are shown above, include the costs of Non-Executive Directors and two employees, none of whom are investment executives.

The Company had one employee during the course of the year: Malcolm Fallen, Chief Executive Officer (2012: one).

Auditor's remuneration

During the year, Grant Thornton UK LLP earned the following fees

	2013 £m	2012 £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	–	0.1
Other services	–	0.1
Auditor's remuneration	0.1	0.2

Note 3 Exceptional non-recurring costs for the Group

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

	2013 £m	2012 £m
Property costs	1.2	2.0
Property provision release	(1.2)	(2.0)
Property provision (write back)	–	(2.0)
Other costs	0.6	–
	0.6	(2.0)

Property costs relate to the cost of rent, rates and service charge from 1st January to 31st December, which are not regular operating costs of the underlying business. The property provision has decreased to £1.6 million as detailed in Note 20.

Note 4 Finance costs

	2013 £m	2012 £m
Interest on loans and borrowing	3.2	3.0
Release of fair value hedge adjustment on early repayment of loans (Note 16)	(1.6)	(0.2)
Makewhole payable on refinancing of loan notes	3.8	–
Finance costs	5.4	2.8
	Revenue	
	2012 £m	2011 £m
Interest on loans and borrowing	3.2	3.0
Release of fair value hedge adjustment on early repayment of loans (Note 16)	(1.6)	(0.2)
Makewhole payable on refinancing of loan notes	3.8	–
Finance costs	5.4	2.8
	Capital	

Notes to the Financial statements
for the year ended 31st December 2013 continued**Note 5 Taxation**

The relationship between the expected tax charge based on the effective tax rate of 23.3% (2012: 24.5%) 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.

	2013 £m	2012 £m
Profit/(loss) before taxation	0.4	(10.6)
Tax rate	23.3%	24.5%
Expected tax charge	–	(2.6)
Adjustments for tax-rate differences		
– Differences between capital allowances and depreciation	(0.1)	(0.1)
– Other non-deductible expense	–	–
– Non-taxable dividends	–	–
– Other timing differences	–	0.2
– Unutilised losses carried forward	0.1	2.5
– Capitalised expenses (net of taxable income)	–	–
Tax charge for the year	–	–

1 The tax rate represents the weighted average of tax rates applicable in the year 2013.

Please refer to Note 16 for information on the deferred tax assets and liabilities. The analysis of the charge is as follows:

	2013 £m	2012 £m
Current tax	–	–
UK corporation tax on profits for the year	–	–
Adjustments in respect of previous years	–	–
Overseas taxation	–	–
Total current tax	–	–
Deferred tax	2.0	–
Origination and reversal of temporary differences	–	–
Adjustment in respect of previous years	–	–
Adjustment in respect of recognition of tax losses	–	(2.5)
Total deferred tax	2.0	(2.5)
Tax on ordinary activities	–	–
UK corporation tax (credit) at 23.3% (2012: 24.5%) apportioned to revenue	2.0	(2.5)

Her Majesty's Revenue and Customs has approved the Company as an investment trust, under section 1158/9 of the Corporation Tax Act 2010, for the year ended 31st December 2012. In the opinion of the Directors, the Company's affairs since that date have been conducted so as to enable it to continue to be treated as an investment trust.

Note 6 Profit for the financial year

As permitted by section 408 of the Companies Act 2006, the Company has not included its own statement of comprehensive income in these financial statements. The Group profit after tax for the year includes a profit of £2.1 million (2012: loss of £17.0 million) which is dealt with in the financial statements of the Company.

Note 7 Dividends

No dividends were paid in 2013 (2012: £nil). No final dividend is proposed for 2013.

