



**Report and Accounts
1989**

CANDOVER INVESTMENTS plc

Report and Accounts

for the year ended 31st December, 1989

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

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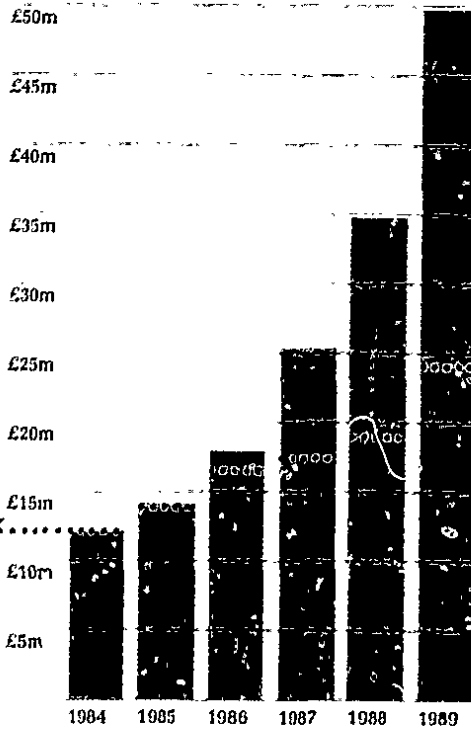
Six-year Record

Where appropriate figures have been adjusted
for 1989 capitalisation issue

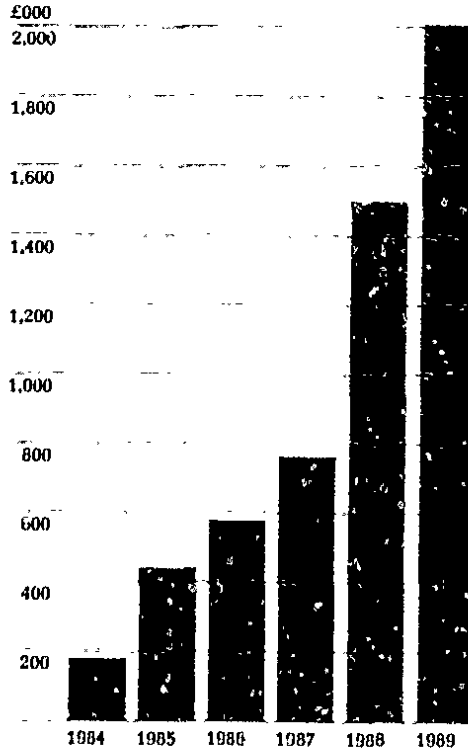
	1989	1988	1987	1986	1985	1984
Total Net Assets £million	49.686	34.681	25.443	18.011	14.181	12.166
Net Assets per share	224p	159p	117p	84p	66p	57p
Profit on Ordinary Activities before Tax £'000	2,985	2,132	1,212	895	756	267
Profit after tax £'000	2,001	1,500	772	590	444	185
Net Dividend per share	7p	4.5p	3p	2.3p	1.3p	0.7p
Earnings per share:						
Basic	9.03p	6.90p	3.58p	2.75p	2.07p	1.14p
Fully diluted	8.75p	6.57p	3.38p	2.58p	2.01p	0.83p

Six-year Record-continued

Net assets record



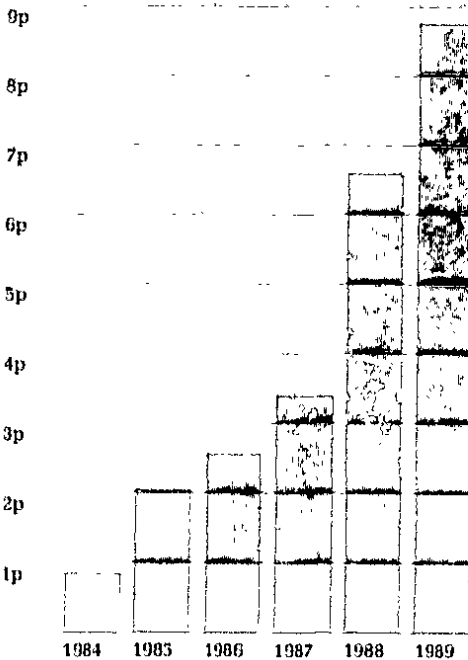
Profit after tax



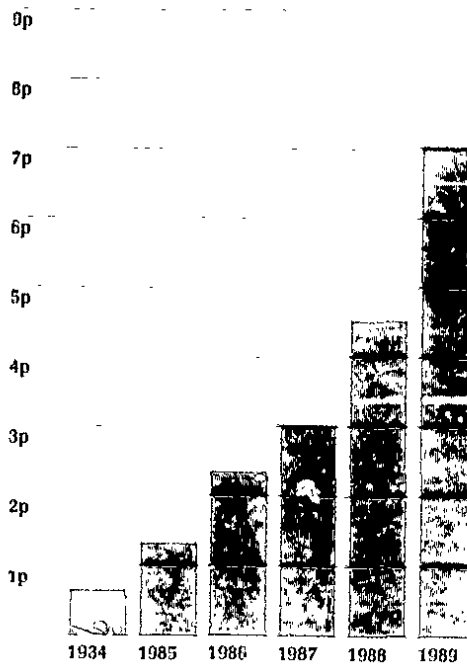
F.T. ALL SHARE INDEX

Earnings per share

FULLY DILUTED



Dividends per share



Directors



P G Wreford ACIS AIB (Chairman)

Mr Wreford was Chairman, Managing Director and principal shareholder of Gresham Trust, a company providing merchant banking services principally to unquoted companies. Mr Wreford is currently a director of several companies including London Atlantic Investment Trust PLC, Investment Trust of Guernsey PLC, and Wates (Holdings) Limited. Mr Wreford is 72.

C R E Brooke

Mr Brooke has been Chief Executive of Candover since its formation. In 1966 he was appointed deputy Managing Director of the Industrial Reorganisation Corporation and from 1969 to 1971 he was managing director of Scientia SA which was involved in investments in small and medium sized advanced technology business in Europe. He was a director of Pearson Group for eight years and in June 1979 was appointed Group Managing Director of EMI, leaving the company in February 1980 after its merger with Thorn. He is also a director of Slough Estates plc and various unquoted companies. Mr Brooke is 59.



S W Curran FCCA

Mr Curran was appointed Deputy Chief Executive and a director of Candover in July 1982. Prior to joining Candover in May 1981, he was a managing consultant with Coopers & Lybrand Associates and then Project Finance Manager of the Industrial Finance Branch of the National Coal Board Pension Funds. He is a non-executive director of Caradon plc, Greggs plc and a number of unquoted companies. Mr Curran is 47.

G D Fairservice

Mr Fairservice joined Candover in March 1984 and was appointed to the board of Candover Investments plc in July 1986. After eight years with ICFC in Southampton and London, in 1982 he joined the British Technology Group as Deputy Director in the Information Technology Division and became Director of the Small Companies Division. Mr Fairservice has been the principal manager of The Hoare Candover Exempt Fund since March 1984. He is a non-executive director of Rechem Environmental Services plc and several unquoted companies. Mr Fairservice is 42.



Directors continued



G A Elliot FCA

Mr Elliot is Executive Vice-Chairman of Slough Estates plc, one of the UK's largest international property companies. He previously occupied a number of senior positions in RTZ Corporation plc. He is a Chartered Accountant and is also a director of Bredero Properties Plc. Mr Elliot is 47.

A F Hichens MA MBA

Mr Hichens was until recently a managing director and chief financial officer of Consolidated Gold Fields PLC and Chairman of Caradon plc until its acquisition by MB Group plc, after which he joined the board of that company. He is Chairman of Y J Lovell (Holdings) plc and a Director of South Western Electricity plc and has various other non-executive directorships. Mr Hichens is 53.



R A P King

Mr King is the Chairman and Chief Executive of Solo Tilney PLC. He is also the Chairman of Majestic Films International, which is one of the leading international film distribution companies. Mr King is 55.

P J Scott Plummer FCA

Mr Scott Plummer is a Director of Martin Currie Investment Management Ltd which is the manager of The Scottish Eastern Investment Trust PLC, and is a director of The Life Association of Scotland Limited. He was previously a partner of Cazenove & Co from 1974 to 1980 and has had many years experience in the investments field. Mr Scott Plummer is 46.



J G West FCA

Mr West is Managing Director of Globe Investment Trust PLC. He is a Chartered Accountant and is also a director of a number of other companies, including Charterhouse International, Inc. Mr West is 42.

Executives and Advisers

S M Alexander FCA

Mr Alexander joined Candover in March 1982 as Company Secretary and Treasurer. After qualifying as a Chartered Accountant in 1969, he spent three years with Deloitte Haskins & Sells. In 1972 he joined, as administrative manager, the London based international investment management subsidiary of Oppenheimer & Co, New York. From 1976 to 1982 he practised on his own account as a Chartered Accountant. Mr Alexander is 43.

C J Buffin ACA

Mr Buffin joined Candover in September 1985. After qualifying as a Chartered Accountant in 1982 with Deloitte Haskins & Sells he spent two years in the Investigations and Corporate Finance Departments. Mr Buffin is 32.

M S Gumienny ACA

Mr Gumienny joined Candover in January 1987. After qualifying as a Chartered Accountant in 1984 with Price Waterhouse he spent 15 months on secondment in the Price Waterhouse Training Department before transferring to Price Waterhouse Bahrain for 12 months. Mr Gumienny is 31.

P G Symonds FCA

Mr Symonds joined Candover in January 1983. After qualifying as a Chartered Accountant in 1976 with Peat, Marwick, Mitchell & Co, he spent seven years in all aspects of professional practice. Mr Symonds is 38.

J Warren FCA

Mr Warren joined Candover in January 1990. Having qualified as a Chartered Accountant in 1977 with Deloitte Haskins & Sells, he spent nine years with 3i, latterly as a director responsible for London South West. Mr Warren is 38.

Registered Office

8-9 East Harding Street, London EC4A 3AS. Telephone: 01-583 5090.
Facsimile: 01-583 0717. Telex: 928035

Solicitors

Ashurst Morris Crisp, Broadwalk House, 5 Appold Street, London EC2A 2HA

Stockbrokers

Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN

Auditors

Grant Thornton, Melton Street, Euston Square, London NW1 2EP

Bankers

Barclays Bank PLC, 9 Gracechurch Street, London EC3V 0BB

Registrars

Barclays Bank PLC, Registration Department, Octagon House, Gadbrook Park, Northwich, Cheshire CW9 7RD

Chairman's Statement

Results for the year

Once again I can report another year of highly satisfactory progress for Candover. The total net assets attributable to the ordinary shares at 31st December, 1989, after including current asset investments at market or directors' valuation, less attributable taxation, rose to £49,686,000 from £34,681,000 at 31st December, 1988, an increase of 43 per cent. Net assets per share rose to 224p from 159p (adjusted for the 2:1 capitalisation issue), an increase of 41 per cent. for the year and 16 per cent. for the six months from 30th June, 1989 when the net asset value was 193p per share. By comparison, the FT All Share Index increased during the year by 30 per cent.

Profits before tax for the year were £2,885,000 as against £2,132,000 in 1988 (a rise of 40 per cent.). After tax profits were £2,001,000 (1988 £1,500,000), a 33 per cent. increase. Fully diluted earnings per share were 8.75p (6.57p in 1988). The main reasons for this improvement were the higher investment income earned following the continued programme of realisations, increases in dividends received and the management charge for nearly seven months from the Candover 1989 Fund, which was established in June.

The valuation of our investments rose to £25,992,000 during the year, principally reflecting the improved profits of most of the companies in which we have investments and the rise over the year in the values of the listed companies we have backed. This increase was after taking account of downward adjustments of £1,528,000 in our valuations made to reflect the underperformance of some companies.

During the year we pressed ahead firmly with our policy of building up cash resources through the realisation of our investments in a number of unlisted buy-out companies and the sale of more of the shares of companies which had obtained listings. At the year end our cash and readily realisable assets totalled £21.5 million. Less than 20 per cent. of our net assets at the year end were represented by quoted shares, so limiting our exposure to unpredictable market fluctuations. In addition, this policy will enable us to take advantage of the improved buying opportunities which we expect to emerge in the near future and to which I refer below.

Dividends

At the half year the Board indicated that it expected to recommend a final dividend of not less than 3.5p per share. In the light of the results for the year, which exceeded our expectations, the Board has decided to recommend a final dividend of 5p per share, giving a total for the year of 7p, an increase of 56 per cent.

Activities in 1989

The most important event of the year was the successful raising of the Candover 1989 Fund. Including the £20 million committed by Candover, we can now call on £319 million to finance large buy-outs in the UK and continental Europe. This fund is the largest so far raised in Europe dedicated solely to management buy-outs, buy-ins and similar transactions and provides us with the resources to take advantage of what promises to be a period of great opportunity in these markets in the next two or three years.





While most of the participants in the Fund are British institutions, we were pleased with the commitments of investors from North America and Japan, most joining for the first time in a Candover fund.

During the year our investment posture became increasingly cautious. We had taken the view that some of the large buy-out transactions being undertaken in 1988 and early 1989 were over-gear'd and over-priced. While fortunately the so-called junk bonds familiar in US buy-outs had not featured in British transactions, nevertheless the levels of debt and high cost mezzanine loans in some of the largest transactions seemed to us to be reaching dangerous levels, with equity on occasion representing 10 per cent. of the total financing or less.

As interest rates rose sharply during the year, with immediate repercussions on UK consumer spending, a number of these large transactions, particularly in the retail sector, experienced severe difficulties which have continued to the present. Inevitably, this came as a nasty shock not only to investors but also to lenders. While in the short run this has made it more difficult to finance large transactions, even those with more conservative financial structures, I believe that the longer term effects will be beneficial and to the advantage of companies such as Candover which have preferred a more careful approach and have avoided the temptation of reaching for "super" returns—with a commensurate risk—through the acceptance of very high debt levels.

During the year, Candover completed seven new buy-outs, including the first transaction financed by the 1989 Fund—the purchase of Kenwood from Thorn EMI.

KENWOOD

Kenwood has a young and vigorous management team, an excellent new range of products and a worldwide business with limited dependence on the UK economy. We also supported the management buy-in of Stoves Limited, a new company set up to purchase the Valor gas cooker business under the leadership of John Crathorne and a team of managers with extensive experience of the domestic appliance business. Despite the difficult UK market, both Kenwood and Stoves have so far performed broadly in line with their plans and we wish them well.

On the realisations side, two of our buy-out companies (Hays and A H Ball) obtained Stock Exchange listings. At the recommendation of their managements, five were sold to other companies—all yielding substantial capital gains to Candover. Two, which were already listed, (Caradon and NKF Kabel) were purchased by other listed companies at appreciable premiums over the original cost. Finally, we sold our remaining holdings in UK Paper and Wickes.

The flotation of Hays enabled that company to eliminate most of its borrowings, and although the flotation took place in difficult market circumstances and the issue price was below the level that had at one time been expected, the company's balance sheet has been greatly strengthened and it is now well placed to build on the strong market positions of its principal operating businesses.

Of the companies sold, the largest was Humberclyde Investments, which was acquired by Compagnie Bancaire on terms which enabled Candover to realise a profit of

approximately £1.4 million on an investment of £480,350 in less than two years. Istel was sold to AT&T in October 1989 and a profit of £1.9 million was made on the investment in just over two years. Gratifying gains were also made from the sales of Don Reynolds and Office Workstations.

In general, most of the companies in the Candover portfolio continued to trade satisfactorily. Some, notably Lowndes Lambert, Centaur, Thos. Storey and Heidemann (in Germany), have achieved substantial profit improvements. Not surprisingly, those operating in the UK retail sector have found the going harder. However, in all these cases vigorous steps have been taken to control costs and weather the difficulties until a more favourable trading climate appears.

It is also pleasing that BPCC, under the leadership of John Holloran and his team, has generated both profits and cash substantially ahead of the levels planned when the investment was made in January 1989.



The 1987 Fund

The Candover 1987 Fund made four new investments during the year and provided additional funds for three existing investments, with the total amount invested rising from £5.5 million to £9 million at the year end. Towards the end of 1989, and particularly since the year end, we have seen a resurgence of interesting medium-sized propositions. In the early months of 1990 five new investments have been made by the Fund and a number of others are being actively reviewed. One realisation was made in 1989 (Don Reynolds) which produced a good gain to investors in the Fund, and the progress being made by other companies in which the Fund has major investments promise further satisfactory returns in the medium term.

Overseas activities

Through our joint venture company in Germany, LCB-Candover, we participated in one small buy-out during the year and since the year end we have made two further investments in new buy-outs. It appears that the advantages of this kind of transaction are becoming better understood in Germany and this should lead to more and larger opportunities for Candover. Our French joint venture company, Ciclad, participated in ten projects during the year and achieved its first successful and highly profitable realisation.

In Holland NKF Kabel was purchased by a Finnish company yielding a further substantial gain to Candover, and through our Dutch joint venture, we have participated in two further development capital investments.