Note 8 Earnings per share

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

	2013 £m	2013 £m
Revenue return	2.5	(13.1)
Capital return	21.0	(10.7)
Loss after tax	23.5	(23.8)
Net assets	156.3	132.8

	2013 million	2012 million
Weighted average number of shares – basic	21.9	21.9
Weighted average number of shares – diluted	21.9	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 9 Financial investments designated at fair value through profit and loss and investment in subsidiary undertakings

	Other financial investments £m	Portfolio companies £m	Sub total £m	Investments held for sale £m	Total £m
Group 2013					
Valuation at 1st January 2013	8.4	155.1	163.5	–	163.5
Additions	–	5.0	5.0	–	5.0
Disposals	(3.9)	(8.2)	(12.1)	–	(12.1)
Unrealised appreciation	1.5	33.3	34.8	–	34.8
Valuation at 31st December 2013	6.0	185.2	191.2	–	191.2
Reconciliation					
Cost of investments	3.3	295.2	298.5	–	298.5
Net unrealised appreciation/(write-down) of investments	2.7	(110.0)	(107.3)	–	(107.3)
Valuation at 31st December 2013	6.0	185.2	191.2	–	191.2

Notes to the Financial statements
for the year ended 31st December 2013 continued

	Other financial investments £m	Portfolio companies £m	Sub-total £m	Investments held for sale £m	Total £m	
Group 2012						
Valuation at 1st January 2012	8.4	166.4	174.8	29.2	204.0	
Additions	–	8.3	8.3	–	8.3	
Disposals	–	–	–	(29.2)	(29.2)	
Investments realised on sale of strip	–	–	–	–	–	
Unrealised appreciation/(write-down)	–	(19.6)	(19.6)	–	(19.6)	
Transfers to assets held for sale	–	–	–	–	–	
Valuation at 31st December 2012	8.4	155.1	163.5	–	163.5	
Reconciliation						
Cost of investments	3.3	297.5	300.8	–	300.8	
Net unrealised appreciation/(write-down) of investments	5.1	(142.4)	(137.3)	–	(137.3)	
Valuation at 31st December 2012	8.4	155.1	163.5	–	163.5	
	Shares in subsidiary undertakings £m	Other financial investments £m	Portfolio companies £m	Sub-total £m	Investments held for sale £m	Total £m
Company 2013						
Valuation at 1st January 2013	4.6	8.4	149.6	162.6	–	162.6
Additions	–	–	5.0	5.0	–	5.0
Disposals	–	(3.9)	(8.2)	(12.1)	–	(12.1)
Unrealised appreciation	–	1.5	38.8	40.3	–	40.3
Valuation at 31st December 2013	4.6	6.0	185.2	195.8	–	195.8
Reconciliation						
Cost of investments	4.8	3.3	295.2	303.3	–	303.3
Net unrealised appreciation/ (write-down) of investments	(0.2)	2.7	(110.0)	(107.5)	–	(107.5)
Valuation at 31st December 2013	4.6	6.0	185.2	195.8	–	195.8

	Shares in subsidiary undertakings £m	Other financial investments £m	Portfolio companies £m	Sub-total £m	Investments held for sale £m	Total £m
Company 2012						
Valuation at 1st January 2012	4.6	8.4	160.3	173.3	29.2	202.5
Additions	–	–	8.3	8.3	–	8.3
Disposals	–	–	–	–	(29.2)	(29.2)
Unrealised appreciation/(write-down)	–	–	(19.0)	(19.0)	–	(19.0)
Transfers to assets held for sale	–	–	–	–	–	–
Valuation at 31st December 2012	4.6	8.4	149.6	162.6	–	162.6
Reconciliation						
Cost of investments	4.8	3.3	275.0	283.1	–	383.1
Net unrealised appreciation/ (write-down) of investments	(0.2)	5.1	(125.4)	(120.5)	–	(120.5)
Valuation at 31st December 2012	4.6	8.4	149.6	162.6	–	162.6
Investments at fair value include						
					2013 £m	2012 £m
Group						
UK						
Unquoted at Directors' valuation					84.9	49.1
Europe						
Unquoted at Directors' valuation					106.3	114.3
US						
Unquoted at Directors' valuation					0.0	0.1
					191.2	163.5
					2013 £m	2012 £m
Company						
UK						
Unquoted at Directors' valuation					89.5	43.6
Europe						
Unquoted at Directors' valuation					106.3	114.3
US						
Unquoted at Directors' valuation					0.0	0.1
					195.8	158.0

Notes to the Financial statements

for the year ended 31st December 2013 continued

Interests in the Candover 1997, 2001, 2005 and 2008 Funds (other financial investments)

ACPL 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 2013 Candover's investments as a Special Limited Partner in the 2001 and 2005 Funds were valued at £5.6 million and £0.4 million (2012: £8.0 million and £0.4 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 (2012: £nil).

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 2013).

The follow-on investment period of the Candover 2005 Fund expired on 26th August 2013 and Candover's remaining commitments have now lapsed.

Note 10 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

¹ Wholly owned directly by the holding company.

Note 11 Trade and other receivables

	Group		Company	
	2013 £m	2012 £m	2013 £m	2012 £m
Amounts falling due within one year				
Trade receivables	1.3	–	1.3	–
Social security and other taxes	0.1	0.2	0.1	0.1
Other receivables	–	0.4	–	–
Prepayments and accrued income	0.1	0.1	0.1	–
	1.5	0.7	1.5	0.1
Amounts falling due after more than one year				
Trade receivables	9.0	8.5	4.7	4.4
	10.5	9.2	5.9	4.5

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Note 12 Cash and cash equivalents

	Group		Company	
	2013 £m	2012 £m	2013 £m	2012 £m
Listed fixed interest securities and money market funds	2.4	114.7	2.4	114.7
Cash at bank and in hand	0.6	3.0	0.1	2.2
	3.0	117.7	2.5	116.9

Additional commentary on the holdings of cash and cash equivalents is provided in Note 25.3

Note 13 Trade and other payables

	Group		Company	
	2013 £m	2012 £m	2013 £m	2012 £m
Other payables	0.7	1.3	31.4	8.6
Accruals and deferred income	0.5	3.7	0.6	4.5
	1.2	5.0	32.0	13.1

Note 14 Loans and borrowings

	Group		Company	
	2013 £m	2012 £m	2013 £m	2012 £m
Loans and borrowings due between one and five years	48.6	151.0	48.6	151.0

		Group		Company	
	Rate	2013 £m	2012 £m	2013 £m	2012 £m
Issued under the US private placement					
Series A (US\$200.0 million due 12th October 2014)	7.02%	-	101.5	-	101.5
Series A – Fair value hedge adjustment		-	7.0	-	7.0
Series B (€30.0 million due 12th October 2014)	EURIBOR +1.40%	-	12.9	-	12.9
Series C (£30.0 million due 11th January 2015)	7.45%	-	30.0	-	30.0
Series Y (US\$83.9 million due 31st December 2015)	7.02%	50.7	-	50.7	-
Deferred costs under the US private placement		(2.1)	(0.4)	(2.1)	(0.4)
		48.6	151.0	48.6	151.0

As of 20th December 2013 the series A, B and C loan notes have been fully repaid, using existing cash balances and the proceeds from the simultaneous issue of new loan notes (series Y). The new loan notes carry a coupon of 7.02% and have their final maturity on 31st December 2015. They are repayable at par before this date from the proceeds of realisations.

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for the year ended 31st December 2013 continued

Note 15 Derivative financial instruments

Currency swaps

Up until 30th September 2011 the Group used currency and interest rate swaps to minimise the effect of fluctuations in the value of the loans and borrowings from movements in foreign exchange and to swap fixed rate interest payments to floating payments

On 30th September 2011, the Group's cross-currency interest rate swap contracts, used to hedge exposure on the US Private Placement ('USPP') finance, were settled at a price of £12.8 million. This represents the net settlement price obtained across three swap contracts, one of which was hedge accounted with \$175 million of USPP obligations

As a result of this settlement, hedge accounting, previously applied to one of the three swap contracts, ceased. The related loan finance was adjusted for the fair value of the hedged risks and the resultant balance amortised over its remaining contractual life. As a result the value of underlying USPP interest payable on the Group's income statement will be partially mitigated by a release of the 'fair value hedge adjustment' over the period to maturity in 2014.

Following the refinancing and the settlement of the underlying series A loan notes on 20th December 2013, the 'fair value hedge adjustment' not amortised as at this date was released to the Group's income statement.

Note 15.1 Financial liability on equity commitments

The fair value of the Company's liability relating to future equity commitments and guarantees at the year end was £nil (2012: £17.1 million) (see Note 26).