In the USA, we were able to assist our colleagues at Lombard Investments in raising a new fund to strengthen their position as organisers of medium-sized buy-out transactions.

Future prospects

1989 has provided salutary lessons for some British buy-out practitioners and the results

should logically be a greater resistance both to excessive pricing and the inclusion of very high levels of debt in buy-out transactions. We believe that Candover's more cautious approach has been widely recognised as appropriate and that the company's reputation has consequently benefited. Clearly the high current level of interest rates, together with the difficulties apparent in the UK economy, provide powerful reasons why buy-out transactions need to be prudently financed and priced.

However, past experience, supported by increasing evidence from the marketplace suggests that, as a consequence of the greater problems facing firms, we are likely in due course to see more investment possibilities offering attractive rates of return for our funds and ourselves. Since the year end there has been a noticeable increase in the number of UK opportunities under active consideration by the Candover staff, although largely at the smaller end of the size spectrum. To date in 1990 three transactions have been concluded and several others are nearing completion.

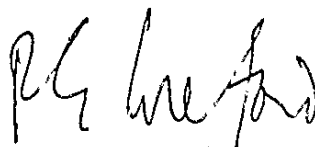
In general I remain confident that 1990 will be another year of progress and that the company will once again achieve further capital gains—the main measure of Candover's performance. Should the pace of new investment accelerate, thereby initially reducing the yield on the company's assets, it could be difficult to maintain the rate of profit growth achieved in 1989.

Board

In December, we were pleased to welcome Antony Hitchens as a new director of Candover. He has previously been Chairman of one of our most successful buy-outs, Caradon, and has had a distinguished career in industry as a managing director of Consolidated Gold Fields and a director of Redland.

Staff

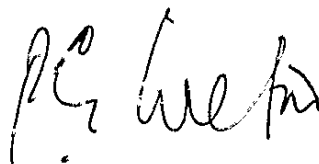
The Candover management team remained unchanged during the year. This continuity is of great benefit to the company and means that we now have a team of exceptional experience with a lengthening record of success. Since the year end, Jack Warren has joined us as an Associate Director, after a successful career with 3i.



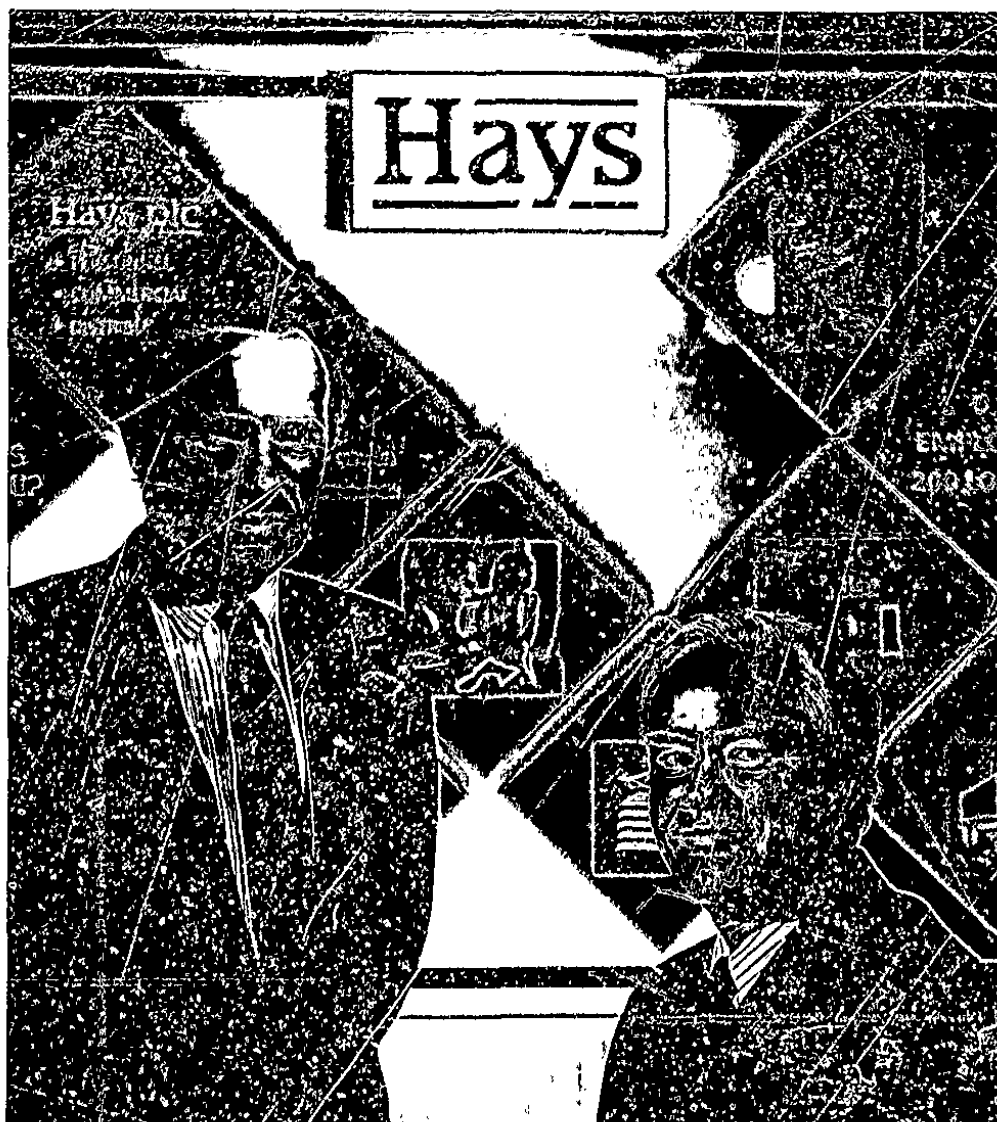
P G Wreford

Chairman

29th March, 1990



Review of Investments



Ronnie Frost,
chairman and chief
executive and
Graham Williams
financial director,
Hays

Hays

Valuation as at 31st December, 1989
£2,597,020

Cost of investment
£272,642

The principal activities of Hays comprise specialised distribution services (including food and chemical distribution), specialist staff recruitment agencies (including Accountancy Personnel) and office support services.

In October, 1989 the company's ordinary shares were listed on the London Stock Exchange at 105p per share resulting in a market capitalisation of £393 million. This took place almost two years after the management buy-out which was arranged by Electra Candover Partners.

In the six months to 31st December, 1989 profits attributable to shareholders rose 16 per cent. from £15.2 million to £17.6 million on turnover up from £289.2 million to £343.6 million. In the year ended 30th June, 1989, operating profits amounted to £52.7 million. The results have been prepared on a pro forma basis on the assumption that the capital structure following flotation had been in place since 1st July, 1988.

In the year to 31st December, 1989 Candover received gross dividends of £78,929.



Tim Parker managing director, Kenwood

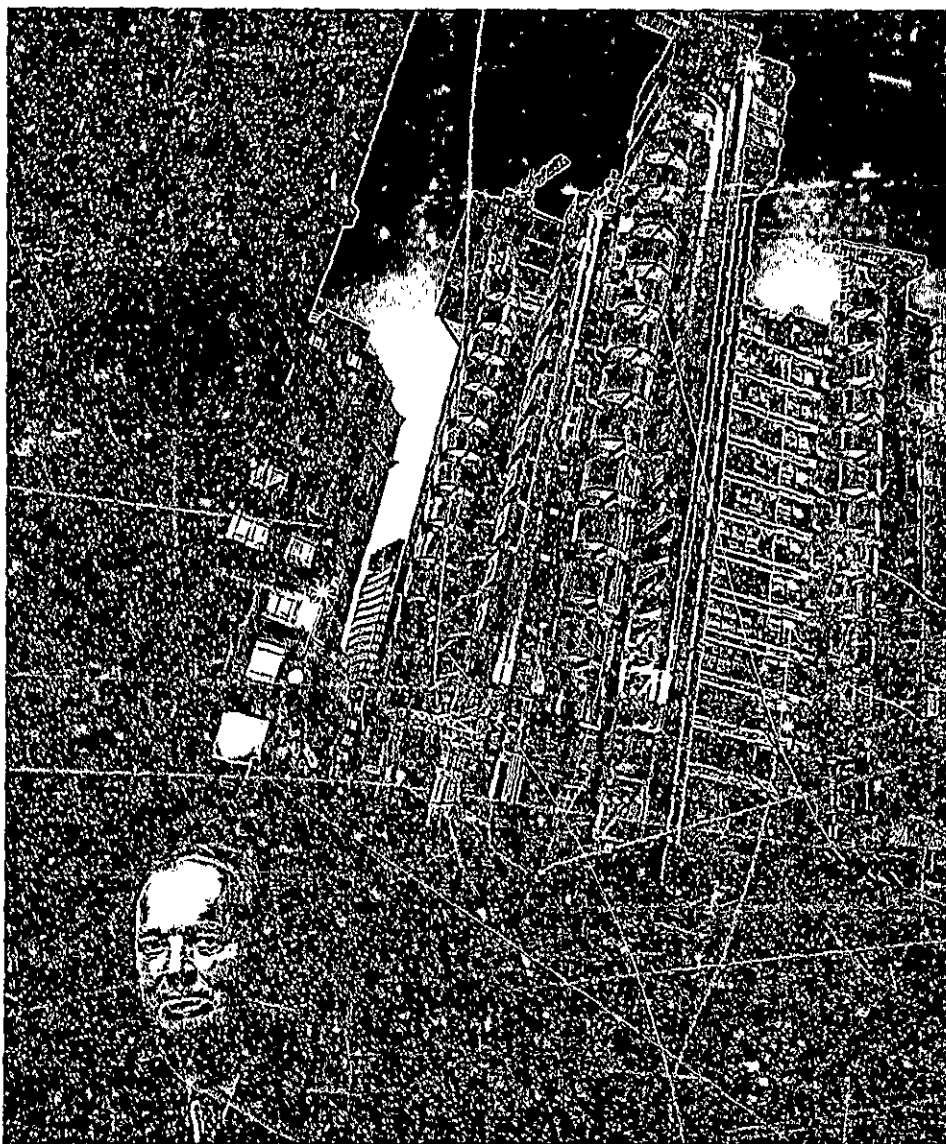
Kenwood

Valuation as at 31st December, 1989
£1,003,135

Cost of investment
£1,003,135

Kenwood, the international small domestic appliance company, was the subject of a management buy-out from Thorn EMI plc in September 1989. The buy-out was the first investment for the Candover 1989 Fund which provided most of the equity in a transaction amounting to £54 million. The company manufactures a wide range of food preparation appliances, the best known being the 'Kenwood Chef'. With a high brand awareness in the UK and overseas, Kenwood is a major exporter with 70 per cent. of total sales being made in some 80 overseas markets.

No financial results of the company are available as its first accounting period has not been completed and no dividends were due to be paid in the period to 31st December, 1989.



Richard Shaw, deputy chairman and chief executive, Lowndes Lambert Group Holdings

Lowndes Lambert Group Holdings

Valuation as at 31st December, 1989
£1,910,000

Cost of investment
£479,600

The principal activities of Lowndes Lambert are insurance broking and the provision of a full range of broking services in all business sectors through UK and overseas offices. In 1989 two acquisitions were made, one in the UK and the other in Australia. The company is confident that the additional brokerage income will make a significant contribution to its profits.

In the year to 31st March, 1989, the first year of operations as an independent company, profits before tax of £3.2 million were achieved on a turnover of group and related companies of £34.5 million.

Gross dividends of £22,916 were received by Candover in the year to 31st December, 1989, including a participating dividend of £15,768.

Rechem Environmental Services

Valuation as at 31st December, 1989
£2,285,000

Cost of investment
£7,002

Rechem continues to be one of the leading independent European companies providing specialist high temperature incineration services for the destruction of hazardous chemical waste. It operates in an expanding international market and has a wide customer base both in the UK and overseas, including government agencies and many multinational companies.

In the six months to 30th September, 1989 profits before taxation were £4.7 million (1988 £3.6 million) on turnover of £10.7 million (1988 £9.0 million).

In the year to 31st March, 1989 a profit before tax of £8.8 million was made (1988 £4.5 million) on a turnover of £19.5 million (1988 £13.4 million).

Gross dividends of £65,867 were received by Candover in the year to 31st December, 1989.

VCI/Candover Investment Partnership

Valuation as at 31st December, 1989
Dfl 5,600,900 (£1,816,705)

Cost of investment
Dfl 320,000 (£98,234)

In December 1986, Venture Capital Investors of Rotterdam organised the management buy-out of NKF Kabel from Philips. As well as their own investment, both VCI and Candover subscribed for additional shares which were placed in an Investment Partnership. With the impending listing of NKF on the Amsterdam stock exchange, it was intended to use the eventual proceeds in other transactions organised by VCI.

During 1989, NKF redeemed its preference shares for cash which were added to the proceeds of sale of some of the ordinary shares which had been realised in 1988 when NKF was listed on the Amsterdam stock exchange.

Early in January, 1990 the remaining investment in NKF was sold to Nokia, a Finnish electronics company, which provided the Partnership with more than Dfl 11 million in cash.

In the year to 31st December, 1989 Candover received Dfl 190,154 as its share of dividend income from the Partnership.

The Topps Company

Valuation as at 31st December, 1989
\$1,258,629 (£780,303)

Cost of investment
\$29,660 (£20,562)

Topps is the leading distributor in the US of collectible picture products, primarily bubble gum picture cards featuring baseball and other sports figures, popular television and movie characters. The company also produces and distributes BAZOOKA bubble gum and other gum products in a variety of flavours and sizes.

The investment, which was made in February 1984 arose through Candover's association with Forstmann Little & Co., the New York leveraged buy-out specialists.

In the year to 25th February, 1989 Topps made profits before tax of \$49.2 million on turnover of \$198.8 million. This compares with \$47.5 million and \$169.0 million in the previous year.

In the year to 31st December, 1989 dividends amounting to \$17,425 were received by Candover.



Robert Stoffage,
managing director,
Heidemann

Heidemann

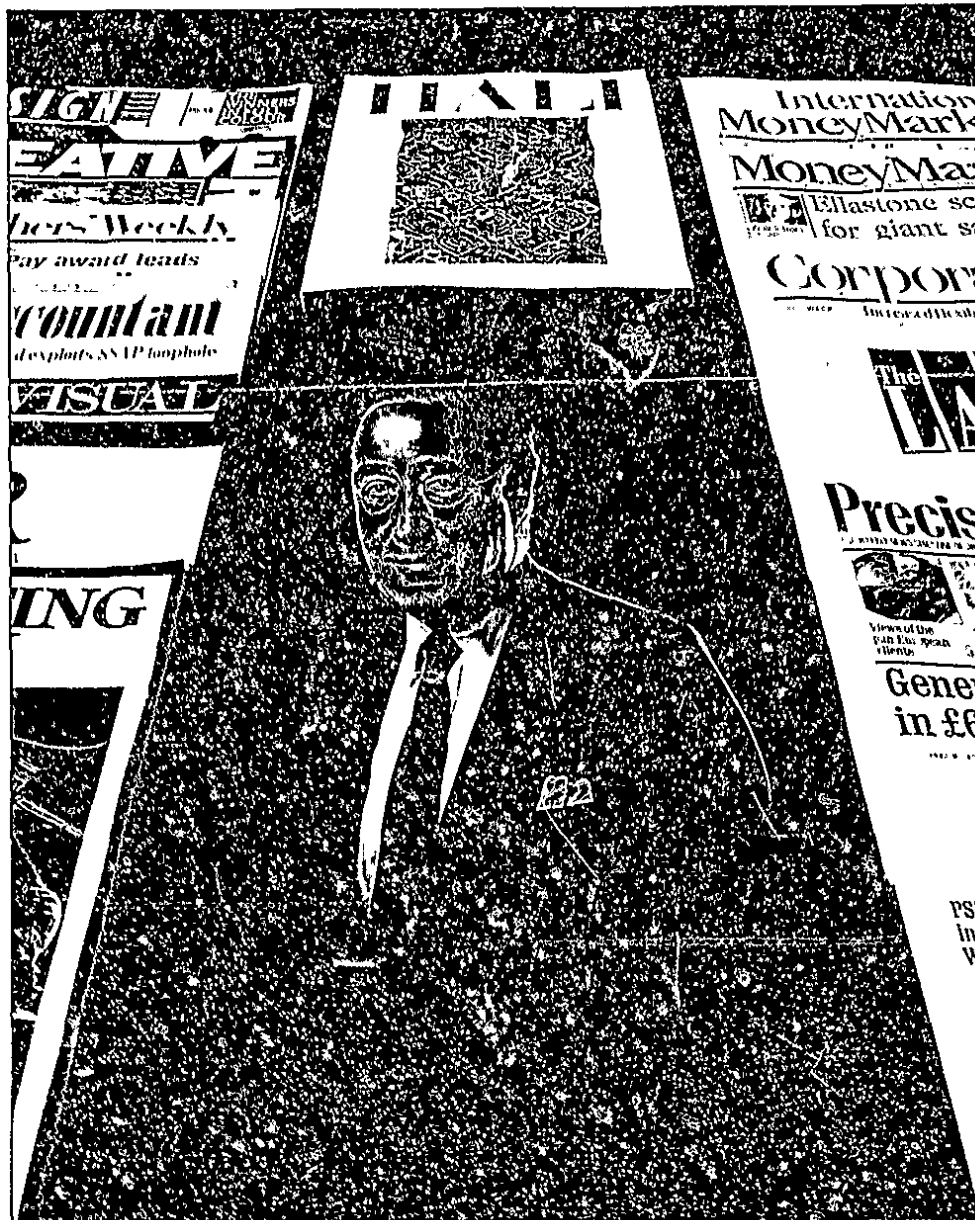
Valuation as at 31st December, 1989
Dm 4,378,000 (£1,604,339)

Cost of investment
Dm 2,579,450 (£867,197)

Located in Einbeck, near Hanover, the principal activities of Heidemann are the manufacture of special automotive components, electroplating and the assembly and distribution of bicycles.