Note 16 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:

	2013		2012	
	Deferred tax asset £m	Deferred tax liabilities £m	Deferred tax asset £m	Deferred tax liabilities £m
Group				
Non-current assets/(liabilities)				
Property, plant and equipment	-	-	-	-
Tax losses	1.0	-	1.0	-
Total	1.0	-	1.0	-
Deferred tax at 1st January	1.0	-	3.5	-
Deferred tax credit/(charge) in profit and loss account				
Prior year	-	-	-	-
Current year	2.0	-	(2.5)	-
Deferred tax at 31st December	3.0	-	1.0	-

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 Group has an unrecognised deferred tax asset of £17.9 million, of which £14.6 million relates to losses carried forward. Of these, £14.6 million relate to the Company.

Note 17 Share capital

	2013 Number	£m	2012 Number	£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 (2012: 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 18th March 2014, are interested directly or indirectly in 3% or more of the issued share capital of the Company

	Number of ordinary shares of 25p each	% of voting rights
Ironsides Partners	3,223,302	14.8
BP Investment Management	1,345,743	6.2
Schroder Investment Management	1,025,416	4.7
Barwon Investment Partners	997,351	4.6
Merseyside Pension Fund	800,000	3.7
Lloyds Banking Group plc and subsidiaries (including Scottish Widows Investment Partnership)	694,518	3.2

Note 18 Capital commitments

Outstanding co-investment commitments are detailed in Note 23.2

Note 19 Operating lease commitments

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

	2013 £m	2012 £m
Within one year	1.4	1.4
Between one and five years	–	1.4
More than 5 years	–	–
	1.4	2.8

See Note 20 for details of provision against future lease commitments

Notes to the Financial statements
for the year ended 31st December 2013 continued**Note 20 Provisions**

	2013 £m	2012 £m
At 1st January	2.6	6.6
Provision used in the period	(1.2)	(2.3)
Effect of unwinding discount	0.2	0.3
Property provision addition/(write back)	–	(2.0)
At 31st December	1.6	2.6

The Company is the ultimate guarantor of a leasehold property that has a lease expiring in December 2014. Provision was 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.

The property was sublet to two tenants in September and October 2012 respectively. The rates are now charged directly to the tenants and the Company under the terms of the sub-lettings re-charges 100% of service charges incurred. The Company started charging the tenants a proportion of the rent from July 2013 onwards.

Note 21 Unrealised gains/(losses) on financial instruments at fair value through profit and loss

	2013 £m	2012 £m
Gain/(loss) on revaluation of investments and cash equivalents	27.7	(13.0)

Note 22 Reconciliation of operating income to net cash flow from operating activities

	2013 £m	2012 £m
Group		
Total income	10.2	(5.8)
Administrative expenses	(4.9)	(5.3)
Operating income/(deficit)	5.3	(11.1)
(Increase)/Decrease in trade and other receivables	(6.4)	16.5
Decrease in trade and other payables	(3.4)	(1.6)
Net cash (outflow)/inflow from operating activities	(4.5)	3.8
	2013 £m	2012 £m
Company		
Total income	9.9	(6.0)
Administrative expenses	(5.8)	(7.0)
Operating income/(deficit)	4.1	(13.0)
(Increase)/Decrease in trade and other receivables	(6.3)	16.8
Decrease in trade and other payables	(2.0)	(0.2)
Net cash (outflow)/inflow from operating activities	(4.2)	3.6

Note 23 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. Underlying investments in investee companies take the form of equity and debt investments treated as single investments designated at fair value through profit or loss. 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.

Summary of financial instruments held

Group Assets as per statement of financial position	2013		Total £m
	Loans and receivables £m	Assets at fair value through profit and loss £m	
Trade and other receivables excluding prepayments	9.0	–	9.0
Financial investments designated at fair value through profit and loss	–	191.2	191.2
Cash and cash equivalents	3.0	–	3.0
	12.0	191.2	203.2

Prepayments are excluded from trade and other receivables balance as this analysis is only required for financial instruments.