In the year to 31st January, 1990 the preliminary management accounts indicate that Heidemann made profits before taxation of Dm 5.1 million on turnover of Dm 149.6 million. This compares with Dm 3.5 million and Dm 136.4 million in the previous year.

No dividends were received by Candover in the year to 31st December, 1989.



Graham Sherren, chief executive, Centaur

Centaur Communications

Valuation as at 31st December, 1989
£1,448,415

Cost of investment
£136,152

The principal activities of Centaur Communications are the publication of business journals and of home study language courses. Amongst titles currently published are Marketing Week, Creative Review, Design Week, Corporate Money, Money Marketing, New Accountant, The Lawyer and Precision Marketing. The language courses are published by the Linguaphone Institute.

In the year to 30th June, 1989 Centaur made profits before taxation of £5.1 million (1988 £3.6 million) on turnover of £27.8 million (1988 £17.9 million).

No dividends were received from Centaur in the year to 31st December, 1989.



John Crathorne,
managing director,
Stoves

Stoves

Valuation as at 31st December, 1989
£328,688

Cost of investment
£328,688

Stoves, Britain's only remaining independent gas cooker manufacturer, was formed in May 1989. The company, led by a management team comprising several well known figures from the cooker industry, purchased Yale and Valor's loss making cooker business based at Prescot, Merseyside in a combined management buy-in/buy-out.

No financial results are available as the company has not completed its first accounting period and no dividends were due to be paid in the period to 31st December, 1989.

Crabtree of Gateshead

Valuation as at 31st December, 1989
£794,900

Cost of investment
£277,000

The main activities of Crabtree are the design and manufacture of metal decorating and printing presses and coaters together with the sale of spare parts and ancillary equipment.

In the year ended 30th September, 1989 the company made profits before taxation of £1.3 million (1988 £0.6 million) on turnover of £16.2 million (1988 £10.0 million).

In the year ended 31st December, 1989 Candover received gross dividends of £14,773.

Thos. Storey

Valuation as at 31st December, 1989
£806,000

Cost of investment
£71,591

The principal activities of Thos. Storey are the manufacture, supply and erection of unit construction bridging and flotation systems. The company is the original manufacturer of the world famous Bailey Bridge which is still sold extensively throughout the Third World.

It has also provided a turnkey service in the design, manufacture and construction of access bridges and a wide variety of modular workboats and flotation equipment for the Canary Wharf development in London's Docklands.

In the year to 31st December, 1988, profits before tax were £1.77 million (1987 £1.2 million) on turnover of £14.6 million (1987 £13.0 million).

Candover received dividends of £18,772 in the year to 31st December, 1989 including a participating dividend of £12,098.

Report of the Directors

The directors present their report together with the financial statements for the year ended 31st December, 1989.

Principal activities

The group is engaged in the identification, investigation, implementation and monitoring of large management buy-outs in which it has always made an investment. Also, there are under management two funds; The Candover 1989 Fund which has £299 million committed for investment in transactions requiring equity in excess of £5 million together with a £20 million co-investment agreement with the company, and The Candover 1987 Fund which has £30 million committed for smaller transactions.

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

Results and review of business

The group profit for the financial year after taxation was £2,001,000 compared with £1,500,000 for the year ended 31st December, 1988. A review of the year and current prospects are set out in the Chairman's Statement.

Dividend and proposed transfer to reserves

The directors recommend the payment of a dividend amounting to 5p per ordinary share on 14th May, 1990 to holders on the register at the close of business on 23rd April, 1990.

After payment of dividend, the amount retained by the group in respect of the year ended 31st December, 1989 will be £433,000, which the directors propose to carry forward.

Directors

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

P G Wreford*
C R E Brooke
S W Curran
G D Fairservice
G A Elliot*
A P Hichens*
R A P King*
P J Scott Plummer*
J G West*

*Non-executive

H A Hicks deceased on 4th January, 1989 and M C Stoddart retired on 4th May, 1989.

A P Hichens was appointed as a director on 1st December, 1989 and, in accordance with the Articles of Association, he retires and offers himself for re-election. Mr Hichens does not have a service contract.

Directors' interests

The interests of the directors in the ordinary shares of the company are detailed below. Where appropriate shareholdings have been adjusted for the 2 for 1 capitalisation issue in May, 1989:

	31st December 1989	1st January 1989
BENEFICIAL		
P G Wreford	156,000	205,500
C R E Brooke	1,500,000	1,710,000
S W Curran	639,708	640,708
G D Fairservice	165,000	160,500
P J Scott Plummer	12,000	13,500
J G West	1,500	1,500
NON-BENEFICIAL		
C R E Brooke	408,000	408,000

In the period between 31st December, 1989 and 9th March, 1990 there were no changes in these holdings.

Mr Brooke, Mr Curran and Mr Fairservice each have options to subscribe for 12,795 shares. These options are exercisable after 28th October, 1990 at 114p per share.

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

Substantial shareholders

The company has been notified of the following interests in excess of 5% of the issued share capital of the company at 9th March, 1990.

Globe Investment Trust PLC	15.9%
Electra Investment Trust PLC	13.7%
C R E Brooke (including non-beneficial)	8.6%
The Scottish Eastern Investment Trust PLC	7.8%
The Prudential Assurance Company Limited	6.7%
The British Petroleum Pension Trust Limited	6.1%
The Fleming Enterprise Investment Trust PLC	5.1%

Political and charitable donations

During the year £10,900 was given for charitable purposes.

Annual General Meeting

The Annual General Meeting of the company will be held on 1st May, 1990 at 12 noon at the Howard Hotel, Temple Place, London WC2; the Notice of Meeting appears on page 36.

As in previous years, a Special Resolution will be proposed at the Annual General Meeting renewing the authority of the directors to issue shares in the company. This resolution, which is proposed in accordance with section 95 of the Companies Act 1985, will, if passed, empower the directors to make issues of such shares to existing shareholders, up to a maximum of 5% of the authorised share capital of the company.

Auditors

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

Tax status

The Board of Inland Revenue has approved the company as an investment trust, under section 842 of the Income and Corporation Taxes Act 1988, for the year ended 31st December, 1987.

In the opinion of the directors the company's affairs since that date have been conducted so as to enable it to continue to seek approval as an investment trust. In addition, they are of the opinion that the company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

By Order of the Board

S M Alexander

Secretary

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

29th March, 1990



Accounting Policies

for the year ended 31st December, 1989

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

The principal accounting policies of the group have remained unchanged from the previous year and are set out below.

Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiaries (see note 10). The financial statements of each company in the group have been prepared to 31st December, 1989. The results of subsidiaries have been included from the date of acquisition.

An associate is defined as an entity, not being a subsidiary, in which the group has substantial and long-term interest and over whose financial and operating policy decisions the group is in a position to exercise significant influence. The group's share of the profits of the associates is included in the group profit and loss account. The group balance sheet includes the investment in the associates at the group's share of net assets. The company balance sheet shows the investment in the associates at cost.

Particulars of the group's and company's holdings in associates are set out in note 11.

Income

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

Deferred expenditure

Placement fees incurred in the establishment of The Candover 1989 Fund have been carried forward in current assets and will be written off over five years.

Depreciation

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

The periods generally applicable are:

Plant and equipment	2-5 years
Motor vehicles	4 years

Investments

Listed investments are valued at middle market quotations derived from The Stock Exchange Daily Official List. Unquoted investments are included at directors' valuation.

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

Investments held as current assets are held at the lower of cost and not realisable value to the relevant subsidiary company. Profits and losses on realisation are dealt with through the profit and loss account.

Shares in subsidiary companies are maintained at cost less provisions.

Deferred taxation

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

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

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Balance sheets and profit and loss accounts of overseas companies are also translated at the rates of exchange ruling at the balance sheet date. Where exchange differences result from the translation into sterling of foreign currency resources to be used for further investment, they are taken to the realised and unrealised net appreciation reserves. All other exchange differences are dealt with through the profit and loss account.

Group Profit and Loss Account

for the year ended 31st December, 1989

	Notes	1989 £'000	1988 £'000
Income	1	5,628	3,460
Administrative expenses	2	(3,048)	(1,761)
Operating income		2,580	1,699
Share of profits of associates	11	423	461
Profit before interest		3,003	2,160
Interest payable and similar charges	3	(18)	(28)
Profit on ordinary activities before tax		2,985	2,132
Tax on profit on ordinary activities			
Group	4	(978)	(622)
Associate		(8)	(10)
		(984)	(632)
Profit for the financial year	5	2,001	1,500
Dividends	6	(1,568)	(982)
Profit retained	17	433	518
Earnings per share	7		
Basic		9.03p	6.90p
Fully diluted		8.75p	6.57p

The accounting policies on page 21 and notes on pages 26 to 34 form part of these financial statements.

Group Balance Sheet

at 31st December, 1989

	Notes	1989 £'000	1988 £'000
Fixed assets			
Tangible assets	8	226	123
Investments	9	25,992	22,105
Associates	11	45	190
		<u>26,263</u>	<u>22,424</u>
Current assets			
Debtors	12	6,240	1,098
Investments	13	21,388	12,725
Cash at bank		115	83
		<u>27,752</u>	<u>13,906</u>
Creditors: due within one year	14	(4,106)	(1,875)
Net current assets		<u>23,646</u>	<u>12,031</u>
Total assets less current liabilities		<u>49,909</u>	<u>34,455</u>
Provisions for liabilities and charges	15	(817)	(45)
		<u>49,092</u>	<u>34,410</u>
Capital and reserves			
Called up share capital	16	5,554	1,817
Share premium account	17	16	53
Capital reserve	17	—	1,076
Realised net appreciation reserve	17	30,503	21,610
Unrealised net appreciation reserve	17	11,647	8,915
Profit and loss account	17	1,372	939
		<u>49,092</u>	<u>34,410</u>

The financial statements were
approved by the Directors
on 29th March, 1990

P G Wreford
P G Wreford
Chairman

C R E Brooke
C R E Brooke
Chief Executive

The accounting policies on page 21 and notes on pages 26 to 34 form part of these financial statements.

Balance Sheet

at 31st December, 1989

	Notes	1989 £'000	1988 £'000
Fixed assets			
Investments	9	27,632	22,972
Associate	11	<u>1</u>	<u>1</u>
		27,633	22,973
Current assets			
Debtors	12	3,083	416
Investments	13	20,211	12,273
Cash at bank		<u>70</u>	<u>49</u>
		23,373	12,738
Creditors: due within one year	14	<u>(2,531)</u>	<u>(1,807)</u>
Net current assets		<u>20,842</u>	<u>10,931</u>
Total assets less current liabilities		48,475	33,904
Provisions for liabilities and charges	15	<u>(113)</u>	<u>(45)</u>
		<u>48,362</u>	<u>33,859</u>
Capital and reserves			
Called up share capital	16	5,554	1,817
Share premium account	17	16	53
Capital reserve	17	—	1,076
Realised net appreciation reserve	17	29,907	21,040
Unrealised net appreciation reserve	17	12,116	9,476
Profit and loss account	17	<u>769</u>	<u>397</u>
		<u>48,362</u>	<u>33,859</u>

The financial statements were
approved by the Directors
on 29th March, 1990

P G Wreford

P G Wreford
P G Wreford
Chairman

C R E Brooke

C R E Brooke
Chief Executive

The accounting policies on page 21 and notes on pages 26 to 34 form part of these financial statements.

Source and Application of Funds

for the Group for the year ended 31st December, 1989

	1989 £'000	1988 £'000
Source of Funds		
From operations		
Profit on ordinary activities before tax	2,085	2,132
Adjustments for items not involving the movement of funds		
Depreciation	66	48
Profit on sale of tangible fixed assets	(11)	(10)
Exchange differences	18	(5)
Share of profits of associates	(423)	(461)
	<u>(350)</u>	<u>(428)</u>
	2,035	1,704
From other sources		
Proceeds of disposals of tangible fixed assets	28	18
Proceeds of disposals of fixed asset investments	14,870	8,670
Dividends from associates	568	335
Issue of share capital	333	22
	<u>15,807</u>	<u>9,045</u>
	16,442	10,749
Application of Funds		
Dividends paid	1,184	689
Tax paid	272	328
Purchase of tangible fixed assets	186	72
Purchase of fixed asset investments	4,067	3,457
Tax deducted at source on investment income	194	176
	<u>6,703</u>	<u>4,722</u>
Net inflow of funds	<u>11,739</u>	<u>6,027</u>
Increase/(decrease) in working capital		
Debtors	5,211	(1,069)
Creditors:		
amounts falling due within one year	<u>(2,167)</u>	<u>254</u>
	3,044	(814)
Net liquid funds		
Current asset investments	8,663	6,801
Cash at bank and in hand	32	40
	<u>8,695</u>	<u>6,841</u>
Net increase in working capital	<u>11,739</u>	<u>6,027</u>

Notes to the Financial Statements

for the year ended 31st December, 1989

	1989 £'000	1988 £'000
Financial services	283	902
Investment dealing	135	453
Investment management fees	2,077	245
	<u>2,495</u>	<u>1,600</u>
Investment income		
Income from fixed asset investments	1,140	1,101
Income from Treasury bills	1,549	536
Other income receivable, arising on short-term deposits and loans	444	223
	<u>3,133</u>	<u>1,860</u>
	<u>5,628</u>	<u>3,460</u>

Of the income from fixed asset investments £266,000 arose from listed investments (1988 £173,000). Income from financial services originated wholly from the United Kingdom.

Administrative expenses	Administrative expenses include the following:	1989 £'000	1988 £'000
	Staff costs	1,133	1,053
	Depreciation	66	48
	Auditors' remuneration	22	20
	Staff costs during the year were:		
	Salaries	915	865
	Social security	85	80
	Pension costs	133	108
		<u>1,133</u>	<u>1,053</u>

The average number of employees of the group during the year was 14 (1988 13).

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

	1989 £'000	1988 £'000
Directors' fees	93	87
Management remuneration	537	514
	<u>630</u>	<u>601</u>

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

	1989 £'000	1988 £'000
The chairman	39	30
The highest paid director	193	193
Other directors:	1989 Number	1988 Number
£ 1 to £ 5,000	2	2
£ 5,001 to £ 10,000	—	1
£ 10,001 to £ 15,000	4	4
£110,001 to £115,000	1	1
£150,001 to £155,000	—	1
£160,001 to £165,000	1	—
Highest paid employees:	1989 Number	1988 Number
£50,001 to £55,000	—	1
£55,001 to £60,000	1	—
£60,001 to £65,000	2	1
£65,001 to £70,000	1	2

Notes to the Financial Statements-continued

3 Interest payable and similar charges		1989 £'000	1988 £'000
	On bank loans, overdrafts and other loans		
	—repayable within 5 years		
	otherwise than by instalments	18	28

4 Tax on profit on ordinary activities	The taxation charge is based on profit for the year and is made up as follows:	1989 £'000	1988 £'000
	United Kingdom corporation tax at 35% (1988 35%)	—	485
	Deferred tax (note 15)	772	15
	Tax attributable to franked investment income	194	176
	Overseas tax	13	—
	Adjustments relating to prior years	(1)	(54)
		978	622

The Board of Inland Revenue has approved the company as an investment trust, under section 842 of the Income and Corporation Taxes Act 1988, for the year ended 31st December, 1987. In the opinion of the directors, the company's affairs since that date have been conducted so as to enable it to continue to seek approval as an investment trust.