	2013	
	Other financial liabilities at total amortised cost £m	Total £m
Group Liabilities as per statement of financial position		
Loans and borrowings	48.6	48.6
Trade and other payables excluding non financial liabilities	1.2	1.2
	49.8	49.8

Comparatives for 2012 were

Group Assets as per statement of financial position	2012		Total £m
	Loans and receivables £m	Assets at fair value through profit and loss £m	
Trade and other receivables excluding prepayments	9.1	–	9.1
Financial investments designated at fair value through profit and loss	–	163.5	163.5
Cash and cash equivalents	117.7	–	117.7
	126.8	163.5	290.3

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for the year ended 31st December 2013 continued

Prepayments are excluded from trade and other receivables balance as this analysis is only required for financial instruments

Group	2012		Total £m
	Other financial liabilities at total amortised cost £m		
Liabilities as per statement of financial position			
Loans and borrowings	151.0		151.0
Trade and other payables excluding non financial liabilities	5.0		5.0
	156.0		156.0

Company	2013		Total £m
	Loans and receivables £m	Assets at fair value through profit and loss £m	
Assets as per statement of financial position			
Trade and other receivables excluding prepayments	4.7	—	4.7
Financial investments designated at fair value through profit and loss	—	195.8	195.8
Cash and cash equivalents	2.5	—	2.5
	7.2	195.8	203.0

Prepayments are excluded from trade and other receivables balance as this analysis is only required for financial instruments

Company	2013		Total £m
	Other financial liabilities at total amortised cost £m		
Liabilities as per statement of financial position			
Loans and borrowings	48.6		48.6
Trade and other payables excluding non financial liabilities	32.0		32.0
	80.6		80.6

Comparatives for 2011 were

Company	2012		Total £m
	Loans and receivables £m	Assets at fair value through profit and loss £m	
Assets as per statement of financial position			
Trade and other receivables excluding prepayments	4.5	—	4.5
Financial investments designated at fair value through profit and loss	—	162.6	162.6
Cash and cash equivalents	116.9	—	116.9
	121.4	162.6	284.0

Prepayments are excluded from trade and other receivables balance as this analysis is only required for financial instruments

Company Liabilities as per statement of financial position	2012	
	Other financial liabilities at total amortised cost £m	Total £m
Loans and borrowings	151.0	151.0
Trade and other payables excluding non financial liabilities	13.1	13.1
	164.1	164.1

Note 23.1 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 17 and a detailed analysis of the ten largest investments is given on pages 18 to 24. 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 2013, 100% (2012: 100%) of the Group's underlying investments were valued on the multiple of earnings basis. 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.

	Increase £m	Decrease £m
Fixed asset investments at fair value through profit and loss at 31st December 2013	185.2	185.2
10% changes in comparable multiples	36.8	(36.8)
Adjusted fair value of investments	222.0	148.4
Percentage of current fair value of investments	19.8%	19.8%

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 31% at 31st December 2013 (2012: 20%).

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. 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 macroeconomic 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.

As at 31st December 2013, the ten largest investments represented 97% of the overall investment portfolio (2012: 95%), of which the underlying exposure to Expro International accounted for 37.9% of the investment portfolio (2012: 19.3%), or 47.0% of net assets (2012: 23.8%).

Notes to the Financial statements

for the year ended 31st December 2013 continued

Note 23.2 Liquidity risk

This is the risk that the Group will encounter difficulty in meeting obligations associated with uncalled commitments and financial liabilities. Further information on how the Company mitigates the risk of failure to meet financial commitments can be found in the Strategic report (see page 9).

As at 31 December 2013 the Group had no outstanding co-investment commitments.

Uncalled commitments

	2013	2012
Net assets as at 31st December 2013 ¹	€187.0	€162.3m
Ratio of outstanding commitments to net assets	–	4.4%
Outstanding 2005 Fund commitments as at 31st December 2013	–	€7.3m
Ratio of cash to outstanding commitments at 31st December 2013	–	19.7x

¹ Net assets converted at a year end exchange rate of €1 19660 (2012: €1 22234).

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 2013, based on the earliest date on which payment can be required, were as follows:

	2013			Total £m	2012			Total £m
	3 months or less £m	Not more than 1 year £m	More than 1 year £m		3 months or less £m	Not more than 1 year £m	More than 1 year £m	
Group and Company								
Borrowings under the US private placement loan notes ¹	–	–	50.7	50.7	–	–	144.4	144.4
Interest payable on US private placement loan	1.0	2.7	3.6	7.3	2.4	7.3	8.2	17.9
	1.0	2.7	54.3	58.0	2.4	7.3	152.6	162.3

¹ The terms of issue of the US private placement loan notes require the Group to comply with a loan-to-value covenant.