5 Profit for the year	As permitted by section 228(7) of the Companies Act 1985 the company has not included its own profit and loss account in these financial statements. The group profit for the year includes £1,940,000 (1988 £1,139,000) which is dealt with in the financial statements of the holding company.
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6 Dividends		1989 £'000	1988 £'000
	Paid interim of 2p (1988 1.17p)	457	255
	Proposed final of 5p (1988 3.33p)	1,111	727
		1,568	982

7 Earnings per share	The calculation of basic earnings per ordinary share is based on profit for the financial year of £2,001,000 (1988 £1,500,000) and a weighted average number of shares of 22,159,179 following adjustment for the capitalisation issue in May, 1989. The earnings per share for 1988 have been adjusted accordingly. The calculation of fully diluted earnings per share takes account of the share options.
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Notes to the Financial Statements—continued

8 Tangible fixed assets

	Total £'000	Plant and equipment £'000	Motor vehicles £'000
Group			
Cost			
At 1st January, 1989	243	111	132
Additions	186	62	124
Disposals	(49)	—	(49)
At 31st December, 1989	380	173	207
Depreciation			
At 1st January, 1989	120	70	50
Provided in the year	66	22	44
Disposals	(32)	—	(32)
At 31st December, 1989	154	92	62
Net book amount at 31st December, 1989	226	81	145
Net book amount at 31st December, 1988	123	41	82

9 Fixed asset investments

Group	£'000
Valuation at 1st January, 1989	22,105
Additions at cost	4,867
Disposals	(11,053)
Appreciation	10,073
Valuation at 31st December, 1989	25,992
Reconciliation	
Cost of investments	15,642
Net unrealised appreciation of investments	10,350
	25,992

At 31st December, 1989 downward adjustments of £4,000,000 had been made against investments with original cost of £7,001,000

Investments at valuation include:

	1989 £'000	1988 £'000
UK		
Listed	7,049	6,285
Unquoted at directors' valuation	11,237	9,414
Europe		
Listed	—	882
Unquoted at directors' valuation	3,942	2,759
US		
Listed	254	349
Unquoted at directors' valuation	3,510	2,416
	25,992	22,105

Notes to the Financial Statements-continued

Fixed asset
investments
continued

Company	Shares in group companies (note 10) £'000	Investments £'000	Total £'000
Valuation at 1st January, 1989	2,160	20,812	22,972
Additions at cost	850	4,867	5,717
Disposals	—	(11,040)	(11,040)
Release of provision against subsidiary	16	—	16
Appreciation	—	9,967	9,967
Valuation at 31st December, 1989	3,026	24,606	27,632
Reconciliation			
Cost of investments	3,026	14,219	17,245
Net unrealised appreciation of investments	—	10,387	10,387
	3,026	24,606	27,632

At 31st December, 1989 downward adjustments of £3,308,000 had been made against investments with original costs of £5,884,000.

Investments at valuation include:	1989 £'000	1988 £'000
UK		
Listed	7,049	6,285
Unquoted at directors' valuation	11,237	9,414
Europe		
Listed	—	882
Unquoted at directors' valuation	3,942	2,759
US		
Listed	174	230
Unquoted at directors' valuation	2,204	1,242
	24,606	20,812

At 31st December, 1989 the company had interests of more than 10 per cent. in nominal value of the allotted share capital in the following classes but did not have interests of more than 20 per cent. in nominal value of the total allotted share capital of any company concerned. This table also incorporates percentage interests in the relevant class of share capital owned in the company's ten largest investments by valuation.

Companies incorporated in Great Britain	Class of shares held	Percentage of class held
Berkertex Holdings Limited	'A' Ordinary	14.16
	Cumulative convertible participating preferred ordinary	12.75
Bishopcross Limited	Cumulative convertible participating preferred ordinary	32.50
	Cumulative redeemable preference	25.00
Centaur Communications Limited	Ordinary	1.97
Crabtree of Gateshead Limited	Cumulative convertible participating preferred ordinary	26.75
	Cumulative redeemable preference	20.00
Fenland Sheepskin Company Limited	'B' Ordinary	21.58
Hays plc	Ordinary	0.63
Karabluo Limited	'B' Ordinary	20.00
Kenwood Limited	Cumulative convertible participating preferred ordinary	6.27
	Cumulative redeemable preference	6.27
LCE Holdings Limited	Cumulative convertible participating preferred ordinary	17.02
	Cumulative redeemable preference	10.61

continued

Notes to the Financial Statements—continued

Fixed asset investments continued	Companies incorporated in Great Britain	Class of shares held	Percentage of class held
	Lowndes Lambert Group Holdings Limited	Cumulative convertible participating preferred ordinary	12.96
	Motor World Group Limited	Cumulative redeemable preference	5.00
	Motor World Group Limited	Cumulative convertible participating preferred ordinary	10.90
	Partec Group Limited	Cumulative redeemable preference	10.00
	Rechem Environmental Services plc	Ordinary	1.32
	Stoves Limited	Cumulative convertible participating preferred ordinary	19.12
	Tallent Holdings Limited	Cumulative convertible participating preferred ordinary	11.25
	Thos. Storey Limited	Cumulative convertible participating preferred ordinary	11.5
	United Wine Producers Limited	Cumulative convertible participating preferred ordinary	23.03

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

Companies incorporated in other than Great Britain	Class of shares held	Percentage of class held
Agridata Resources, Inc (State of Wisconsin)	'A' Common	21.53
Allied Filmmakers NV (Netherlands Antilles)	'A' Preferred	14.16
Allied Filmmakers NV (Netherlands Antilles)	Common B	10.41
Alupac, Inc (State of Delaware)	Preferred	10.96
Alupac, Inc (State of Delaware)	Convertible preferred stock	22.60
Ciclad SA (France)	'A'	90.00
Five Star Holdings, Inc (Liberia)	Common	20.00
Heidenmann Verwaltungs GmbH (Federal Republic of Germany)	Ordinary	9.62
RTA Rotations Tiefdruck GmbH (Federal Republic of Germany)	Ordinary	10.18
Tekna, Inc (State of Delaware)	'A' Convertible preferred	10.00
The Topps Company, Inc (State of Delaware)	Common	0.23
Valley Data Sciences, Inc (State of California)	'A' Preferred	10.88

At 31st December, 1989 the company had interests of more than 10 per cent. in nominal value of the allotted share capital in the following classes and had interests of more than 20 per cent. in nominal value of the allotted share capital of the company concerned. The directors do not consider these companies to fall within the definition of associates given in the Accounting Policies on page 21. Dividends received during the year from these companies are included in the consolidated profit and loss account and such holdings at the year end are included in the balance sheet at directors' valuation.

Companies incorporated in Great Britain	Class of shares held	Percentage of class held
Golden Key Homes Limited	Cumulative convertible participating preferred ordinary	36.00
	Cumulative redeemable preference	33.33
Companies incorporated in other than Great Britain	Class of investments held	Percentage of class held
LCB Candover GmbH (Federal Republic of Germany)	Ordinary	40.00
	Loan capital	40.00
VCI Candover Management BV (The Netherlands)	Ordinary	30.00
	Loan capital	30.00

Notes to the Financial Statements—continued

10 Subsidiary companies

At 31st December, 1989 the principal subsidiaries were:

	Nature of business	Issued share capital
Candover Services Limited*	Arrangement of investment syndications	£1,600,000
Candover Realisations Limited	Investment dealing company	£100
Candover Investments (West Indies) Inc.*	Investment holding company	US\$1,992
Candover (Trustees) Limited*	Nominee Company	£100
Candover Nominees Limited*	Nominee Company	£100
Candover Partners Limited	General Partner in The Candover 1989 Fund	£850,000

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

*Wholly owned directly by the holding company.

11 Associates

The group and the company had an interest in more than 20% of the following entities.

	Class of share capital held	Proportion held by holding company	Proportion held by subsidiary	Nature of business
Hoare Candover Limited	Ordinary shares	50%	—	Management of the Hoare Candover Exempt Fund
Electra Candover Partners	Partnership	—	33 1/3%	Management of the £260 million Electra Candover Direct Investment Plan

Hoare Candover Limited is incorporated in Great Britain and registered in England; both are operational in England. Electra Candover Partners' accounting reference period is 30th September.

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

	Group share of net assets £'000	Company shares at cost £'000
Cost at 1st January, 1989	21	1
Share of post-acquisition reserves	24	—
	<u>45</u>	<u>1</u>

12 Debtors

	Group		Company	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Due within one year:				
Trade debtors	285	117	—	—
Amount owed by associate	7	—	7	—
Other debtors	2,522	275	2,353	144
Prepayments and accrued income	<u>1,083</u>	<u>582</u>	<u>353</u>	<u>148</u>
	3,897	974	2,713	292
Due after more than one year:				
Other debtors	370	124	370	124
Prepayments and accrued income	<u>1,982</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total debtors	<u>6,249</u>	<u>1,098</u>	<u>3,083</u>	<u>416</u>

During the year, a subsidiary company advanced funds under the Candover staff co-investment scheme to an officer of the company. £10,074 remains payable at 31st December, 1989 (1988 £7,759).