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 investments (2012: adjusted investments) should not exceed 40%. At year end, the ratio was 24.9% (2012: 18.1%).

Note 23.3 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 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 are limited to currencies and amounts commensurate with the asset exposure to those currencies.

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
2013			
Cash and cash equivalents	0.3	0.1	–
Payables (interest payable)	(0.1)	–	–
Borrowings under the US private placement loan notes	(50.7)	–	–
Foreign currency exposure on net monetary items	(50.5)	0.1	–
Investments at fair value through profit or loss	72.6	111.1	4.8
Total net foreign currency exposure	22.1	111.2	4.8
Group	US\$ £m	Euro £m	Other £m
2012			
Cash and cash equivalents	43.9	1.6	0.1
Payables (interest payable)	(1.6)	(0.1)	–
Borrowings under the US private placement loan notes	(101.5)	(12.9)	–
Fair value hedge adjustment	(7.0)	–	–
Foreign currency exposure on net monetary items	(66.2)	(11.4)	0.1
Investments at fair value through profit or loss	31.6	125.3	3.7
Total net foreign currency exposure	(34.6)	113.9	3.8
Company	US\$ £m	Euro £m	Other £m
2013			
Cash and cash equivalents	0.3	0.1	–
Payables (interest payable)	(0.1)	–	–
Borrowings under the US private placement loan notes	(50.7)	–	–
Foreign currency exposure on net monetary items	(50.5)	0.1	–
Investments at fair value through profit or loss	72.6	111.1	4.8
Total net foreign currency exposure	22.1	111.2	4.8

Notes to the Financial statements
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Company	US\$ £m	Euro £m	Other £m
2012			
Cash and cash equivalents	43.9	1.6	–
Payables (interest payable)	(1.6)	(0.1)	–
Borrowings under the US private placement loan notes	(101.5)	(12.9)	–
Derivative financial instruments	(7.0)	–	–
Foreign currency exposure on net monetary items	(66.2)	(11.4)	–
Investments at fair value through profit or loss	26.1	125.3	3.7
Total net foreign currency exposure	(40.1)	113.9	3.7

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	+/-10% (2012: 10%)
Sterling/Euro	+/-10% (2012: 10%)

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

	2013 (+/-10%)		2012 (+/-10%)	
	US\$ £m	Euro £m	US\$ £m	Euro £m
Gain attributable to equity shareholders	2.2	11.1	3.5	11.4
Loss attributable to equity shareholders	(2.2)	(11.1)	(3.5)	(11.4)

Note 23.4 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 interest payable on the Company's variable rate borrowings

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. Proceeds from the sale of portfolio investments will be used to reduce net debt and this will also reduce the Company's net annual interest costs. The proceeds are required to be made available to the 2013 noteholders to prepay the outstanding notes at par.

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

Group	Within 1 year £m	2013 More than 1 year £m	Total £m	Within 1 year £m	2012 More than 1 year £m	Total £m
Exposure to floating interest rates						
Cash and cash equivalents	3.0	-	3.0	66.6	-	66.6
Borrowings under the US private placement loan notes	-	-	-	-	(12.9)	(12.9)
	3.0	-	3.0	66.6	(12.9)	53.7
Exposure to fixed interest rates						
Cash and cash equivalents	-	-	-	50.8	-	50.8
Investments at fair value through profit or loss	-	191.2	191.2	-	163.5	163.5
Borrowings under the US private placement loan notes	-	(50.7)	(50.7)	-	(131.5)	(131.5)
	-	140.5	140.5	50.8	32.0	82.8
Total exposure to interest rates	3.0	140.5	143.5	117.4	19.1	136.5
Company						
Exposure to floating interest rates						
Cash and cash equivalents	2.5	-	2.5	66.0	-	66.0
Borrowings under the US private placement loan notes	-	-	-	-	(12.9)	(12.9)
	2.5	-	2.5	66.0	(12.9)	53.1
Exposure to fixed interest rates						
Cash and cash equivalents	-	-	-	50.8	-	50.8
Investments at fair value through profit or loss	-	191.2	191.2	-	158.0	158.0
Borrowings under the US private placement loan notes	-	(50.7)	(50.7)	-	(131.5)	(131.5)
	-	140.5	140.5	50.8	26.5	77.3
Total exposure to interest rates	2.5	140.5	143.0	116.8	13.6	130.4