Notes to the Financial Statements-continued

13 Current asset investments

	Group		Company	
	1989	1988	1989	1988
	£'000	£'000	£'000	£'000
Listed investments	195	4	—	—
Unquoted investments	21,193	12,721	20,211	12,273
	<u>21,388</u>	<u>12,725</u>	<u>20,211</u>	<u>12,273</u>

Unquoted investments consist mainly of short-term deposits and Treasury bills. The market value of the listed investments was £ 8,000 (1988 £4,000).

14 Creditors: due within one year

	Group		Company	
	1989	1988	1989	1988
	£'000	£'000	£'000	£'000
Amounts owed to group companies	—	—	900	660
Current taxation	466	540	466	350
Social security and other taxes	155	77	—	—
Proposed dividends	1,111	727	1,111	727
Other creditors	442	197	8	8
Accruals and deferred income	1,932	334	46	62
	<u>4,106</u>	<u>1,875</u>	<u>2,531</u>	<u>1,807</u>

15 Provisions for liabilities and charges

	Group		Company	
	1989	1988	1989	1988
	£'000	£'000	£'000	£'000
Deferred taxation				
At 1st January	45	30	45	30
Increase in year	772	15	68	15
At 31st December	<u>817</u>	<u>45</u>	<u>113</u>	<u>45</u>
Deferred taxation provided for in the financial statements is set out below.				
Accelerated capital allowances	—	7	—	—
Other timing differences	1,524	45	113	45
	<u>1,524</u>	<u>52</u>	<u>113</u>	<u>45</u>
Less: trading losses	(707)	(7)	—	—
	<u>817</u>	<u>45</u>	<u>113</u>	<u>45</u>

16 Share capital

	1989	1988
	£'000	£'000
Authorised		
29,000,000 ordinary shares of 25p each (1988 9,540,000)	<u>7,250</u>	<u>2,385</u>
Allotted, called up and fully paid:		
Ordinary shares of 25p each	Number	£'000
At 1st January, 1989	7,267,000	1,817
Capitalisation issue in year	14,786,200	3,697
Issued during the year on exercise of options	161,100	40
At 31st December, 1989	<u>22,214,300</u>	<u>5,554</u>

In May 1989 the sum of £3,697,000 to the credit of the share premium account, the capital reserve and the realised net appreciation reserve of the company was capitalised by the issue of 14,786,200 ordinary shares of 25p each, credited as fully paid. The new ordinary shares were issued and allotted in the proportion of two new ordinary shares of 25p, credited as fully paid, for each existing ordinary share of 25p. The issue was made to improve the marketability of the company's shares.

The company has granted options to certain directors and employees in respect of 345,000 ordinary shares which are exercisable at the following prices and dates.

Price	Exercisable after	Price	Exercisable after	Price	Exercisable after
71.55p	14th January, 1989	84.07p	24th March, 1990	113.89p	28th October, 1990
81.67p	21st April, 1989	100.67p	5th June, 1990	137.44p	6th October, 1991

Notes to the Financial Statements—continued

17 Reserves

Group

	Share premium account £'000	Capital reserve £'000	Realised not appreciation reserve £'000	Unrealised not appreciation reserve £'000	Profit and loss account £'000
At 1st January, 1989	53	1,076	21,610	8,915	939
Premium on shares issued in year	293	—	—	—	—
Surplus on investments revaluation	—	—	—	—	—
Investments realised in year	—	—	—	10,073	—
Capitalisation issue in year	—	—	11,114	(7,289)	—
Exchange differences	(330)	(1,076)	(2,291)	—	—
Retained profit for year	—	—	70	(52)	—
At 31st December, 1989	16	—	30,503	11,647	433
					1,372
Company					
At 1st January, 1989	£'000	£'000	£'000	£'000	£'000
Premium on shares issued in year	53	1,076	21,040	9,476	397
Surplus on investments revaluation	293	—	—	—	—
Investments realised in year	—	—	—	9,967	—
Capitalisation issue in year	—	—	11,158	(7,327)	—
Retained profit for year	(330)	(1,076)	(2,291)	—	—
At 31st December, 1989	16	—	29,907	12,116	372
					769

18 Capital
commitments

The directors have authorised a commitment of £20 million which will be invested pro rata and in parallel with the Candover 1989 Fund, an equity investment fund organised by the company to participate in management or leveraged buy-outs of unquoted and quoted companies within the UK and Western Europe.

The company is liable to purchase at an original cost of £20,000 certain investments made by the Hoare Candover Exempt Fund, representing 7½ per cent. of that fund's equity shareholding in investee companies, within five years from completion of the investment or at the time of termination of that fund, whichever is earlier.

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

The company has committed US\$4.5 million (£2.8 million) to the Lombard Direct Investment Plan. The Plan is a vehicle for institutional investors whose main objective will be to create capital growth by investing in management buy-outs and buy-ins in the USA.

At 31st December, 1989 the directors had authorised investments of £309,000 and £232,000 in Allenwest Limited and Heidemann Verwaltungs GmbH respectively. The investments were made in January, 1990.

19 Contingent
liabilities

Pursuant to a sale agreement dated 30th July, 1987 between, amongst others, the company, Builders Mate Limited and Wickes plc, certain undertakings have been given which may give rise to liabilities payable by the company. However, the directors consider the possibility that these liabilities will crystallise as remote.

Notes to the Financial Statements-continued

- 20 Pension commitments The group contributes towards a number of funded defined contribution pension schemes designed to provide retirement benefits for its directors and employees. The assets of the schemes are held separately from the group in independently administered funds. The pension cost charge represents contributions by the group to the schemes in respect of the accounting period and amounted to £133,000 (1988 £108,000).
Contributions totalling £30,625 (1988 £61,108 prepaid) were payable to the schemes at the year end and are included in creditors.

- 21 Co-investment by directors During the year certain directors of the company have invested in companies in which Candover Investments plc has also made an investment. The following disclosures are made in accordance with Class 4 regulations of The Stock Exchange.

	Equity investments in companies:	
	subscribed in year	percentage (of class) held by the directors
	£	%
Alupac	15	0.25
Asquith Court	294	0.65
BPCC	4,786	0.02
LCE Holdings	1,071	1.07
Motor World	27	0.90
SG Industries	579	1.32
Stoves	2,072	1.38
Tallent Holdings	4,462	0.89

Report of the Auditors

to the Members of Candover Investments plc

We have audited the financial statements on pages 21 to 34 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31st December, 1989 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

London

Grant Thornton

Grant Thornton

29th March, 1990

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Candover Investments plc will be held at The Howard Hotel, Temple Place, London WC2 on 1st May, 1990 at 12 noon for the following purposes:

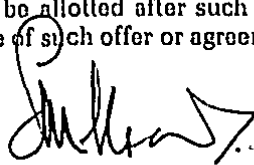
- 1 To receive the Report of the Directors and the audited financial statements for the year ended 31st December, 1989.
- 2 To declare a final dividend of 5p per share on the ordinary shares in respect of the year ended 31st December, 1989.
- 3 To re-elect A P Hichens as a Director of the Company.
- 4 To re-appoint Messrs Grant Thornton, Chartered Accountants, as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.

5 To consider, and if thought fit, pass the following Resolution which will be proposed as a Special Resolution:

"That the Directors be and are hereby given power pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 89 of the said Act) pursuant to the authority conferred by resolution passed at the Annual General Meeting of the Company held on 4th May, 1989 as if section 89(1) of the said Act did not apply to any such allotment provided that this power shall be limited:

- (i) to the allotment of equity securities for the purpose of or in connection with a rights issue in favour of the holders of ordinary shares (notwithstanding that by reason of such exclusions or other arrangements as the Directors may deem necessary or desirable by virtue of overseas regulations or to deal with problems arising in any overseas territory or in connection with fractional entitlements or record dates or otherwise howsoever, the equity securities to be allotted are not offered to all such holders in proportion to the number of ordinary shares held by each of them); and
- (ii) to the allotment of equity securities (otherwise than pursuant to sub-paragraph (i) above) up to an aggregate nominal amount equal to £277,678;

and shall expire at the conclusion of the next Annual General Meeting of the Company to be held after the conclusion of the Meeting at which this Resolution is passed save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired."



S M Alexander

Secretary

29th March, 1990

NOTES

Every member entitled to attend and vote at the above Meeting may appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. Forms of proxy must be lodged not less than 48 hours before the Meeting.

Copies of service contracts of the Directors with the Company and its subsidiaries which are

of more than one year's duration will be available for inspection at the registered office during the business hours on any weekday (excluding Saturdays and public holidays) from the date of this Notice until the date of the Annual General Meeting and at the venue of that Meeting from 11.45 a.m. on 1st May, 1990 until the conclusion of the Meeting.