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 (2012: no change), and
- Interest paid on borrowings on the US Private Placement loan notes series Y is fixed at a rate of 7.02%

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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 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.

During 2013 a 50bps movement in interest rates would have impacted upon the Euro denominated US private placement loan notes by +50bps, a decrease in profit of £0.1 million, and -50bps, an increase in profit of £0.1 million.

Note 23.5 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
- at bank is held only with major UK banks with high quality external credit ratings or government support.

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:

Group	2013		2012	
	Statement of financial position £m	Maximum exposure £m	Statement of financial position £m	Maximum exposure £m
Cash and cash equivalents	3.0	3.0	117.7	117.7
	3.0	3.0	117.7	117.7

Company	2013		2012	
	Statement of financial position £m	Maximum exposure £m	Statement of financial position £m	Maximum exposure £m
Cash and cash equivalents	2.5	2.5	116.9	116.9
	2.5	2.5	116.9	116.9

Trade receivables exist between related parties and are considered to be subject to valuation risk rather than credit risk.

Note 23.6 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

Group	2013			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Continuing equity investments	–	–	191.2	191.2
Cash equivalents ¹	2.4	–	–	2.4
Total	2.4	–	191.2	193.6

Group	2012			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Continuing equity investments	–	–	163.5	163.5
Cash equivalents ¹	114.7	–	–	114.7
Total	117.3	–	204.0	321.3

Company	2013			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Continuing equity investments	–	–	195.8	195.8
Cash equivalents ¹	2.4	–	–	2.4
Total	2.4	–	195.8	198.2

Company	2012			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
Continuing equity investments	–	–	162.6	162.6
Cash equivalents ¹	114.7	–	–	114.7
Total	117.3	–	162.6	277.3

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

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 28

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

	2013					
	Assets held for sale			Financial liabilities on equity commitments		
Group	Equity investments £m	Financial liabilities on equity commitments £m	Equity investments £m	Financial liabilities on equity commitments £m		Total £m
Valuation at 1st January 2013	–	–	163.5	–		163.5
Additions	–	–	5.0	–		5.0
Disposal proceeds	–	–	(12.1)	–		(12.1)
Realised (losses)/gains	–	–	(1.6)	–		(1.6)
Unrealised (losses)/gains	–	–	36.4	–		36.4
Valuation at 31st December 2013	–	–	191.2 ¹	–		191.2

Group	2012					Total £m
	Assets held for sale					
	Equity investments £m	Financial liabilities on equity commitments £m	Equity investments £m	Financial liabilities on equity commitments £m		
Valuation at 1st January 2012	29.2	–	174.8	–	204.0	
Additions	–	–	8.3	–	8.3	
Disposal proceeds	(29.2)	–	–	–	(29.2)	
Realised (losses)/gains	–	–	–	–	–	
Unrealised (losses)/gains	–	–	(19.6)	–	(19.6)	
Valuation at 31st December 2012	–	–	163.5	–	163.5	

Company	2013					Total £m
	Assets held for sale					
	Equity investments £m	Financial liabilities on equity commitments £m	Equity investments £m	Financial liabilities on equity commitments £m		
Valuation at 1st January 2013	–	–	162.6	(17.1)	145.5	
Additions	–	–	5.0	–	5.0	
Disposal proceeds	–	–	(12.1)	–	(12.1)	
Realised (losses)/gains	–	–	(1.6)	–	(1.6)	
Unrealised gains/(losses)	–	–	41.9	17.1	59.0	
Valuation at 31st December 2013	–	–	195.8 ¹	–	195.8	

1. Valuations are based on EBITDA multiples derived from comparable listed companies ranging from 8.8x to 15.0x which would result in the valuation of £217.0m. Adjustments to the comparable trading multiples of +5% to -40%, resulting from differences in the size and trading diversity between the portfolio companies and the listed comparable businesses, gave rise to an overall adjustment to the valuation of £31.8m giving the year-end valuation of £185.2m for Portfolio companies (see Note 9)

	2012					
	Assets held for sale					
	Equity investments £m	Financial liabilities on equity commitments £m	Equity investments £m	Financial liabilities on equity commitments £m	Total £m	
Company						
Valuation at 1st January 2012	29 2	–	173 3	(16 5)	186 0	
Additions	–	–	8 3	–	8 3	
Disposal proceeds	(29 2)	–	–	–	(29 2)	
Realised (losses)/gains	–	–	–	–	–	
Unrealised (losses)/gains	–	–	(19 0)	(0 6)	(19 6)	
Valuation at 31st December 2012	–	–	162 6	(17 1)	145 5	

Note 23.7 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 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 1158/9 of the Corporation Taxes Act 2010

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

The Group's capital at 31st December comprises

	2013 £m	2012 £m
Debt		
Borrowings under the US private placement loan notes	48.6	151.0
	48.6	151.0
Equity		
Equity share capital	5.5	5.5
Retained earnings and other reserves	150.8	127.3
	156.3	132.8
Total capital	204.9	283.8
Debt as a % of total capital	24%	53%

Notes to the Financial statements

for the year ended 31st December 2013 continued

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 (ie 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

Note 24 Related party transactions

The Company's interest in the Candover 1997, 2001, 2005 and 2008 Funds is disclosed in Note 9 on page 82

The Company's subsidiary undertakings are listed in Note 10 on page 82, which includes a description of the nature of their business

During the course of the year, the Company undertook transactions with Arle which provided investment and administration services to the Company for which the Company was charged £2.4 million (2012: £2.5 million)

Subsequent to the year ending 31st December 2012 the Company assumed the liability under a deed of novation to repay to Candover Services Limited the loan described further below. The loan related to the original funding by Bosting Holding Sarl, a wholly owned subsidiary of Candover, of a financing facility used by that entity to warehouse an investment funded by Candover Investments plc in Expro International. As at 31st December 2012 Bosting Holding Sarl owed its fellow subsidiary Candover Services Limited £22.6 million, with repayment guaranteed by the Company. Following the novation of the debt to the Company the guarantee was cancelled and Bosting Holding Sarl, and its immediate parent Bearstead Holding Sarl, were both dissolved. Candover Investments plc received securities in Umbrellastream Limited Partnership Incorporated, previously owned by Bosting Holding Sarl, as consideration for assuming the liability. The transaction had no impact on the value of the Group's net assets.

Note 25 Contingent liabilities

In 2005, the Company guaranteed a €25.0 million facility made available by RBS to Northern Trust Fiduciary Services (Guernsey) Limited as a trustee of the Candover 2005 Offshore Employee Benefit Trust and the Candover 2005 Onshore Employee Benefit Trust, in case of any shortfalls in funding with regard to investments made by these trusts alongside the Candover 2005 Fund. The facility, and therefore the guarantee, reduces each year proportionately to the amounts of funding provided outside the facility. With the follow-on investment period of the Candover 2005 Fund having expired on 26th August 2013 the remaining guarantee stood at €nil (2012: €1.3 million) as at 31st December 2013.

Note 26 Subsequent events

Following the year-end, DX (Group) plc ('DX') listed on the Alternative Investment Market of the London Stock Exchange on 28th February 2014. Candover's share of the listing proceeds is approximately £3.4 million.

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Financial calendar

Event	Date
Preliminary announcement of results for the year ended 31st December 2013	28th February 2014
Candover Investments plc Annual General Meeting	12th May 2014
Interim announcement of results for the half year ended 30th June 2014	27th August 2014

Share price

The Company's shares are listed on the London Stock Exchange under share code 'CDI'. The share price is available on our website at www.candoverinvestments.com

Information about Candover

For the latest information about Candover Investments plc, visit our website www.candoverinvestments.com

Capita share portal

Candover's registrars, Capita Asset Services, 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 (eg 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 27th March 2014 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 Conduct Authority.

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